

NOTICE OF SALE

\$3,612,000

CITY OF GLOUCESTER CITY

County of Camden, New Jersey

GENERAL OBLIGATION BONDS, SERIES 2018

Consisting of:

\$2,708,000 General Improvement Bonds

\$904,000 Water & Sewer Utility Bonds

(Bank Qualified) (Callable)

(Book-Entry-Only)

ELECTRONIC PROPOSALS will be received via the BiDCOMP[®]/Parity[®] Electronic Competitive Bidding System ("PARITY") of i-Deal LLC ("i-Deal") in the manner described below, until 11:00 a.m. (Eastern), on

April 11, 2018

at which time they will be publicly announced for the purchase of the following bonds (collectively, the "Bonds"), due on February 15, as follows:

<u>Year</u>	<u>General Capital</u>	<u>Water/Sewer Utility</u>	<u>Total Amount</u>	<u>Year</u>	<u>General Capital</u>	<u>Water/Sewer Utility</u>	<u>Total Amount</u>
2019	\$193,000	\$34,000	\$227,000	2030	\$265,000	\$45,000	\$310,000
2020	200,000	30,000	230,000	2031	0	45,000	45,000
2021	200,000	30,000	230,000	2032	0	45,000	45,000
2022	205,000	35,000	240,000	2033	0	50,000	50,000
2023	215,000	35,000	250,000	2034	0	50,000	50,000
2024	220,000	35,000	255,000	2035	0	50,000	50,000
2025	225,000	35,000	260,000	2036	0	55,000	55,000
2026	235,000	35,000	270,000	2037	0	55,000	55,000
2027	240,000	40,000	280,000	2038	0	60,000	60,000
2028	250,000	40,000	290,000	2039	0	60,000	60,000
2029	260,000	40,000	300,000				

The Bonds will be dated their date of delivery and bear interest at the rates per annum specified by the successful bidder therefor, payable semiannually on February 15 and August 15 in each year until maturity or earlier redemption, commencing on August 15, 2018. The Bonds are subject to optional redemption as set forth in the Preliminary Official Statement (defined below).

Upon initial issuance, the Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds and be responsible for maintaining a book-entry system for recording the interests of its participants or the transfers of interests among its participants. Individual purchases may be made in the principal amount of \$5,000 or any integral multiple thereof through book entries made on the books and records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interest in the Bonds, but each book-entry bondholder will receive a credit balance on the books of its nominee. For additional information, see "THE BONDS -- Book-Entry-Only System" in the preliminary official statement described below ("Preliminary Official Statement").

The City has prepared a Preliminary Official Statement in connection with the sale of the Bonds which it has deemed "final" as of its date for purposes of paragraph (b)(1) of Rule 15c2-12, as amended ("Rule 15c2-12") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, except for certain omissions permitted thereunder. Within seven (7) business days of the sale of the Bonds, and in sufficient time to accompany any confirmation that requests payment from a customer, the City will deliver a sufficient number of copies of the final official statement ("Official Statement") to the purchaser in order for the same to comply with Paragraph (b)(4) of Rule 15c2-12.

The Preliminary Official Statement is available for viewing in electronic format through the internet facilities of Bowman & Company LLP. Bowman & Company's web address is www.govdebt.net ("Site"). In addition, broker dealers registered with the National Association of Securities Dealers ("NASD") and dealer banks with DTC clearing arrangements may either: (i) print out a copy of the Preliminary Official Statement by their own means; or (ii) at any time prior to April 11, 2018, elect to receive a printed copy of the Preliminary Official Statement in the mail by requesting the same on the Bowman & Company web site or by calling the City's Bond Counsel, Parker McCay P.A. ("Bond Counsel"), 9000 Midlantic Drive, Suite 300, Mount Laurel, New Jersey 08054. Calls should be directed to Alexis B. Batten, Esquire at (856) 985-4067. In order to view, print a copy or request a copy of the Preliminary Official Statement from the Bowman & Company web site, please visit www.govdebt.net. Bidders may log-in to access electronic viewing and delivery. Once logged-in to the Site, bidders must follow the applicable instructions and prompts to access the Preliminary Official Statement. All bidders must review the Preliminary Official Statement and certify that they have done so prior to participating in the bidding.

The Preliminary Official Statement also contains information relating to, *inter alia*, the City's \$4,590,000 Taxable General Obligation Bonds of 2018 ("Taxable Bonds"). Bidders shall *not* be required to submit a proposal for the purchase of the Taxable Bonds when submitting a proposal for the purchase of the Bonds. The submission of a bid for the purchase of the Bonds does not and shall not constitute a proposal for the purchase of the Taxable Bonds. The specifications for and form of proposal for the purchase of the Taxable Bonds are set forth in a separate Notice of Sale prepared and delivered under separate cover.

In accordance with the requirements of Rule 15c2-12, the City will, prior to the issuance of the Bonds, enter into an agreement substantially in the form set forth in Appendix "D" to the Preliminary Official Statement ("Disclosure Agreement").

The City will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended ("Code").

BID SPECIFICATIONS

Each **ELECTRONIC PROPOSAL** for the Bonds must be submitted to PARITY in accordance with this notice, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, including any fee charged, potential bidders may contact BiDCOMP®/PARITY®, 1359 Broadway, Second Floor, New York, New York 10018, (212) 849-5021. The City may, but is not obligated

to, acknowledge its acceptance in writing of any bid submitted electronically via PARITY. In the event that a bid for the Bonds is submitted via PARITY, the bidder further agrees that:

1. If a bid submitted electronically by PARITY is accepted by the City, the terms of this Notice of Sale and the information that is electronically transmitted through PARITY shall form a contract, and the successful bidder shall be bound by the terms of such contract.

2. PARITY is not an agent of the City, and the City shall have no liability whatsoever based on any bidder's use of PARITY, including but not limited to any failure by PARITY to correctly or timely transmit information provided by the City or information provided by the bidder.

3. The City may choose to discontinue use of electronic bidding via PARITY by issuing a notification to such effect via TM3 News Services, or by other available means, no later than 3:00 p.m. (Eastern Time) on the last business date prior to the bid date set forth above.

4. Once the bids are communicated electronically via PARITY to the City as described above, each bid will constitute an official "Proposal for Bonds" and shall be deemed to be an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale. For purposes of submitting electronic bids, the time as maintained on PARITY shall constitute the official time.

5. Each bidder shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the City nor i-Deal shall have any duty or obligation to provide or assure to any bidder, and neither the City nor i-Deal shall be responsible for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The City is using PARITY as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Bonds. By using PARITY, each bidder agrees to hold the City harmless for any harm or damages caused to such bidder in connection with its use of PARITY for bidding on the Bonds.

Each proposal must specify in a multiple of 1/8th or 1/20th of 1%, a single rate of interest which each maturity of the Bonds are to bear. Not more than one rate of interest may be named for Bonds of the same maturity. No rate of interest named for any maturity may be less than the rate of interest named for a prior maturity, and the difference between the highest and the lowest rates of interest named in the proposal shall not exceed three percent (3%). No proposal shall be considered that offers to pay an amount less than the principal amount of Bonds offered for sale or under which the total loan is made at an interest cost higher than the lowest net interest cost to the City under any legally acceptable proposal.

The Bonds will be sold to the bidder who, after having complied with the terms of this Notice of Sale, offers the lowest net interest cost for the Bonds. The net interest cost shall be computed in each instance by adding to the total amount of Bonds bid for, the total interest cost to maturity in accordance with such bid. Proposals may not include any premium. If two (2) or more bidders specify the same lowest net interest cost, then to one of such bidders selected by the undersigned by lot. The purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. The City reserves the right to reject all bids and any bid not complying with the terms of this Notice of Sale.

Each bidder is required to make a good faith deposit ("Deposit") in the form of a cash wire or a certified, cashier's or treasurer's check in the amount of **\$72,240**, payable to the order of "The City of Gloucester City, in the County of Camden, New Jersey". If a cash wire is used, the wire must be received by the City no later than **11:00 A.M.** on **WEDNESDAY, APRIL 11, 2018**. Wiring instructions can be obtained by contacting Bond Counsel or the City's Financial Advisor, Acacia Financial Group, Inc., Mount Laurel, New Jersey, at (856) 234-2266. If a cash wire is utilized, each bidder must notify the City of its intent to use such cash wire prior to **10:00 A.M.** on **WEDNESDAY, APRIL 11, 2018**, and must provide proof of electronic transfer of such cash wire prior to **11:00 A.M.**, on **WEDNESDAY, APRIL 11, 2018**. If a check is used, the check must be certified or cashier's or treasurer's check drawn upon a bank or trust company and must be delivered to the City by no later than **11:00 A.M.** on **WEDNESDAY, APRIL 11, 2018**. Each bidder accepts responsibility for delivering such cash wire or check on time and the City is not responsible for any cash wire or check that is not received on time. When the successful bidder has been ascertained, all such Deposits shall be promptly returned to the persons making the same, except the check or cash wire of the successful bidder which shall be applied as partial payment for the Bonds or to secure the City from any loss resulting from the failure of the successful bidder to comply with the terms of its bid. Award of the Bonds to the successful bidder or rejection of all bids is expected to be made promptly after opening of the bids. The successful bidder may withdraw its proposal after 5:30 p.m. on the day of such bid opening, but only if such award has not been made prior to the withdrawal.

AT THE TIME OF DELIVERY OF THE BONDS, PAYMENT FOR THE BONDS SHALL BE IN IMMEDIATELY AVAILABLE FUNDS.

The successful bidder may refuse to accept the Bonds, if prior to their delivery, any income tax law of the United States of America shall provide that the interest thereon is taxable, or shall be taxable at a future date, for federal income tax purposes and, in such case, the deposit made by such bidder will be returned and the successful bidder will be relieved of its contractual obligations arising from the acceptance of its proposal.

RATING

The City has applied for a rating on the Bonds from S&P Global Ratings, acting through Standard & Poor's Financial Services LLC. The City expects to have a rating prior to the sale of the Bonds. Notice of a rating on the Bonds will be communicated via PARITY.

OPTIONAL PURCHASE OF MUNICIPAL BOND INSURANCE

Information concerning the City has been furnished to certain companies for the purpose of qualifying the Bonds for municipal bond insurance. Any purchase of said insurance will be at the sole option and expense of the bidder and increased costs of issuance including, without limitation, any additional rating agency fees, resulting by reason of such insurance will be paid by such bidder. Notice of qualification of the Bonds for municipal bond insurance will be communicated via MUNIFACTS. If the Bonds qualify for municipal bond insurance, each bidder shall be required to specify whether municipal bond insurance will be purchased.

POSTPONEMENT

The City reserves the right to postpone, from time to time, the date and time established for receipt of Bids. **ANY SUCH POSTPONEMENT WILL BE PUBLISHED ON THOMSON MUNICIPAL NEWSWIRE, BEFORE 11:00 A.M. ON THE DAY BEFORE THE SALE.** If any date fixed for receipt of bids and the sale of the Bonds is postponed, an alternative sale date will be announced via Thomson Municipal Newswire at least forty-eight hours prior to such alternative sale date. On any such alternative sale date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with the provisions of the Notice of Sale, except for the date of sale and except for the changes announced on Thomson Municipal Newswire at the time the sale date and time are announced.

DELIVERY OF THE BONDS

It is anticipated that delivery of the Bonds will occur on or about Wednesday, April 25, 2018.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or a refusal by the purchaser thereof to accept delivery of and to pay for the Bonds in accordance with the terms hereof. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the City; provided, however, that the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the purchaser.

Closing Certificates:

Simultaneously with the delivery of the Bonds, the purchaser shall assist the City in establishing the issue price and yield of the Bonds and shall execute and deliver to the City at closing an "issue price" and "yield" or similar certificate setting forth the reasonably expected initial offering price to the public or the sale price or prices of the Bonds and yield, together with the supporting pricing wires or equivalent communications ("Issue Price Certificate"). The Issue Price Certificate shall be executed in the form attached hereto as Exhibit "A".

Establishment of Issue Price:

(a) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the City disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three (3) underwriters of municipal bonds or Bonds who have established industry reputations for underwriting new issuances of municipal bonds or Bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(b) If the successful bidder is a bank or local government unit purchasing for its own account the provisions of paragraphs (d) and (e) below shall not apply

(c) In the event that paragraph (b) above is not applicable and the competitive sale requirements are not satisfied, the City shall so advise the successful bidder. The City shall treat the first price at which 10% of the Bonds (the "10% Test") is sold to the public as the issue price of the Bonds. The successful bidder shall advise the City if the Bonds satisfy the 10% Test as of the date and time of the award of the Bonds. The City will *not* require bidders to comply with the "hold-the-offering-price rule" and therefore does not intend to use the initial offering price to the public as of the sale date of the Bonds as the issue price of the Bonds. Bids will *not* be subject to cancellation in the event that the competitive sale requirements are not satisfied. *Bidders should prepare their bids on the assumption that the Bonds will be subject to the 10% Test in order to establish the issue price of the Bonds.*

(d) If the competitive sale requirements are not satisfied, then until the 10% Test has been satisfied as to the Bonds, the successful bidder agrees to promptly report to the City the prices at which the unsold Bonds have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied as to the Bonds. If the 10% Test is not met by the closing date, a supplemental issue price certificate must be provided.

(e) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds allotted to it until it is notified by the successful bidder that either the 10% Test has been satisfied as to the Bonds, if and for so long as directed by the successful bidder and as set forth in the related pricing wires; and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds allotted to it until it is notified by the successful bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds, if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

(f) Sales of any securities to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party;
- (ii) "underwriter" means: (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public; and (B) any person that agrees pursuant to a written contract

directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);

- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to: (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the successful bidder.

The obligation of the purchaser to purchase and pay for the Bonds is conditioned on the delivery, at the time of settlement of the Bonds, of the following: (i) approving legal opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, a form of which can be found in Appendix "C" to the Preliminary Official Statement; (ii) the delivery of certificates in form and tenor satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, including a statement of the City, dated as of the date of such delivery, to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened relating to the issuance, sale and delivery of the Bonds; and (iii) an executed copy of the Disclosure Agreement.

COMPLIANCE WITH P.L. 2005, c.271, s.3

The purchaser is advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("ELEC") pursuant to *N.J.S.A. 19:44A-20.13* (P.L. 2005, c.271, s.3) if the purchaser enters into agreements or contracts, such as its agreement to purchase the Bonds, with a public entity, such as the City and receives compensation or fees in excess of \$50,000 in the aggregate from public entities, such as the City, in a calendar year. It is the purchaser's responsibility to determine if filing is necessary. Failure to do so can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

FRANK J. ROBERTSON, Chief Financial Officer

Dated: April 4, 2018

Exhibit “A”

\$3,612,000
CITY OF GLOUCESTER CITY
County of Camden, New Jersey
GENERAL OBLIGATION BONDS, SERIES 2018
Consisting of:
\$2,708,000 General Improvement Bonds
\$904,000 Water & Sewer Utility Bonds

CERTIFICATE OF UNDERWRITER
REGARDING ISSUE PRICE AND YIELD

The undersigned, an authorized representative of _____, as underwriter ("Underwriter") of the above-captioned obligations ("Bonds"), hereby certifies as follows:

1. This certificate is delivered to the City of Gloucester City, in the County of Camden, New Jersey ("City"), and may be relied upon in establishing the reasonable expectations of the City as to the matters stated herein as may be necessary or appropriate in the preparation by the City of a certificate relating to arbitrage matters in connection with the issuance of the Bonds and in complying with the requirements of the Internal Revenue Code of 1986, as amended ("Code"), and the regulations promulgated thereunder with respect to arbitrage.

2. This certificate is based on facts and estimates in existence on the date hereof and, to the best of the undersigned's knowledge and belief, the matters set forth herein are reasonable in light of such facts and estimates.

3. On April 11, 2018 ("Sale Date"), the Underwriter submitted and the City accepted its competitive proposal to purchase the Bonds.

4. [As of the date of this certificate, the Underwriter has not sold at least 10% of the Bonds at a single price and agrees once it has sold at least 10% of the Bonds at a single price, it

will provide a Supplemental Issue Price Certificate to the City and Bond Counsel, which date will be not later than thirty (30) days after the last day of the calendar quarter next ending after the date of closing of the Bonds.] [As of the date of this certificate, the first price at which at least 10% of the Bonds was sold to the Public (as defined below) is _____.]

[5. The Underwriter has offered the Bonds to the Public for purchase at the initial offering price listed in Schedule A ("Initial Offering Price") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

6. As set forth in the Notice of Sale and bid award, the Underwriter has agreed in writing that: (i) it would neither offer nor sell any of the Bonds to any person at a price that is higher than the Initial Offering Price during the Holding Period (as defined below) ("hold-the-offering-price rule"); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no underwriter (as defined below) has offered or sold the Bonds at a price that is higher than the respective Initial Offering Price during the Holding Period.]

[5/7]. The Yield (as defined below) on the Bonds to maturity is not less than _____%

[6/8]. Capitalized terms utilized herein and not otherwise defined shall have the meanings ascribed thereto below:

(i) "Public" shall mean any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(ii) "Underwriter" shall mean: (a) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public; and (b) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (a) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public). The representations set forth in this certificate are limited to factual matters only.

(iii) "Yield" shall mean that discount rate, determined on the basis of one interest compounding period equal to the term of the Bonds, which, when used in computing the present value of all unconditionally payable payments of principal (including original issue discount, if any), produces an amount equal to the aggregate issue price thereof.

[(iv) "Holding Period" means the period starting on the Sale Date and ending on the earlier of: (i) the close of the fifth business day after the Sale Date; or (ii) the date on which the Underwriter has sold at least 10% of the Bonds to the Public at a price that is no higher than the Initial Offering Price.]

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Certificate as to Nonarbitrage and Other Tax Matters and with respect to compliance with the federal income tax rules affecting the Bonds, and by Parker McCay P.A. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the City from time to time relating to the Bonds.

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of April, 2018.

_____,
as Underwriter

By: _____
[NAME], [Title]

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 4, 2018

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, assuming continuing compliance by the City of Gloucester, County of Camden, New Jersey ("City") with certain tax covenants described herein, under existing law, interest on the Tax-Exempt Bonds (as hereinafter defined) is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations pursuant to Section 55 of the Code. In the case of certain corporations that own the Tax-Exempt Bonds with tax years beginning prior to January 1, 2018, the interest thereon is not excludable in computing the alternative minimum tax as a result of the inclusion of interest on the Tax-Exempt Bonds in "adjusted current earnings". For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. In addition, interest on the Tax-Exempt Bonds may be subject to the branch profits tax imposed on certain foreign corporations and to the tax on "excess net passive income" imposed on S corporations. Interest on the Bonds (as hereinafter defined) and any gain from the sale thereof is not includable in the gross income of owners thereof under the New Jersey Gross Income Tax Act, as presently executed and construed. See "TAX MATTERS" herein.

\$3,612,000*
CITY OF GLOUCESTER CITY
County of Camden, New Jersey
GENERAL OBLIGATION BONDS, SERIES 2018
Consisting of:
\$2,708,000* General Improvement Bonds
\$904,000* Water & Sewer Utility Bonds
(Bank-Qualified) (Callable)
and
\$4,590,000*
TAXABLE GENERAL OBLIGATION BONDS, SERIES 2018
(Callable)

Dated: Date of Delivery

Due: February 15, as shown on inside front cover

The City of Gloucester City, County of Camden, New Jersey ("City") is offering: (i) \$3,612,000* aggregate principal amount of its General Obligation Bonds, Series 2018 ("Tax-Exempt Bonds"); and (ii) \$4,590,000* Taxable General Obligation Bonds, Series 2018 ("Taxable Bonds"; together with the Tax-Exempt Bonds, the "Bonds"). The Tax-Exempt Bonds consist of: (i) \$2,708,000* aggregate principal amount of General Improvement Bonds; and (ii) \$904,000* aggregate principal amount of Water & Sewer Utility Bonds. The Bonds shall be issued in fully registered book-entry-only form without coupons.

The principal of the Bonds shall be paid on their respective maturity dates thereof upon presentation and surrender of the Bonds by the City or its designated bond registrar and paying agent ("Paying Agent"). Interest on the Bonds is payable semi-annually on February 15 and August 15 ("Interest Payment Dates"), commencing August 15, 2018, in each year until maturity or earlier redemption. The Bonds are subject to redemption prior to maturity on the terms and conditions stated herein.

Upon initial issuance, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by the City directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as herein defined) which will, in turn, remit such payments to the Beneficial Owners (as herein defined) of the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. For so long as any purchaser is a Beneficial Owner of a Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC participant to receive payment of the principal of and interest on such Bond.

The City is issuing the Tax-Exempt Bonds pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) bond ordinances 10-2012; 11-2012; 11-2013; 12-2013; 14-2014; 15-2014; 19-2015; 20-2015; 17-2016; 18-2016; and 21-2017, each duly and finally adopted by the Common Council and published in accordance with the requirements of the Local Bond Law; (iii) a resolution adopted by the Common Council on March 22, 2018 ("Resolution"); and (iv) a Certificate of Determination and Award executed by the Chief Financial Officer of the City on April __, 2018.

The City is issuing the Taxable Bonds pursuant to: (i) the Local Bond Law; (ii) bond ordinances 5-2008 and 3-2012, each duly and finally adopted by the Common Council and published in accordance with the requirements of the Local Bond Law; (iii) the Resolution; and (iv) a Certificate of Determination and Award executed by the Chief Financial Officer of the City on April __, 2018.

The Tax-Exempt Bonds are being issued by the City to provide funds which will be used to: (i) permanently finance the costs of various capital improvements and the acquisition of various capital equipment by the repayment at maturity of the principal of certain bond anticipation notes heretofore issued by the City; (ii) permanently finance the costs of various capital improvements and the acquisition of various capital equipment for which obligations have been authorized, but not yet issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Tax-Exempt Bonds.

The Taxable Bonds are being issued by the City to provide funds which will be used to: (i) permanently finance the costs of various capital improvements and the acquisition of various capital equipment by the repayment at maturity of the principal of certain bond anticipation notes heretofore issued by the City; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Taxable Bonds.

The Bonds are general obligations of the City and the full faith and credit of the City are irrevocably pledged for the payment thereof. The Bonds are payable ultimately from *ad valorem* taxes that shall be levied upon all taxable real property within the City without limitation as to rate or amount.

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

The Bonds are offered when, as and if issued, subject to the prior approval of legality by the law firm of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the City. Certain legal matters will be passed upon for the City by its Solicitor, Howard C. Long, Jr., Esquire, Laurel Springs, New Jersey. Acacia Financial Group, Inc., Mount Laurel, New Jersey, has served as Municipal Advisor to the City in connection with the issuance of the Bonds. Delivery of the Bonds is further subject to certain other conditions set forth herein. It is anticipated that the Bonds in definitive form will be available for delivery through DTC in New York, New York, on or about April __, 2018.

* Preliminary, subject to change.

MATURITY SCHEDULES

\$3,612,000*
GENERAL OBLIGATION BONDS, SERIES 2018
Consisting of:
\$2,708,000* General Improvement Bonds
\$904,000* Water & Sewer Utility Bonds

<u>Year</u>	<u>General Improvement Principal Amount*</u>	<u>Water & Sewer Utility Principal Amount*</u>	<u>Aggregate Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>
2019	\$193,000	\$34,000	\$227,000	%	%
2020	200,000	30,000	230,000		
2021	200,000	30,000	230,000		
2022	205,000	35,000	240,000		
2023	215,000	35,000	250,000		
2024	220,000	35,000	255,000		
2025	225,000	35,000	260,000		
2026	235,000	35,000	270,000		
2027	240,000	40,000	280,000		
2028	250,000	40,000	290,000		
2029	260,000	40,000	300,000		
2030	265,000	45,000	310,000		
2031		45,000	45,000		
2032		45,000	45,000		
2033		50,000	50,000		
2034		50,000	50,000		
2035		50,000	50,000		
2036		55,000	55,000		
2037		55,000	55,000		
2038		60,000	60,000		
2039		60,000	60,000		

* Preliminary, subject to change.

\$4,590,000*
TAXABLE GENERAL OBLIGATION BONDS, SERIES 2018

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>
2019	\$130,000	%	%
2020	130,000		
2021	130,000		
2022	135,000		
2023	135,000		
2024	140,000		
2025	145,000		
2026	150,000		
2027	155,000		
2028	160,000		
2029	165,000		
2030	170,000		
2031	175,000		
2032	180,000		
2033	190,000		
2034	195,000		
2035	205,000		
2036	210,000		
2037	220,000		
2038	225,000		
2039	235,000		
2040	245,000		
2041	255,000		
2042	255,000		
2043	255,000		

* Preliminary, subject to change.

**THE CITY OF GLOUCESTER CITY
COUNTY OF CAMDEN, NEW JERSEY**

Elected Officials

William P. James	Mayor
Nancy Randolph Baus	Councilperson
James “Bowie” Johnson	Councilperson
John D. Hutchinson	Councilperson
Patrick Keating	Councilperson
Bruce H. Parry	Councilperson
Daniel T. Spencer, Jr.	Councilperson

**City Clerk
Kathleen M. Jentsch**

**Administrator
Jack Lipsett**

**Chief Financial Officer
Frank J. Robertson**

**Tax Collector
James V. Davis**

**Solicitor
Howard C. Long Jr., Esquire
Laurel Springs, New Jersey**

**Auditor
Bowman & Company LLP
Voorhees, New Jersey**

**Bond Counsel
Parker McCay P.A.
Mount Laurel, New Jersey**

**Financial Advisor
Acacia Financial Group, Inc.
Mount Laurel, New Jersey**

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

References in this Official Statement to laws, rules, regulations, bond ordinances, agreements, reports and other 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 office of the City Clerk during normal business hours.

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

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other federal, State, municipal or other governmental entity will have passed upon the accuracy or adequacy of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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.

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OFFICIAL STATEMENT

\$3,612,000*
CITY OF GLOUCESTER CITY
County of Camden, New Jersey
GENERAL OBLIGATION BONDS, SERIES 2018
Consisting of:
\$2,708,000* General Improvement Bonds
\$904,000* Water & Sewer Utility Bonds
(Bank-Qualified) (Callable)
and
\$4,590,000* TAXABLE GENERAL OBLIGATION BONDS, SERIES 2018
(Callable)

INTRODUCTION

The purpose of this Official Statement, including the cover page hereof and the appendices attached hereto, is to provide certain information relating to the issuance by the City of Gloucester City, County of Camden, New Jersey ("City"), of its \$3,612,000* aggregate principal amount of General Obligation Bonds, Series 2018 ("Tax-Exempt Bonds") and \$4,590,000* Taxable General Obligation Bonds, Series 2018 ("Taxable Bonds"; together with the Tax-Exempt Bonds, the "Bonds"). The Tax-Exempt Bonds consist of: (i) \$2,708,000* General Improvement Bonds; and (ii) \$904,000* Water & Sewer Utility Bonds.

The information contained herein relating to the City was furnished by the City unless otherwise indicated.

AUTHORIZATION FOR THE BONDS

Tax-Exempt Bonds

The Tax-Exempt Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) bond ordinances 10-2012; 11-2012; 11-2013; 12-2013; 14-2014; 15-2014; 19-2015; 20-2015; 17-2016; 18-2016; and 21-2017 (collectively, the "Tax-Exempt Bond Ordinances"), each duly and finally adopted by the Common Council and published in accordance with the requirements of the Local Bond Law; (iii) a resolution adopted by the Common Council on March 22, 2018 ("Resolution"); and (iv) a Certificate of Determination and Award executed by the Chief Financial Officer of the City on April ____, 2018.

* Preliminary, subject to change.

Taxable Bonds

The Taxable Bonds are authorized to be issued pursuant to: (i) the Local Bond Law; (ii) bond ordinances 5-2008 and 3-2012 (collectively, the "Taxable Bond Ordinances," and together with the Tax-Exempt Bond Ordinances, the "Bond Ordinances"), each duly and finally adopted by the Common Council and published in accordance with the requirements of the Local Bond Law; (iii) the Resolution; and (iv) a Certificate of Determination and Award executed by the Chief Financial Officer of the City on April __, 2018.

PURPOSE OF THE ISSUE

Tax-Exempt Bonds

The Tax-Exempt Bonds are being issued by the City to provide funds which will be used to: (i) permanently finance the costs of various capital improvements and the acquisition of various capital equipment by the repayment at maturity of the principal of certain bond anticipation notes heretofore issued by the City; (ii) permanently finance the costs of various capital improvements and the acquisition of various capital equipment for which obligations have been authorized, but not yet issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Tax-Exempt Bonds.

The capital improvements and equipment to be permanently financed with the proceeds of the Tax-Exempt Bonds include the following:

General Improvement

Bond Ordinance	Purpose/Improvement	Amount Authorized	Notes Outstanding	Bonds to be Issued
10-2012	Various capital improvements and acquisition of various capital equipment including, but not limited to, reconstruction and resurfacing of various streets and acquisition of dump truck	\$680,200	\$490,000	\$490,000
12-2013	Various capital improvements and acquisition of various capital equipment including, but not limited to, reconstruction and resurfacing of various streets and restoration of marina	516,325	447,500	447,500
14-2014, as reappropriated by 20-2017	Various capital improvements and acquisition of various capital equipment including, but not limited to, reconstruction and resurfacing of various streets and acquisition of vehicles for Police Department	602,300	556,000	556,000

Bond Ordinance	Purpose/Improvement	Amount Authorized	Notes Outstanding	Bonds to be Issued
19-2015, as reappropriated by 20-2017	Acquisition of Various Capital Equipment and Completion of Various Capital Improvements	124,925	124,925	124,325
17-2016	Acquisition of Various Capital Equipment and Completion of Various Capital Improvements	579,880	579,880	579,075
21-2017	Acquisition of Various Capital Equipment and Completion of Various Capital Improvements	511,100	0	511,100
	Totals	\$3,014,730	\$2,198,305	\$2,708,000

Water/Sewer Utility

Bond Ordinance	Purpose/Improvement	Amount Authorized	Notes Outstanding	Bonds to be Issued
11-2012	Various capital improvements and acquisition of various capital equipment for Sewer and Water Utility including, but not limited to, improvements to gravity sewers	\$173,660	\$105,000	\$105,000
11-2013	Various capital improvements and acquisition of various capital equipment for Sewer and Water Utility including, but not limited to, improvements to sewer pump stations	226,100	175,000	175,000
15-2014	Various capital improvements and acquisition of various capital equipment for Sewer and Water Utility including, but not limited to, upgrades to wells and acquisition of vehicles and trucks	394,725	354,000	354,000
20-2015	Various Improvements to Water & Sewer Utility Systems	202,350	202,350	202,000
18-2016	Various Improvements to Water & Sewer Utility Systems	68,248	68,248	68,000
	Totals	\$1,065,083	\$904,598	\$904,000

Taxable Bonds

The Taxable Bonds are being issued by the City to provide funds which will be used to: (i) permanently finance the costs of various capital improvements and the acquisition of various capital equipment by the repayment at maturity of the principal of certain bond anticipation notes heretofore issued by the City; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Taxable Bonds.

The capital improvements and equipment to be permanently financed with the proceeds of the Taxable Bonds include the following:

Taxable General Obligation Bonds

Ordinance Number	Purpose	Bonds/Notes Authorized	Notes Outstanding	Bonds to be Issued
3-2012	Implementation of Southport Redevelopment Project, Including Acquisition and Remediation of Real Property	\$5,000,000	\$2,160,000	\$2,160,000
5-2008	Implementation of Redevelopment Project, Including Acquisition of Real Property (Chatham)	\$4,350,000	3,930,000	2,430,000
Total		\$9,350,000	\$6,090,000	\$4,590,000

DESCRIPTION OF THE BONDS

General

The Tax-Exempt Bonds will be issued in the aggregate principal amount of \$3,612,000*. The Taxable Bonds will be issued in the aggregate principal amount of \$4,590,000*. The Bonds will be dated their date of delivery and bear interest from that date at the respective interest rates set forth on the inside front cover hereof. Interest on the Bonds is payable semi-annually on February 15 and August 15 (each an "Interest Payment Date" and collectively, "Interest Payment Dates"), commencing August 15, 2018, in each year until maturity or earlier redemption. Individual purchases of the Bonds may be made in the principal amount of \$5,000, or any integral multiple of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Bonds, through book-entries made on the books and the records of DTC (as hereinafter defined) and its participants. See "DESCRIPTION OF THE BONDS--Book-Entry-Only System" below. The Bonds will mature on February 15 in the years and in the principal amounts, all as shown on the inside front cover page of this Official Statement.

* Preliminary, subject to change.

The Bonds will be issued in fully registered book-entry only form without coupons. The principal of the Bonds will be payable to the registered owners at maturity upon presentation and surrender of the Bonds at the offices of the City or its hereafter designated paying agent, if any. Interest on each Bond shall be payable on each Interest Payment Date of such Bond to the registered owner of record thereof appearing on the registration books kept by the City for such purpose at the offices of the Chief Financial Officer or the hereafter designated paying agent, if any, as of the close of business on the first (1st) day of the calendar month containing an Interest Payment Date (each a "Record Date").

So long as The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co., as nominee of DTC. Disbursements of such payments to the participants of DTC ("DTC Participants") is the responsibility of DTC and disbursements of such payments to the Beneficial Owners (as hereinafter defined) of the Bonds is the responsibility of the DTC Participants and not the City or its hereafter designated paying agent, if any.

Redemption Provisions

The Bonds maturing on and after February 15, 2029 are subject to redemption prior to their stated maturity dates at the option of the City, upon notice as set forth below, as a whole or in part (and, if in part, such maturities as the City shall determine and within any such maturity by lot) on any date on or after February 15, 2028, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the redemption date.

Notice of redemption shall be given by mailing first class mail in a sealed envelope with postage pre-paid not less than thirty (30) days nor more than sixty (60) days prior to the redemption date to the owner of every Bond of which all or a portion is to be redeemed at his or her last address, if any, appearing on the registration books of the City or its hereafter designated paying agent, if any. So long as the Bonds are issued in book-entry-only form, all notices of redemption will be sent only to DTC or any successor, and will not be sent to the beneficial owners of the Bonds. Failure of an owner of the Bonds to receive such notice or of DTC to advise any participant or any failure of a participant to notify any beneficial owner of the Bonds shall not affect the validity of any proceedings for the redemption of Bonds. Such notice shall specify: (i) the series and maturity of the Bonds to be redeemed; (ii) the redemption date and the place or places where amounts that are due and payable upon such redemption will be payable; (iii) if less than all of the Bonds are to be redeemed, the letters and numbers or other distinguishing marks of the Bonds to be redeemed; (iv) in the case of a Bond to be redeemed in part only, the portion of the principal amount thereof to be redeemed; (v) that on the redemption date there shall become due and payable with respect to each Bond or portion thereof to be redeemed the redemption price; and (vi) that from and after the redemption date interest on such Bond or portion thereof to be redeemed shall cease to accrue and be payable.

Book-Entry-Only System ¹

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

The DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

¹ Source: The Depository Trust Company

books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices, if any, shall be sent to DTC. If less than all of the bonds or notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City or its hereafter designated paying agent, if any, as soon as possible after the applicable Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the applicable Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds, if any, 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 its hereafter designated paying agent, if any, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or its hereafter designated paying agent, if any, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its hereafter designated paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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 neither the City nor the Underwriter (as hereinafter defined) take any responsibility for the accuracy thereof.

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

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

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions would apply: (i) the Bonds may be exchanged for an equal principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the offices of the City or its hereafter designated paying agent, if any; (ii) the transfer of the Bonds may be registered on the books maintained by the City or its hereafter designated paying agent, if any, for such purposes only upon the surrender thereof to the City or its hereafter designated paying agent, if any, together with the duly executed assignment in form satisfactory to the City or its hereafter designated paying agent, if any, for the Bonds; and (iii) for every exchange or registration of transfer of the Bonds, the City or its hereafter designated paying agent, if any, may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. In such event, interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date, to the registered owners thereof as of the close of business on the Record Date, whether or not a business day.

SECURITY FOR THE BONDS

The full faith and credit of the City are irrevocably pledged for the payment of the principal of and interest on the Bonds. The Bonds are general obligations of the City payable as to principal and interest from *ad valorem* taxes that shall be levied upon all taxable real property within the City without limitation as to rate or amount.

The City may pledge only its own credit and taxing power in respect of the Bonds, and has no power to pledge the credit or taxing power of the State or any other political subdivision thereof, nor shall the Bonds be deemed to be obligations of said State or any other political subdivision thereof, nor shall said State or any other political subdivision thereof be liable for the payment of principal of or interest on the Bonds.

GENERAL INFORMATION REGARDING THE CITY

General

General information concerning the City, including economic, financial, demographic and other relevant data, is set forth in Appendix "A" to this Official Statement.

Financial

Appendix "B" to this Official Statement contains (a) compiled financial statements of the City for the year ended December 31, 2017 and (b) audited financial statements of the City for the years ended December 31, 2016, 2015, 2014, 2013 and 2012. The compiled and audited financial data was provided by Bowman & Company LLP, Voorhees, New Jersey, and is included herein in reliance upon the authority of such firm. Bowman & Company LLP, Voorhees, New Jersey, has consented to the inclusion of their report in this Official Statement. Copies of the complete 2017 Annual Financial Statement (unaudited) and Reports of Audit may be obtained upon request to the office of the City Clerk of the City.

CERTAIN PROVISIONS OF THE LAWS OF THE STATE OF NEW JERSEY AND THE UNITED STATES RELATING TO GENERAL OBLIGATION DEBT

Local Bond Law

General - The Local Bond Law governs the issuance of bonds and notes by counties and municipalities for the financing of capital improvements. Among its provisions are the following: (i) the power and obligation to pay any and all bonds and notes issued pursuant to the Local Bond Law shall be unlimited; (ii) the county or municipality shall levy *ad valorem* taxes upon all taxable property therein for the payment of the principal of and interest on such bonds and notes without limitation as to rate or amount; (iii) generally, a down payment that is not less than five percent (5%) of the amount of debt obligations authorized must be appropriated in addition to the amount of debt obligations authorized; (iv) all non-special-assessment bonds shall mature within the period of usefulness or average period of usefulness of the improvements being financed; and (v) after issuance, all bonds and notes shall be conclusively presumed to be fully authorized and issued by all of the laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery.

Debt Limits - The authorized bonded indebtedness of the City is limited by statute, subject to the exceptions noted below, to an amount equal to three and one-half percent (3.50%) of its equalized valuation basis. The equalized valuation basis of the City is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements as annually determined by the New Jersey State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Bonds, notes and long-term loans are included in the computation of debt for the statutory debt limit. The City, including the issuance of the Bonds, will not exceed its three and one-half percent (3.50%) debt limit.

Exceptions to Debt Limits – Extensions of Credit - The City may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the City may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the City or substantially reduce the ability of the City to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval may be granted.

In addition, debt in excess of the statutory limit may be issued by the City to fund certain notes, to provide for purposes in an amount not exceeding two-thirds (2/3) of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short-Term Financing – When approved by bond ordinance, the City may issue bond anticipation notes to temporarily finance capital improvements. Such notes may not be issued in an aggregate amount exceeding that specified by the ordinance. The Notes may not be issued for periods of more than one year, renewable with the final maturity occurring no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original note. After the third year, the amount of the Notes that may be renewed annually must be decreased by the minimum amount required for the first year's principal payment for the bond issue in anticipation of which the Notes are issued.

Bonds – Bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-state administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of bonds.

Local Fiscal Affairs Law

The Local Fiscal Affairs Law, Chapter 5 of Title 40A of the New Jersey State Statutes, as amended and supplemented ("Local Fiscal Affairs Law"), governs audits, auditors, public moneys and financial statements of local governmental units, including the City.

Each local unit is required to cause an annual audit of its books, accounts and financial transactions to be made and completed within six months after the close of its fiscal year by either a Registered Municipal Accountant or, by agreement with the Director ("Director") of the Division of Local Government Services ("Division") in the Department of Community Affairs, by qualified employees of the Division.

An independent examination of the City's books, accounts and financial transactions must be performed annually by a Registered Municipal Accountant who is licensed by the State Board of Public Accountants. The audit, conforming to the Division's "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. A Summary of Audit, together with recommendations, 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 is on file with the City Clerk and is available for review during business hours, and is available online at the City's website: www.cityofgloucester.org.

The Local Fiscal Affairs Law also requires that the Chief Financial Officer of the local unit file annually with the Director a verified statement of the financial condition of the local unit as of the close of the fiscal year to be made not later than February 10 for December 31 year end local units and August 10 for June 30 fiscal year end local units.

Local Budget Law

The Local Budget Law, Chapter 4 of Title 40A of the State, as amended and supplemented ("Local Budget Law"), governs the budgeting and appropriation of funds by local governmental units.

The Local Budget Law requires local governmental units to adopt a "cash basis" budget in such form that there will be sufficient cash collected to meet all debt service requirements, necessary operations of the local governmental units for the fiscal year and any mandatory payments required to be met during the fiscal year.

No budget shall be adopted unless the Director shall have previously certified their approval thereof.

Each local governmental unit must include in its budget an appropriation for the payment of debt service. The Director is required to examine such appropriation to determine whether it is properly set forth, in addition to determining whether all estimates of revenue contained in the budget are reasonable, accurate and correctly stated.

A statute passed in 1976, as amended (*N.J.S.A. 40A:4-45.1 et seq.*), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. On August 20, 1990, the Governor signed into law P.L. 1990, c. 89, which revised and made permanent the "Cap Law". Since its inception, the "Cap Law" has been amended and modified several times, most recently on July 13, 2010. While the revised "Cap Law" is more restrictive on the ability of a local unit to increase its overall appropriations, it does not limit the obligation of the City to levy *ad valorem* taxes upon all taxable real property within the City to pay debt service on the Bonds. The Cap Law provides that a local unit shall limit any increase of its budget to 2.5% or the index rate, whichever is less, over the previous year's final appropriations subject to certain exceptions. The "index rate" is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services computed by the United States, Department of Commerce. Among the exceptions to the limitations imposed by the Cap Law are capital expenditures; debt service; 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.

Additionally, legislation constituting P.L. 2010, c. 44, was adopted on July 13, 2010 (S-29R1), which, among other things, imposes a two percent (2.00%) cap on the tax levy that municipalities, counties, fire districts and solid waste collection districts may impose, with very limited exceptions and subject to certain adjustments.

Exclusions from the two percent (2.00%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.00%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.00% of the total health care costs in the prior year, but is

not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 *et seq.*), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The amendments to the tax levy sections of the "Cap Law" (specifically, *N.J.S.A.* 40A:4-45-46) in 2010 no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2.00%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2.00%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

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

Miscellaneous Revenues

N.J.S.A. 40A:4-26 provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the [D]irector shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit." Such determination may be made by the governing body and the chief financial officer in any year during which the local unit is subject to local examination.

No budget or amendment shall be adopted unless the Director has previously certified the approval of such anticipated revenues.

Real Estate Taxes

Receipts from Delinquent Taxes - Revenues are permitted by *N.J.S.A.* 40A:4-29 to be anticipated in the annual budget for collection of delinquent taxes of prior years. The maximum amount permitted to be anticipated is determined by applying the collection rate of the prior year's delinquent taxes to the total amount of delinquent taxes outstanding at the beginning of the current year.

Current Year Tax Levy and Reserve for Uncollected Taxes - The current year's taxes to be levied are determined by adding the sums of the cash required from taxes to support the municipal, school, county, municipal open space and special district budgets, if any, together with the amount of an appropriation required to be included in the annual municipal budget entitled "Reserve for Uncollected Taxes", less the total of anticipated revenues. The inclusion of the "Reserve for Uncollected Taxes" appropriation in the current year's budget protects the municipality from taxes currently unpaid. The "Reserve for Uncollected Taxes" is required to be, at a minimum, an amount sufficient to provide for the same percentage of uncollected taxes in the current year as was experienced in the immediately preceding year, the average of the previous three years in accordance with P.L. 2000, c. 126, or the previous year collection percentage after

reducing the previous year levy by tax appeal judgments of the county tax board pursuant to R.S.54:3-21 *et seq.*, or the State tax court pursuant to R.S.54:48-1 *et seq.* in accordance with Chapter 56 of P.L. 2010.

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

Another provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required for all current budget appropriations and school and county taxes of the current fiscal year. The reserve requirement is calculated as follows:

$$\frac{\text{Levy Required for Current Budget, School and County Taxes}}{\text{Prior Year's Percentage of Current Tax Collections (or Lesser \%)}} = \text{Total Taxes to be Levied}$$

Deferral of Current Expenses

Emergency appropriations (i.e., those made after the adoption of the budget and determination of the tax rate for an unforeseen event or purpose) may be authorized by the governing body of the local governmental units. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (3.00%) of the adopted operating budget, consent of the Director of Local Government Services must be obtained.

The exceptions are certain enumerated projects to cover the cost of the extraordinary expense for the repair, or reconstruction of streets, roads or bridges, or other public property damaged by snow, ice, frost or flood, where such expense was not foreseen at the time of the adoption of the budget, which may be amortized over three years; and tax map preparations, revision of ordinances, revaluations, master plan preparation, studies and planning necessary for the installation and construction of a sanitary sewer system, and payments of accumulated sick and vacation time which may be amortized over five years.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts, with exceptions, are prohibited until the last two months of the year and, although subaccounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Capital Budget

In accordance with the Local Budget Law, each local unit shall prepare and adopt a capital budget, in conjunction with its annual operating budget, for any year in which it proposes to undertake a capital project. Every local unit which adopts a capital budget must also adopt a three (3) year capital program unless the local unit's population exceeds 10,000 where a six (6) year capital program is required.

Water & Sewer Utility Budget

The City's public water & sewer utility is supported, in addition to the general taxing power upon real property, by the revenues generated by the operations of the utility. A separate budget is established for the utility. The anticipated revenues and appropriations for the utility are set forth in a budget, which is required to be balanced and to fully provide for debt service. The regulations regarding anticipation of revenue and deferral of charges apply equally to the budget of the utility. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

Related Constitutional and Statutory Provisions

In the general election of January 2, 1976, as amended by the general election of January 6, 1984, the following Article 8, Section 1, Paragraph 7, with respect to a state income tax, was added to the State Constitution:

No tax shall be levied on personal incomes of individuals, estates and trusts of this State unless the entire net receipts therefrom shall be received into the treasury, placed in a perpetual fund and be annually appropriated, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities and school districts of this State exclusively for the purpose of reducing or offsetting property taxes. In no event, however, shall a tax so levied on personal income be levied on payments received under the Federal Social Security Act, the Federal Railroad Retirement Act, or any federal law which substantially reenacts the provisions of either of those laws.

A progressive state income tax is currently in effect in the State.

The State Constitution may only be amended after: (i) approval of a proposed amendment by three-fifths (3/5) of all of the members of each house of the State Legislature and approval by a majority vote in a statewide referendum; or (ii) approval in two successive legislative years by a majority of all of the members of each house and approval by a majority vote in a statewide referendum. Amendments failing to receive voter approval may not be resubmitted for voter approval before the third succeeding general election after such disaffirmance.

The Municipal Finance Commission

The Municipal Finance Commission ("Commission") was created in 1931 to assist in the financial rehabilitation of municipalities, which had defaulted in their obligations. The powers of the Commission are exercised today by the Local Finance Board. The previously discussed elements of the local finance system are intended to prevent default on obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the "Municipal Finance Commission Statutes" are available to assist in restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the State's Superior Court. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either

case, the court's determination that the municipality is in default or unable to meet its obligations causes the Commission to become operative in that municipality.

The Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. The Commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The Commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors and the readjustment of debts under the Federal Municipal Bankruptcy Act. Such Act permits municipalities to have access to bankruptcy court for protection against suits by bondholders and creditors.

The Local Finance Board also serves as the "Funding Commission" to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt service must apply to and receive the approval of such Funding Commission for the proposed reorganization of its debt.

Limitation of Remedies Under Federal Bankruptcy Code

The rights and remedies of the registered owners of the Bonds are subject to the provisions of Chapter 9 of the Federal Bankruptcy Code of the United States ("Bankruptcy Code"). In general, Chapter 9 permits, under prescribed circumstances, but only after an authorization by the applicable state legislature or by a governmental officer or organization empowered by state law to give such authorization, a political subdivision of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature and desires to effect a plan to adjust its debts.

The State has authorized the political subdivisions thereof to file such petitions for relief under the Bankruptcy Code pursuant to and subject to Article 8 of the Act. The Act provides that such petitions may not be filed without the prior approval of the Commission and that no plan of readjustment of the local unit's debts may be filed or accepted by the petitioner without express authority from the Commission to do so.

THE ABOVE REFERENCES TO THE BANKRUPTCY CODE ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE CITY EXPECTS TO RESORT TO THE PROVISIONS OF SUCH BANKRUPTCY CODE OR THAT, IF IT DID, SUCH ACTION WOULD BE APPROVED BY THE COMMISSION, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY OF THE BONDS.

THE SUMMARIES OF AND REFERENCES TO THE STATE CONSTITUTION AND OTHER STATUTORY PROVISIONS ABOVE ARE NOT AND SHOULD NOT BE CONSTRUED AS 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.

TAXATION

Procedure for Assessment and Collection of 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 maintaining 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. The last complete revaluation of property within the City was effective for the 2015 tax year.

Upon the filing of certified adopted budgets by the City, the School District, and the County of Camden ("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 the State for various special services rendered to the properties located within the special district.

Tax bills are due quarterly on February 1, May 1, August 1 and November 1. 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 18.00% per annum on any amounts in excess of \$1,500.00. These interest penalties are the maximum permitted under New Jersey Statutes. Additionally, a 6.00% penalty is charged on any delinquencies in excess of \$10,000.00 if not paid by the end of each year. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. Tax liens retained by the City may be assigned to the City Solicitor for "in rem foreclosures" in order to acquire title to these properties.

Tax Appeals

The State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the New Jersey Board of Taxation ("Tax Board") on or before the first day of April of the current tax year for review. The Tax Board has the authority, after a hearing, to decrease, increase 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 Tax Board, appeal may be made to the State Tax Court. State Tax Court appeals tend to take several years prior to settlement and any losses in tax collection from prior years are charged directly to operations.

TAX MATTERS

Federal

Tax-Exempt Bonds

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the City, assuming continuing compliance by the City with the tax covenants described below, under existing law, interest on the Tax-Exempt Bonds is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts

and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations pursuant to Section 55 of the Code.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction).

For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Tax-Exempt Bonds, is not excludable in calculating "adjusted current earnings" of those corporations. Accordingly, a portion of the interest on the Tax-Exempt Bonds received or accrued by corporations with tax years beginning prior to January 1, 2018 that own the Tax-Exempt Bonds is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Tax-Exempt Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Tax-Exempt Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering its opinion, Bond Counsel has relied on the City's covenants contained in the Bond Ordinances, and in the Certificate as to Non-Arbitrage and Other Tax Matters, that it will comply with the applicable requirements of the Code, relating to, *inter alia*, the use and investment of proceeds of the Tax-Exempt Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the City to comply with such covenants could result in the interest on the Tax-Exempt Bonds being subject to federal income tax from the date of issue. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Tax-Exempt Bonds that may affect the tax-exempt status of the interest on the Tax-Exempt Bonds.

Ownership of the Tax-Exempt Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Tax-Exempt Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if

the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Tax-Exempt Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by the household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Tax-Exempt Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by Banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The City has designated the Tax-Exempt Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(1) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or carry "qualified tax-exempt obligations" is deductible.

Owners of the Tax-Exempt Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

Taxable Bonds

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the City, interest on the Taxable Bonds will be includable for Federal income tax purposes under current law.

New Jersey

Bond Counsel is also of the opinion that interest on the Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the Federal and State tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, it would apply to bonds or notes issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING ANY FEDERAL AND STATE INCOME TAX LEGISLATION, WHETHER CURRENTLY PENDING OR PROPOSED, REGULATORY INITIATIVES OR LITIGATION. THE OPINIONS EXPRESSED BY BOND COUNSEL ARE BASED UPON EXISTING LEGISLATION AND REGULATIONS AS INTERPRETED BY

RELEVANT JUDICIAL AND REGULATORY AUTHORITIES AS OF THE DATE OF ISSUANCE AND DELIVERY OF THE BONDS AND BOND COUNSEL HAS EXPRESSED NO OPINION AS OF ANY DATE SUBSEQUENT THERETO OR WITH RESPECT TO ANY PENDING LEGISLATION, REGULATORY INITIATIVES OR LITIGATION.

LITIGATION

To the knowledge of the City's Solicitor, Howard C. Long, Jr., Esq., Laurel Springs, New Jersey ("Solicitor"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the Solicitor, no litigation is presently pending or threatened that, in the opinion of the Solicitor, would have a material adverse impact on the financial condition of the City if adversely decided.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P"), has assigned a rating of "AA-" (negative outlook) to the Bonds.

The inclusion of S&P's "negative outlook" ("Outlook") has been provided herein for informational purposes only and is not a part of the "Rating" described in the preceding paragraph. The City has no obligation to treat any change in the Outlook as a "Disclosure Event", as defined and described under the Rule or under the provisions of the City's Continuing Disclosure Agreement, or to notify holders of the Bonds as to any changes to the Outlook after the date hereof.

Explanations of the significance of the rating may be obtained from S&P at 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. Such rating reflects only the views of S&P. There is no assurance that the rating mentioned above will remain in effect for any given period of time, or that it might not be lowered or withdrawn entirely by the rating agency, if in its judgment circumstances so warrant. Neither the Underwriter (as defined herein), nor the City has undertaken any responsibility either to bring to the attention of the holders of the Bonds any proposed change in or withdrawal of a rating of the Bonds or to oppose any such proposed change or withdrawal. Any such downward change in or withdrawal of a rating might have an adverse effect on the market price or marketability of the Bonds.

PREPARATION OF OFFICIAL STATEMENT

The City hereby states that the descriptions and statements herein and in the Appendices attached hereto, including financial and statistical statements, are true and correct in all material respects, and it will confirm the same to the purchasers of the Bonds by certificates signed by various officers and officials of the City upon issuance and delivery of the Bonds.

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

The City compiled Appendix "A" from information obtained from various sources they consider to be reliable and makes no warranty, guaranty or other representation with respect to the accuracy and completeness or fairness of the information contained herein and, accordingly, will express no opinion with respect thereto.

Parker McCay P.A. has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except under the heading "TAX MATTERS") and, accordingly, will express no opinion with respect thereto.

Bowman & Company LLP only takes responsibility for the financial statements, appearing in Appendix "B" hereto.

UNDERWRITING

The Tax-Exempt Bonds have been purchased from the City at a public sale by _____, as underwriter ("Tax-Exempt Underwriter"), pursuant to a Certificate of Determination and Award, dated April ____, 2018. The Tax-Exempt Underwriter has purchased the Tax-Exempt Bonds in accordance with the Notice of Sale. The Tax-Exempt Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement. The Tax-Exempt Underwriter is obligated to purchase all of the Tax-Exempt Bonds if any of the Tax-Exempt Bonds are purchased.

The Taxable Bonds have been purchased from the City at a public sale by _____, as underwriter ("Taxable Underwriter," and together with the Tax-Exempt Underwriter, the "Underwriters"), pursuant to a Certificate of Determination and Award, dated April ____, 2018. The Taxable Underwriter has purchased the Taxable Bonds in accordance with the Notice of Sale. The Taxable Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement. The Taxable Underwriter is obligated to purchase all of the Taxable Bonds if any of the Taxable Bonds are purchased.

The Underwriters intend to offer the Bonds to the public initially at the offering yields set forth on the inside front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at yields higher than the public offering yields set forth on the front cover page of this Official Statement, and such yields may be changed, from time to time, by the Underwriters without prior notice.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, money or other funds

belonging to them or within their control in any bonds and notes of the City, including the Bonds, and such bonds and notes are authorized security for any and all public deposits.

NO DEFAULT

There is no record of default in the payment of the principal of or interest on the bonds or notes of the City.

MUNICIPAL ADVISOR

Acacia Financial Group, Inc., Mount Laurel, New Jersey, has served as Municipal Advisor to the City with respect to the issuance of the Bonds ("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 the 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.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 ("Rule"), promulgated under the Securities Exchange Act of 1934, as amended, by the Securities and Exchange Commission ("Commission"), the City will, prior to the issuance of the Bonds, enter into agreements substantially in the forms set forth in Appendix "D".

The City has previously failed to timely file certain of its annual audits, including operating data over the previous five years. As of the date hereof, all missing information was filed on EMMA along with a notice citing the failure to timely file. The City also failed to timely file notices relating to rating changes of the insurer of the City's outstanding bonds. The City has since filed an event notice. The City has engaged a dissemination agent to ensure timely filings of its annual information on a going-forward basis.

LEGAL MATTERS

The legality of the Bonds will be subject to the approving legal opinion of Bond Counsel. Such opinion will be printed on or accompany the Bonds and provide, *inter alia*, that the Bonds are valid and binding obligations of the City, and the City has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the City without limitation as to rate or amount for the payment of the Bonds and interest thereon. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, or other law affecting creditors' rights or remedies heretofore or hereinafter enacted. Certain legal matters will be passed upon for the City by the Solicitor.

Bond Counsel has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement (except to the extent, if any, as specifically stated herein) and will express no opinion relating thereto.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ADDITIONAL INFORMATION

Additional information may be obtained from Jack Lipsett, City Administrator of the City of Gloucester City, at 856.456.0205 or the Municipal Advisor at 856.234.2266.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement with the owners of the Bonds.

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

CITY OF GLOUCESTER CITY, NEW JERSEY

By: _____
JACK LIPSETT, City Administrator

Dated: April ____, 2018

APPENDIX A

**CERTAIN ECONOMIC, FINANCIAL AND DEMOGRAPHIC INFORMATION REGARDING
THE CITY OF GLOUCESTER CITY,
IN THE COUNTY OF CAMDEN, NEW JERSEY**

GENERAL INFORMATION REGARDING THE CITY OF GLOUCESTER CITY

The following material presents certain economic and demographic information of the City of Gloucester City ("City").

General Information

The City is a developed urban area within the Delaware Valley economic region, a tri-state region composed of eleven counties in the states of New Jersey, Pennsylvania and Delaware. The region is a closely integrated economic and social unit, with an approximate population of 5.9 million people in the Consolidated Metropolitan Statistical Area. It is a major transportation center combining one of the largest port facilities in the world with extensive rail, air and interstate highway systems.

The present day City was one of the original communities that comprised Old Gloucester County. It was first settled by the Dutch in 1623 and called Fort Nassau, later by the Swedes in 1638 and named "Arwamus" after a tribe of Lenni-Lenape Indians, and finally by the British in 1677 and renamed Gloucester Point. On May 26, 1686 a convention was held in Gloucester Point, and from these deliberations resulted the establishment of Old Gloucester County, with the renamed "Gloucester Town" as the county seat.

Except for a period during the Revolutionary War when the town was occupied by the British, the County Court continued to meet in Gloucester Town until March, 1786, when the county seat was moved to Woodbury. Prior to 1844, when Camden County was established, Gloucester Town was part of Union Township, Gloucester County. In April 1868, the City was incorporated as the City of Gloucester "City" under legislation enacted by the State of New Jersey. The City became part of Camden County.

Early industrial activity centered around cotton and gingham mills, foundries and fisheries. The first manufacturing company, Washington Mills (cotton), was founded by David S. Brown in 1844. In 1845 he founded and operated the Gloucester Paint Works (cotton printing, bleaching and dyeing) and in 1871 he incorporated the Gloucester Ironworks for the manufacturing of water pipes, boilers, gas meters, fire plugs, valves and lamp posts. In 1899, the New York Shipbuilding Corporation established a shipyard in Gloucester City which continued in operation under various corporate names until the early 1960's. Through the years, more than 600 vessels, ranging from supertankers and passenger lines to battleships and nuclear-powered aircraft carriers were launched from the shipyard. Today, Holt Hauling and Warehouse Systems Inc. occupies the former shipyard and operates Holt Marine Terminal, one of the major marine terminals for the export and import of roll-on/roll-off, break-bulk and unitized cargo systems in the 135-mile stretch of the Delaware River known as the ports of Philadelphia.

Municipal Government

The City is served by a Mayor and Council (Small Municipality Plan C) form of local government with the Mayor being elected every four (4) years and the six (6) Common Council members' terms being staggered but running for three years each.

Growth and Development

The City has a number of redevelopment plans underway, with several others in the planning stages. The largest redevelopment project is located in the "Southport Area" of the City. Specifically, this 145 acre redevelopment project is located on the Delaware waterfront and commands great views of the Philadelphia skyline. The Southport Area redevelopment project also has some significant environmental issues that the City is working in concert with the New Jersey Department of Environmental Protection ("NJDEP") to identify and remediate. The Southport Area has lain fallow for years and the City is working to bring back industries that will turn this area into a viable economic location. Specifically, the Southport Area has been designated a Brownfield's Development Area by the NJDEP and the City is presently engaged in active negotiations with several businesses to locate

their industries there. Through the work of the NJDEP and the City and its Redevelopment partners, the City continues to make progress with respect to the undertaking of the redevelopment project and the beginning of construction for new projects in the area. Once completed, the City anticipates the creation of between 25 to 250 new jobs and increased new revenue through ground rental and payment in lieu of tax agreements with the City.

In addition, the City is currently undertaking the second phase of the redeployment of the former Coast Guard facility along the Delaware waterfront. Phase I of this redevelopment consists of a former office building occupied by the Coast Guard, which has been completely renovated and leased to Holt Industries. The second phase of this redevelopment project is currently in the planning and review stage and is expected to include a 6,000 square foot waterfront restaurant.

The City recently sold the former Chatham Square Apartments. This formally run down, crime ridden complex was home to 100 apartments. The City purchased the property and rehabbed the units in an agreement with a developer to create 50 town homes that will be sold at market rate.

Transportation

An efficient system of highways, railroads and airlines is readily accessible to those residing and working in the City. Interstate 295, the North South Freeway (Route 42), State Highway 55, and the Atlantic City Expressway all reinforce the New Jersey Turnpike System. The City's highway system is augmented by its close proximity to the Benjamin Franklin Bridge, Walt Whitman Bridge, Commodore Barry Bridge and Delaware Memorial Bridge, which link New Jersey to Pennsylvania and Delaware. These modern highways and bridges provide easy access to all points in the Greater Delaware Valley, northern Delaware, and southern New Jersey. The Philadelphia International Airport is only 20 minutes away by automobile.

The Delaware River Port Authority ("DRPA"), the New Jersey-Pennsylvania bi-state authority that operates the Benjamin Franklin, Walt Whitman, Commodore Barry, and Betsy Ross bridges, also operates a high speed rail transit system that transports several thousand New Jersey residents into Philadelphia each day. The DRPA operates the transit system as the Port Authority Transit Company ("PATCO"). City residents who use the PATCO system are able to travel to their destinations in Camden and center city Philadelphia within twenty minutes. The DRPA, in conjunction with the New Jersey Department of Transportation, has committed funds to begin the first phase of extending a new PATCO Transit Train Line from Camden, thru Woodbury, with an ultimate termination in Glassboro at Rowan University. The City will benefit immensely from this transit expansion, since the City will be equipped with two train stops.

In addition to the PATCO rail system, the City is also served by New Jersey Transit, which operates buses throughout the County offering transit into Philadelphia and throughout the State. As part of the above noted commitment, New Jersey Transit and PATCO also propose a dedicated Bus Transit Corridor, to improve transit capabilities thru the county area, thus improving transit efficiency for the City. The Light Rail is in planning stages, this proposed line would restore passenger rail service along an existing rail line using light rail vehicles similar to the NJ TRANSIT River LINE.

Police, Fire, and Emergency Squad Services

The City employs a thirty-one member Police Department. The day-to-day administrative responsibility is vested in the Chief of Police.

The Fire Department consists of 25 full-time paid firefighter/EMT's and approximately 5 volunteers. The day-to-day administrative responsibilities of both are vested in the Fire Chief.

Library

The Gloucester City Library includes approximately 60,000 books, plus audio and video cassettes. The Library also has a large inventory of electronic data processing equipment. The Library employs four (4) full-time and five (5) part-time employees. The day-to-day administrative responsibilities are vested in a Library Director.

Parks and Recreation

The City is home to 12 parks and ball fields which feature the following:

- Playground
- Walking Track
- All Purpose Court
- Basketball Court
- Batting Cages
- Football Field and Football Practice Field
- Marina

The Parks System offers both active and passive recreational opportunities.

Utilities

Utilities are available to all City residents and industrial facilities from Public Service Electric and Gas Company and Verizon. Further, Comcast provides cable television transmission.

Municipal Services

The Division of Local Government Services of the New Jersey Department of Community Affairs supervises the financial administration of all local government units within the State.

There are fourteen (14) departments within the City government. They are: Administrative and Executive; Finance; Tax Collector; Tax Assessment; Planning and Zoning Board; Board of Health; Police; Fire; Public Works; Construction Office; Bureau of Fire Safety; Municipal Court; Library; and Environmental Utilities. Principal services provided by the City include: Police Protection; Fire Protection; Ambulance Services; Trash and Recycling Collection; Street Cleaning; Maintenance of Public Parks; Recreation Programs; Water Supply; and Sewer System.

Health

There are no hospitals or medical centers located within the City. Located within twenty five (25) miles of the Camden County area are Cooper Hospital – University Medical Center, Kennedy Memorial Hospitals, Our Lady of Lourdes Medical Center and Virtua Health Systems.

Pension Information

Employees who are eligible to participate in a pension plan are enrolled in the Public Employees' Retirement System ("PERS") or the Police and Firemen's Retirement System ("PFRS"), Department of the State of New Jersey. The State Division of Pensions annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The City's share of pension costs, which is based upon the annual billings, received from the State, amounted to \$459,103.44 for PERS and \$1,192,602.48 for PFRS for the amount paid year ended December 31, 2017.

City Employees

	<u>2017</u>	<u>2016</u>	December 31, <u>2015</u>	<u>2014</u>	<u>2013</u>
Permanent	139	148	157	157	173
Part-time	<u>48</u>	<u>41</u>	<u>34</u>	<u>40</u>	<u>32</u>
Total	<u>187</u>	<u>189</u>	<u>191</u>	<u>197</u>	<u>205</u>

Employee Collective Bargaining Units

<u>Bargaining Units</u>	<u>Employees Represented</u>	<u>Contract Expiration Date</u>
Policemen's Benevolent Association	30	12/31/2017
CWA	19	12/31/2014
Firemen's Mutual Benevolent Association	23	12/31/2015
Steelworkers	20	12/31/2017

All contracts have expired and are currently under negotiations.

Compensated Absences

The City permits employees to carry over vacations days from year to year. Additionally, union contracts and personnel policy allows employees to accrue unused sick days. Compensated Absence packages differ according to the various union contracts.

The City compensates employees for unused sick leave upon termination or retirement. The current policy varies according to union representation. The City estimates the value of compensated absences as of December 31, 2017 to be \$2,295,753.32.

Pension Plans

Those City employees who are eligible for pension coverage are enrolled in one of two pension systems established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State. (See Appendix B: Financial Statements of the City, Note 8 to Financial Statements).

City Population (1)

2010 Federal Census	11,456
2000 Federal Census	11,484
1990 Federal Census	12,649
1980 Federal Census	13,121

Selected Census 2010 Data for the City (1)

Median household income	\$53,113
Median family income	\$66,678
Per capita income	\$23,200

(1) Source: U.S. Department of Commerce, Bureau of Census

Labor Force(1)

The following table discloses current labor force data for the City, County and State.

City	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Labor Force	5,460	5,483	5,425	5,592	5,717
Employment	5,085	5,016	4,919	4,951	4,959
Unemployment	375	467	506	641	758
Unemployment Rate	6.9%	8.5%	9.3%	11.5%	13.3%
County					
Labor Force	255,629	254,888	253,330	258,682	262,657
Employment	241,640	238,354	233,858	234,569	234,504
Unemployment	13,989	16,534	19,472	24,113	28,153
Unemployment Rate	5.5%	6.5%	7.7%	9.3%	10.7%
State					
Labor Force	4,524,300	4,530,500	4,515,800	4,531,900	4,588,000
Employment	4,299,900	4,267,900	4,211,500	4,159,500	4,160,000
Unemployment	224,300	262,600	304,300	372,300	428,000
Unemployment Rate	5.0%	5.8%	6.7%	8.2%	9.3%

TEN LARGEST PRIVATE SECTOR EMPLOYERS IN THE CITY (2)

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Number of Employees</u>
Gloucester Terminal (Holt)	Marine Terminal and Warehousing	750
Thermoseal	Insulated Glass Manufacturer	170
Nest International	Facility Maintenance and Construction	113
Royal Farms	Convenience Store and Gas Station	42
Table Top Fashions	Linen Rental	35
Indco	Janitorial Supplies	25
Universal Supply	Building Materials	14
Blue Knight	Petroleum Terminal	12
Anyzek Plumbing & Heating	Plumbing and Heating Service, Oil Delivery	12
Gloucester Plumbing	Retail Plumbing Supplies	9

Building, Zoning and Development Codes

The City has established development regulations governing the size of lots for various types of construction. The land requirements are based on the type and nature of the building.

The City's building codes conform to standards of the Uniform Construction Code of New Jersey. These codes and other Municipal Codes are codified as a basis for improved administration and regulation.

In 1976, the City adopted the Municipal Land Use Law. The Municipal Land Use Law gave the City Planning and Zoning Board of Adjustment authority to regulate most land use other than single family residential use. In this way, the City is able to guide the approximate use or development of land to promote the public health, safety, and general welfare.

(1) Source: New Jersey Department of Labor

(2) City Officials

Building Permits(1)

<u>Year</u>	<u>Number of Permits Issued</u>	<u>Value of Construction</u>
2017	606	\$ 5,891,080
2016	571	3,791,058
2015	534	6,281,642
2014	577	5,128,474
2013	531	13,395,257

EDUCATION(2)

Primary and Secondary

The City of Gloucester City School District ("School District") is governed by a ten-member Board of Education ("Board"). Nine (9) members are elected at large and one (1) member is appointed by the Board of Education of the Borough of Brooklawn School District. The School District operates as a Type II school district under the provisions of Title 18A of the New Jersey statutes. The Board appoints a Superintendent of Schools to administer the day-to-day affairs of the School District. The School District educates grades pre-kindergarten (Pre-K) through twelve (12), including special education classes. The School District also operates adult high school education classes. The contiguous Borough of Brooklawn sends pupils to the School District for grades nine (9) through twelve (12).

The School District prepares annually a current expense and debt service budget. The amounts to be raised by taxation for current expense and debt service are submitted to the voters for approval if the amounts are disapproved, the City Council fixes an amount and certifies the same to the School District and the County Board of Taxation. If the School District determines that the amount certified by the City is insufficient to operate a thorough and efficient school system, the School District may appeal to the State Commissioner of Education to restore the local funds eliminated.

SCHOOL DISTRICT ENROLLMENTS (2)

<u>Grade</u>	<u>2017</u>	<u>2016</u>	<u>October 15, 2015</u>	<u>2014</u>	<u>2013</u>
Pre-K	248	245	241	256	228
K	139	142	152	127	162
1	143	144	138	165	159
2	132	137	158	145	123
3	138	151	136	118	128
4	157	130	111	123	100
5	129	122	109	103	92
6	112	107	97	87	104
7	101	106	93	96	104
8	102	92	95	91	84
9	98	100	109	102	119
10	87	98	99	120	106
11	101	97	109	108	109
12	89	109	102	100	113
Adult HS	0	0	0	122	91
Spec. Ed.	<u>342</u>	<u>339</u>	<u>338</u>	<u>323</u>	<u>323</u>
Totals	<u>2,118</u>	<u>2,119</u>	<u>2,087</u>	<u>2,186</u>	<u>2,145</u>

(1) Source: City Construction Official

(2) Source: School District Business Administrator/Board Secretary

PRESENT SCHOOL FACILITIES, ENROLLMENT AND CAPACITY(1)

<u>Name of School</u>	<u>Date Constructed</u>	<u>Grades</u>	<u>Enrollment June 30, 2017</u>
Cold Springs School	1995	PreK-3	912
Mary Ethel Costello School	1924	4-6	436 (closed 9/2017)
Gloucester City Jr./Sr. High	1960	7-12	803
Gloucester City Middle	2017	4-8	0 (opened 9/2017)
Highland Park	1920	Alt. Education/Adult	0

HIGHER EDUCATION FACILITIES

Rutgers University-Camden Campus

Rutgers University-Camden ("Rutgers"), is a comprehensive, publicly-supported, co-educational four-year institution accredited by the Middle States Association of Colleges and Secondary Schools and funded primarily by the State, was founded in 1950 on a 23.8 acre campus in the City of Camden. As of September, 2016, there were approximately 5,021 undergraduate students and 1,454 graduate students.

Camden County College

Fully accredited by the Middle States Association of Colleges and Secondary Schools, Camden County College ("College") is a comprehensive publicly supported, co-educational two-year institution developed under the State Department of Higher Education. It is funded in part by the County Board of Chosen Freeholders who appoint an eleven (11) member Board of Trustees. The College has three distinct campuses in Blackwood, Camden and Cherry Hill – along with its satellite locations in Lakeland, Sicklerville and elsewhere throughout the County.

As of the Fall of 2017, full time enrollment was 5,041 and part-time enrollment was 5,451 for a total of 10,492.

Camden County Technical Schools

From a vocational school that opened with 400 students in 12 trade areas in 1928, Camden County Technical Schools ("CCTS") has grown to be one of the largest and most comprehensive technical schools in the nation. The district today encompasses a full range of day and evening programs at campuses in Pennsauken and Gloucester Township. Beginning in 2012, the adult programs were operated by Camden County College as part of the Camden County shared services agreement.

For high school students, there are 32 career programs from which to choose. For the 2017-2018 school year, 1,325 students are enrolled at the Gloucester Township Campus, and 771 at the Pennsauken Campus, including 323 Special Education Students between the two campuses. Seniors are offered the opportunity to participate in several school-to-career programs and are offered lifetime job placement assistance. In addition, students are offered a full-range of athletics and activities to complement their education. Through Camden County College, high school juniors and seniors at CCTS have various opportunities to earn college credit for college level work completed while in high school. Students may bank the credits earned for future enrollment at colleges and universities.

In addition to the facilities mentioned above, Rowan University, Stockton University, University of Pennsylvania, Temple University, LaSalle University, Villanova University, St. Joseph's University and Drexel University are all within a commuting distance from the City.

(1) Source: School District Business Administrator/Board Secretary

CERTAIN TAX INFORMATION

TEN LARGEST TAXPAYERS (1)

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>2018 Assessed Valuation</u>
GMT Realty LLC.	Marine Terminal	\$ 33,432,400
BKEP Materials LLC	Oil Tank Farm	8,878,800
John Jeffrey Corporation	Warehouse	3,184,100
Cyzner Properties - Edison Inc.	Apartment Complex	2,660,800
Wonderful Citrus Packing LLC	Packages and Transports Fruit	2,564,500
PSE&G-Corp	Public Utility	2,438,800
2020 Management Inc.	Real Estate/Housing	2,256,900
Crescent Mobile Home Park, LLC	Mobile Home Park	1,882,700
GAF Building Materials Corp	Marine Terminal	1,827,400
Holt c/o Passaic Properties LLC	Marine Terminal	1,597,900

CURRENT TAX COLLECTIONS(2)

<u>Year</u>	<u>Total Levy</u>	<u>Collected in Year of Levy</u>		<u>Outstanding December 31</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2017 (3)	\$ 21,881,951	\$21,139,359	96.61%	\$ 681,159	3.11%
2016	21,257,003	20,684,997	97.31%	454,685	2.14%
2015	19,195,301	18,833,575	98.12%	295,841	1.54%
2014	18,578,268	18,156,864	97.73%	402,394	2.17%
2013	18,327,597	17,918,352	97.77%	380,198	2.07%

DELINQUENT TAXES (2)

<u>Year</u>	<u>Outstanding</u>		<u>Collected</u>		<u>Transferred to Liens</u>	<u>Other Credits</u>	<u>Outstanding December 31</u>
	<u>January 1</u>	<u>Added</u>	<u>Amount</u>	<u>Percentage</u>			
2017 (3)	\$ 455,185	\$ 6,792	\$ 396,403	85.81%	\$ 15,549	\$ 2,245	\$ 47,780
2016	297,655	9,500	301,774	98.25%	2,358	2,523	500
2015	408,477	14,500	385,311	91.10%	35,852		1,814
2014	387,679	20,259	384,103	94.16%	17,751		6,084
2013	347,066	9,000	336,481	94.50%	11,411	692	7,481

(1) Source: City Tax Assessor's Office

(2) Source: Annual Reports of Audit, unless otherwise indicated

(3) Information from Annual Compiled Financial Statement

TAX TITLE LIENS (1)

<u>Year</u>	<u>Balance January 1</u>	<u>Added by Sales and Transfers</u>	<u>Collected</u>	<u>Canceled</u>	<u>Transfer to Property Acquired For Taxes</u>	<u>Balance December 31</u>
2017 (2)	\$ 58,083	\$ 68,591	\$ 58,083			\$ 68,591
2016	102,014	56,073	8,004		\$ 92,000	58,083
2015	9,448	132,037	31,128		8,343	102,014
2014	3,064	21,639	15,255			9,448
2013	71,208	15,301	22,533	\$ 36,934	23,978	3,064

FORECLOSED PROPERTY (1)(3)

<u>Year</u>	<u>Balance January 1</u>	<u>Foreclosed/ Transfers</u>	<u>Gain/(Loss) on Sale</u>	<u>Adjustment to Assessed Valuation</u>	<u>Property Sold/Transfer to City</u>	<u>Balance December 31</u>
2017 (2)	\$2,187,700	\$ 860				\$ 2,188,560
2016	1,672,900	104,466	\$ (58,900)	\$ 473,734	\$ (4,500)	2,187,700
2015	1,542,300	9,749		120,851		1,672,900
2014	1,533,700	104		20,496	(12,000)	1,542,300
2013	1,705,600	31,270	(453,865)	252,230	(1,535)	1,533,700

WATER AND SEWER COLLECTIONS (1)

<u>Year</u>	<u>Beginning</u>		<u>Collected in Year of Levy</u>		<u>Transferred/ Canceled</u>	<u>Outstanding December 31</u>	
	<u>Balance</u>	<u>Total Levy</u>	<u>Amount</u>	<u>Percentage</u>		<u>Amount</u>	<u>Percentage</u>
2017 (2)	\$ 222,459	\$ 3,743,671	\$ 3,739,884	94.30%	\$ 33,325	\$ 192,921	5.15%
2016	210,686	3,843,157	3,780,773	93.26%	50,611	222,459	5.79%
2015	314,884	3,917,592	3,948,167	93.28%	73,623	210,686	5.38%
2014	184,732	3,685,582	3,555,430	91.86%		314,884	8.54%
2013	178,209	3,404,487	3,397,964	94.84%		184,732	5.43%

(1) Source: Annual Reports of Audit, unless otherwise indicated

(2) Information from Annual Compiled Financial Statement

(3) These amounts are reflected on the basis of assessed value in the year of acquisition in accordance with the regulation of the Division of Local Government Services

NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (1)(2)

<u>Year</u>	<u>Net</u>	<u>Total</u>	<u>Municipal</u>			<u>County</u>	<u>Local</u>
	<u>Valuation</u>		<u>Rate</u>	<u>Municipal</u>	<u>Library</u>	<u>County</u>	<u>School</u>
	<u>Taxable</u>				<u>Open Space</u>		
2017	\$ 516,207,850	\$ 4.231	\$ 2.154	\$ 0.035	\$ 0.868	\$ 0.022	\$ 1.152
2016	521,431,400	4.071	2.080	0.037	0.923	0.023	1.008
2015 (3)	523,386,600	3.666	1.966	0.031	0.808	0.021	0.840
2014	353,944,613	5.246	2.803	0.052	1.229	0.032	1.130
2013	353,883,358	5.175	2.777	0.050	1.193	0.032	1.123

**RATIO OF ASSESSED VALUATION TO TRUE VALUE
AND TRUE VALUE PER CAPITA(4)**

<u>Year</u>	<u>Real Property</u>	<u>Percentage</u>	<u>True</u>	<u>True Value</u>	<u>Population(5)</u>
	<u>Assessed Valuation</u>	<u>of True Value</u>	<u>Value</u>	<u>per Capita(5)</u>	
2017	\$ 516,207,850	95.81%	\$ 538,782,851	\$ 47,516	11,339
2016	521,431,400	95.81%	544,234,840	47,997	11,339
2015 (3)	523,386,600	102.25%	511,869,535	45,182	11,329
2014	352,117,900	70.45%	499,812,491	44,165	11,317
2013	351,889,000	64.89%	542,285,406	47,561	11,402

REAL PROPERTY CLASSIFICATION(6)

<u>Year</u>	<u>Assessed Value</u>					
	<u>Improvements</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>
2017	\$ 516,207,850	\$ 8,213,100	\$ 393,731,550	\$95,528,400	\$13,835,500	\$ 4,899,300
2016	521,431,400	7,463,000	395,323,600	96,815,400	16,930,100	4,899,300
2015 (3)	523,386,600	7,619,900	396,823,500	97,311,500	17,010,500	4,621,200
2014	352,117,900	5,263,500	266,834,000	65,708,100	11,613,700	2,698,600
2013	351,889,000	5,419,500	266,361,200	65,726,700	11,683,000	2,698,600

(1) Source: City Tax Collector

(2) Per \$100 of assessed valuation

(3) Revaluation

(4) Source: State of New Jersey, Department of Treasury, Division of Taxation

(5) Based upon 2013 - 2016 Estimate of New Jersey Department of Labor

(6) Source: City Tax Assessor's Office

**CITY OF GLOUCESTER CITY
2017 MUNICIPAL BUDGET**

CURRENT FUND

Anticipated Revenues:	
Fund Balance	\$ 1,800,000.00
Miscellaneous Revenues:	
Local Revenues	783,532.91
State Aid Without Offsetting Appropriations	2,678,496.00
Dedicated Uniform Construction Code Fees Offset With Appropriations	175,000.00
Special Items of Revenue with Consent of DLGS:	
Public and Private Revenues	814,038.01
Other Special Items	1,446,933.08
Receipts From Delinquent Taxes	400,000.00
Amount to be Raised by Taxation for Municipal Purposes:	
Local Tax for Municipal Purposes	11,123,588.57
Minimum Library Tax	181,411.43
Total Anticipated Revenues	\$ 19,403,000.00

Appropriations:	
Within CAPS:	
Operations	\$ 14,304,825.00
Deferred Charges and Statutory Expenditures	1,811,931.06
Excluded from CAPS:	
Other Operations	515,000.00
Public and Private Programs	984,801.20
Capital Improvements	10,000.00
Debt Service	989,237.50
Deferred Charges	91,439.02
Transferred to Board of Education	28,740.00
Reserve for Uncollected Taxes	667,026.22
Total Appropriations	\$ 19,403,000.00

WATER AND SEWER UTILITY FUND

Anticipated Revenues:	
Operating Fund Balance	\$ 350,000.00
Rents	3,780,000.00
Miscellaneous	325,000.00
Cash Reserve to Pay Debt	344,500.00
Total Anticipated Revenues	\$ 4,799,500.00
Appropriations:	
Operating	\$ 3,052,800.00
Debt Service	1,525,975.00
Capital Improvement Fund	10,000.00
Statutory Expenditures	210,725.00
Total Appropriations	\$ 4,799,500.00

**CITY OF GLOUCESTER CITY
CAPITAL PROGRAM
PROJECTS SCHEDULED FOR THE YEARS 2017 - 2022**

	<u>Estimated Total Cost</u>	<u>Capital Improvement Fund</u>	<u>Grants-in Aid and Other Funds</u>	<u>Bonds and Notes</u>	
				<u>General</u>	<u>Self-Liquidating</u>
General Capital:					
Acquisition of a Fire Pumper	\$ 650,000.00	\$ 32,500.00		\$ 617,500.00	
Resurfacing of Various Roads	1,500,000.00	75,000.00		1,425,000.00	
Burlington Street Water & Sewer Mains and Roadway Restoration	708,000.00	14,400.00	\$ 420,000.00	273,600.00	
Total - General Capital	2,858,000.00	121,900.00	420,000.00	2,316,100.00	
Water and Sewer Utility Capital:					
SCADA Replacement and Upgrade	90,000.00		4,500.00		\$ 85,500.00
Replacement of Water and Sewer Mains	2,500,000.00		125,000.00		2,375,000.00
Upgrade to #2 High Service Pump	16,000.00		800.00		15,200.00
Upgrade to #3 Pump Tank Pumps	50,000.00		2,500.00		47,500.00
Total - Water and Sewer Utility Capital	2,656,000.00		132,800.00		2,523,200.00
Total - All Projects	\$ 5,514,000.00	\$ 121,900.00	\$ 552,800.00	\$ 2,316,100.00	\$ 2,523,200.00

**CITY OF GLOUCESTER CITY
STATEMENT OF INDEBTEDNESS
AS OF DECEMBER 31, 2017**

The following table summarizes the direct debt of the City of Gloucester City as of December 31, 2017 in accordance with the requirements of the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-2- et.seq.). The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, Water and Sewer Utility and debt of the Local School District. Deductions from gross debt to arrive at net debt include school debt, funds on hand, as well as, debt considered to be self-liquidating. The resulting net debt of \$13,474,433 represent 2.44% of the average of equalized valuations for the City for the last three years, which is within the 3.5 % limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued				Gross Debt	Deductions			Net Debt
	Bonds	Loans	Notes	Authorized But Not Issued		School Debt	Funds On Hand	Self-Liquidating Debt	
General	\$1,795,000	\$779,993	\$8,288,305	\$4,118,218	\$14,981,516		\$1,507,083		\$13,474,433
School - Local	5,565,000				5,565,000	\$5,565,000			
Water Sewer Utility	1,400,000	9,267,054	904,598	4,256,154	15,827,806		\$15,827,806		
	<u>\$8,760,000</u>	<u>\$10,047,047</u>	<u>\$9,192,903</u>	<u>\$8,374,372</u>	<u>\$36,374,322</u>	<u>\$5,565,000</u>	<u>\$1,507,083</u>	<u>\$15,827,806</u>	<u>\$13,474,433</u>

Source: Revised Annual Debt Statement
As of: December 31, 2017

DEBT RATIOS AND VALUATIONS (1)(2)

Average of Equalized Valuations of Real Property with Improvements for 2015, 2016 and 2017	\$ 551,454,969
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2015, 2016 and 2017	2.44%
2017 Net Valuation Taxable	\$ 516,207,850
2017 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$ 538,782,851
Gross Debt (3):	
As a percentage of 2017 Net Valuation Taxable	7.05%
As a percentage of 2017 Equalized Valuations	6.75%
Net Debt (3):	
As a percentage of 2017 Net Valuation Taxable	2.61%
As a percentage of 2017 Equalized Valuations	2.50%
Gross Debt Per Capita (4)	\$ 3,208
Net Debt Per Capita (4)	\$ 1,188

CITY BORROWING CAPACITY(1)(2)

3.5% of Averaged (2015-17) Equalized Valuation of Real Property including Improvements	\$ 19,300,924
Net Debt	<u>13,474,433</u>
Remaining Borrowing Capacity	<u>\$ 5,826,491</u>

LOCAL SCHOOL DISTRICT BORROWING CAPACITY(1)(2)

4% of Averaged (2015-17) Equalized Valuation of Real Property including Improvements	\$ 22,058,199
Local School Debt	<u>5,565,000</u>
Remaining Borrowing Capacity	<u>\$ 16,493,199</u>

(1) As of December 31, 2017

(2) Source: Revised Annual Debt Statement

(3) Excluding overlapping debt

(4) Based on 2016 Estimate of New Jersey Department of Labor of 11,339

CITY OF GLOUCESTER CITY
OVERLAPPING DEBT AS OF DECEMBER 31, 2017

DEBT ISSUED

	<u>Debt Outstanding</u>	<u>Deductions</u>	<u>Statutory Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to the Issuer</u>	<u>Debt Auth. but not Issued</u>
County of Camden(1):					
General:					
Bonds	\$ 36,125,000	\$ 8,342,385 (2)	\$ 27,782,615	\$ 405,626 (4)	\$ 11,960,225
Notes	35,461,125		35,461,125	517,732 (4)	
Loan Agreements	314,966,900		314,966,900	4,598,517 (4)	
Bonds Issued by Other Public Bodies Guaranteed by the County	276,594,254	276,594,254 (3)			
	<u>\$ 663,147,279</u>	<u>\$ 284,936,639</u>	<u>\$ 378,210,640</u>	<u>\$ 5,521,875</u>	<u>\$ 11,960,225</u>

(1) Source: County of Camden

(2) Includes Reserve for Payment of Bonds, Other Accounts Receivable and General Obligation Pension Refunding Bonds.

(3) Deductible in accordance with N.J.S. 40:37A-80.

(4) Such debt is allocated as a proportion of the Issuer's share of the total 2017 Net Valuation on which County taxes are apportioned, which is 1.46%.

**CITY OF GLOUCESTER CITY
SCHEDULE OF DEBT SERVICE(1)
(BONDED DEBT ONLY)**

<u>Year</u>	<u>General</u>		<u>Water-Sewer Utility</u>		<u>Grand Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 425,000	\$ 45,000	\$ 350,000	\$ 35,000	\$ 855,000
2019	440,000	35,438	350,000	27,125	852,563
2020	455,000	24,438	350,000	18,375	847,813
2021	475,000	13,063	350,000	9,625	847,688
	<u>\$ 1,795,000</u>	<u>\$ 117,939</u>	<u>\$ 1,400,000</u>	<u>\$ 90,125</u>	<u>\$ 3,403,064</u>

**SCHEDULE OF OUTSTANDING DEBT SERVICE
LONG TERM LOANS (1)**

<u>Year</u>	<u>General</u>		<u>Water-Sewer Utility</u>		<u>Grand Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 130,649	\$ 14,950	\$ 746,195	\$ 214,031	\$ 1,105,825
2019	133,276	12,324	770,622	197,531	1,113,753
2020	135,954	9,645	788,597	179,931	1,114,127
2021	138,687	6,912	803,380	160,746	1,109,725
2022	90,152	4,125	734,436	140,856	969,569
2023	40,128	2,826	715,826	122,506	881,286
2024	40,934	2,019	730,088	104,281	877,322
2025	9,442	1,357	762,799	86,881	860,479
2026	9,631	1,168	776,895	68,731	856,425
2027	9,825	974	795,540	49,831	856,170
2028	10,022	776	797,586	30,031	838,415
2029	10,224	575	177,227	9,531	197,557
2030	10,429	369	158,103	8,031	176,932
2031	10,639	160	153,103	6,531	170,433
2032			130,997	5,119	136,116
2033			105,220	3,263	108,483
2034			60,220	1,200	61,420
2035			60,221	600	60,821
	<u>\$ 779,993</u>	<u>\$ 58,180</u>	<u>\$ 9,267,054</u>	<u>\$ 1,389,631</u>	<u>\$ 11,494,858</u>

(1) As of December 31, 2017

APPENDIX B

**COMPILED AND AUDITED FINANCIAL STATEMENTS OF THE
CITY OF GLOUCESTER CITY,
IN THE COUNTY OF CAMDEN, NEW JERSEY**

FOR THE YEAR ENDED 2017
COMPILED FINANCIAL STATEMENTS



INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

The Honorable Mayor and
Members of the City Council
City of Gloucester City
Gloucester City, New Jersey 08030

Management is responsible for the accompanying financial statements of the City of Gloucester City, in the County of Camden, State of New Jersey, which comprise the statement of assets, liabilities, reserves and fund balance--regulatory basis of the various funds as of December 31, 2017 and the related statement of operations and changes in fund balances--regulatory basis for the year then ended, in accordance with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and for determining that this regulatory basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements to have been prepared in conformity with accounting practices 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.

Management has elected to omit substantially all of the disclosures required by these regulatory accounting practices. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the City's assets, liabilities, reserves, fund balance, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Respectfully submitted,

/s/ BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

/s/ Robert S. Marrone
Certified Public Accountant
Registered Municipal Accountant

Voorhees, New Jersey
March 13, 2018

CITY OF GLOUCESTER CITY
CURRENT FUND
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2017

ASSETS:

Regular Fund:

Cash		\$ 3,521,909.67
Receivables and Other Assets		
with Full Reserves:		
Delinquent Property Taxes Receivable		728,938.60
Tax Title Liens Receivable		68,590.89
Property Acquired for Taxes (at Assessed Valuation)		2,188,559.53
Revenue Accounts Receivable		83,789.12
Interfunds Receivable		575,122.37
Clean-up Charges Receivable		74,674.56
Other Receivables		3,533.48
		3,723,208.55
Deferred Charges		160,000.00
		7,405,118.22
Federal and State Grant Fund:		
Interfund Receivable		29,959.08
Federal and State Grants Receivable		2,199,123.60
		2,229,082.68
		\$ 9,634,200.90

**LIABILITIES, RESERVES
AND FUND BALANCE:**

Regular Fund:

Liabilities:		
Appropriation Reserves		\$ 436,019.77
Reserve for Encumbrances		175,449.38
Payroll Deductions Payable		541,390.57
Accounts Payable		7,744.35
Prepaid Taxes		226,679.18
Due to County for Added and Omitted Taxes		8,665.36
Interfunds Payable		228,149.51
Due Library		20,685.48
Due CCMUA		1,239.76
Due to State of New Jersey:		
Senior Citizen and Veterans Deductions		81,941.47
State Training Fees		1,469.00
Reserve for Master Plan		17,688.48
Reserve for Sale of Municipal Assets, Revaluation and Contracts		55,649.22
		1,802,771.53
Reserve for Receivables and Other Assets		3,723,208.55
Fund Balance		1,879,138.14
		7,405,118.22
Federal and State Grant Fund:		
Reserve for Encumbrances		726.50
Appropriated Reserves		2,208,961.31
Unappropriated Reserves		19,394.87
		2,229,082.68
		\$ 9,634,200.90

See Independent Accountant's Compilation Report.

CITY OF GLOUCESTER CITY
CURRENT FUND
Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Year Ended December 31, 2017

REVENUE AND OTHER INCOME REALIZED:

Fund Balance Utilized	\$	1,800,000.00
Miscellaneous Revenue Anticipated		6,550,677.15
Receipts from Delinquent Taxes		454,486.46
Receipts from Current Taxes		21,139,359.07
Non-Budget Revenue		833,862.19
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves		204,366.82
Cancellation of:		
Tax Overpayments and Accounts Payable		817.61
Liquidation of Reserves for:		
Interfunds and Accounts Receivable		135.31
		135.31
Total Income		30,983,704.61

EXPENDITURES:

Budget and Emergency Appropriations:		
Operations Within "CAPS":		
Salaries and Wages		7,412,531.00
Other Expenses		6,535,144.00
Deferred Charges and Statutory Expenditures Municipal -- Within "CAPS"		1,779,081.06
Operations -- Excluded from "CAPS":		
Salaries and Wages		
Other Expenses		1,945,363.15
Capital Improvements -- Excluded from "CAPS"		10,000.00
Municipal Debt Service -- Excluded from "CAPS"		988,776.56
Deferred Charges -- Excluded from "CAPS"		91,439.02
Transferred to Local School District		28,740.00
County Taxes		4,586,431.10
Due County for Added and Omitted Taxes		8,665.36
Local School District Tax		5,947,540.00
Other Charges to Income:		
Prior Year Veterans' and Senior Citizens' Deductions Disallowed		7,041.78
Creation of Reserves for:		
Interfunds and Accounts Receivable		575,122.37
		575,122.37
Total Expenditures		29,915,875.40

Excess in Revenue		1,067,829.21
Adjustment to Income Before Fund Balance:		
Expenditures Included Above which are by Statute Deferred		
Charges to Budget of Succeeding Year		80,000.00
		80,000.00

Statutory Excess to Fund Balance		1,147,829.21
----------------------------------	--	--------------

FUND BALANCE:

Balance January 1		2,531,308.93
		3,679,138.14
Decreased by:		
Utilized as Revenue		1,800,000.00
		1,800,000.00
Balance December 31		\$ 1,879,138.14

See Independent Accountant's Compilation Report.

CITY OF GLOUCESTER CITY
TRUST FUND
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2017

ASSETS:

Animal Control Fund:

Cash	\$	5,867.01
Interfunds Receivable		216.34
		6,083.35

Other Funds:

Cash - Community Development		769,201.48
Community Development - UDAG and CDBG Loans Receivable		3,204,531.72
Interfunds Receivable - Community Development		215,498.59
		4,189,231.79

Other Funds:

Cash		964,047.56
Trust Other - RCA Loans Receivable		1,722,622.00
Interfunds Receivable - Trust Other		7,711.03
Trust Other - Off Duty Police Receivable		13,827.50
		2,708,208.09
	\$	6,903,523.23

LIABILITIES, RESERVES
AND FUND BALANCE:

Animal Control Fund:

Accounts Payable	\$	1,622.20
Reserve for Animal Control Fund Expenditures		4,461.15
		6,083.35

Other Funds:

Community Development:		
Accounts Payable		283,020.75
Reserve For:		
Loans Receivable		3,204,531.72
UDAG Projects and Revolving Loans		490,575.30
CDBG Revolving Loans		211,104.02
		4,189,231.79

Trust Other:

Reserves		2,645,676.44
Due Community Development		39,600.32
Unallocated		1,206.18
Due State of NJ Unemployment Fund		11,566.04
Due Animal Control		76.00
Accounts Payable		10,083.11
		2,708,208.09
	\$	6,903,523.23

See Independent Accountant's Compilation Report.

CITY OF GLOUCESTER CITY
GENERAL CAPITAL FUND
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2017

ASSETS:

Cash	\$ 1,970,068.15
Deferred Charges to Future Taxation:	
Funded	2,574,992.49
Unfunded	12,406,523.27
Accounts Receivable	43,464.51
Interfunds Receivable	415,734.19
	415,734.19
Total Assets	\$ 17,410,782.61

LIABILITIES, RESERVES AND FUND BALANCE:

Improvement Authorizations:	
Funded	\$ 148,218.63
Unfunded	4,599,135.62
Reserve for Encumbrances	274,460.66
Capital Improvement Fund	10,685.82
Reserve for Preliminary Expenses	
Reserve for Road Improvements	
General Capital Bonds	1,795,000.00
Loans Payable	779,992.49
Bond Anticipation Notes	8,288,305.00
Reserve to Pay Green Trust Loans	7,083.39
Reserve for Payment of Debt	1,500,000.00
Fund Balance	7,901.00
	7,901.00
Total Liabilities, Reserves and Fund Balance	\$ 17,410,782.61

See Independent Accountant's Compilation Report.

CITY OF GLOUCESTER CITY
WATER AND SEWER UTILITY OPERATING FUND
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2017

ASSETS:

Operating Fund:	
Cash	\$ 1,029,771.80
Interfunds Receivable	4,191.44
Consumer Accounts Receivable	<u>192,920.93</u>
Total Operating Fund	<u>1,226,884.17</u>
Capital Fund:	
Cash	482,392.84
Interfunds Receivable	8,486.05
Due State of New Jersey - NJEIT	685,726.00
Fixed Capital	19,404,252.15
Fixed Capital Authorized and Uncompleted	<u>21,069,354.00</u>
Total Capital Fund	<u>41,650,211.04</u>
Total Assets	<u>\$ 42,877,095.21</u>

LIABILITIES, RESERVES AND FUND BALANCE:

Operating Fund:	
Appropriation Reserve	\$ 124,873.74
Reserve for Encumbrances	46,889.26
Water and Sewer Rent Overpayments	16,736.30
Accounts Payable	9,200.00
Interfunds Payable	113,962.49
Accrued Interest on Bonds, Loans and Notes	103,168.49
Reserve for Consumer Accounts and Lien Receivable	192,920.93
Reserve for Contract Settlements	53,748.32
Fund Balance	<u>565,384.64</u>
Total Operating Fund	<u>1,226,884.17</u>
Capital Fund:	
Interfunds Payable	875,122.37
Improvement Authorizations:	
Funded	401,022.87
Unfunded	3,997,760.32
Reserve for Encumbrance	88,803.60
Reserve for Amortization	22,550,328.43
Reserve for Deferred Amortization	2,033,207.00
Reserve to Pay Debt	81,286.72
Serial Bonds Payable	1,400,000.00
NJEIT	9,267,053.72
Bond Anticipation Notes Payable	904,598.00
Capital Improvement Fund	41,469.60
Fund Balance	<u>9,558.41</u>
Total Capital Fund	<u>41,650,211.04</u>
Total Liabilities and Reserves	<u>\$ 42,877,095.21</u>

See Independent Accountant's Compilation Report.

CITY OF GLOUCESTER CITY
WATER AND SEWER UTILITY FUND
Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Year Ended December 31, 2017

Revenue and Other Income Realized:	
Surplus Anticipated	\$ 350,000.00
Rents	3,739,884.16
Miscellaneous Revenues Anticipated	338,371.34
Reserve to Pay Debt	344,500.00
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	92,003.39
	<u>4,864,758.89</u>
Expenditures:	
Operating	2,782,800.00
Capital Improvements	10,000.00
Debt Service	1,440,640.07
Deferred Charges and Statutory Expenditures	199,725.00
	<u>4,433,165.07</u>
Total Expenditures	<u>4,433,165.07</u>
Excess in Revenues	431,593.82
Fund Balance:	
Balance January 1	483,790.82
	<u>483,790.82</u>
Decreased by:	915,384.64
Utilized as Revenue	350,000.00
	<u>350,000.00</u>
Balance December 31	\$ 565,384.64
	<u>565,384.64</u>

See Independent Accountant's Compilation Report.

CITY OF GLOUCESTER CITY
Notes to Financial Statements
For the Year Ended December 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The City of Gloucester City (hereafter referred to as the "City") was incorporated by an act of the New Jersey Legislature on February 25, 1868, from the remaining portions of Union City, which was then dissolved. The City, which is located in Camden County, has a total area of approximately three square miles, and is centrally located directly across the Delaware River from Philadelphia and the Port of Philadelphia. The City borders the Borough's of Brooklawn, Bellmawr and Mount Ephraim; the City of Camden and Haddon Township in Camden County and also borders Gloucester County. According to the 2010 census, the population is 11,456.

The City has a Mayor-Council form of government known as the Mayor-Council Plan A under the Optional Municipal Charter Law of 1960, popularly known as the Faulkner Act. The Mayor is separately elected. Executive and administrative responsibility rests with the Mayor, who is assisted by the City Administrator.

Component Units - The financial statements of the component units of the City are not presented in accordance with Governmental Accounting Standards Board GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. If the provisions of GASBS No. 14, as amended by GASBS No. 39 and GASBS No. 61, had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the City, the primary government:

Gloucester City Library
50 North Railroad
Gloucester City, New Jersey 08030

Gloucester City Economic Development Corporation
P.O. Box 602
Gloucester City, New Jersey 08030

Annual financial reports may be inspected directly at the offices of these component units during regular business hours.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The financial statements of the Township contain all funds and account groups in accordance with the *Requirements of Audit* ("*Requirements*") as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the *Requirements* 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these *Requirements*. In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this note.

In accordance with the *Requirements*, the City accounts for its financial transactions through the use of separate funds which are described as follows:

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 Fund - The general capital fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the current fund.

Water and Sewer Utility Operating and Capital Funds - The water and sewer utility operating and capital funds account for the operations and acquisition of capital facilities of the municipally owned water and sewer operations.

General Fixed Asset Group of Accounts - The general fixed asset group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other governmental funds.

Budgets and Budgetary Accounting - The City must adopt an annual budget for its current and water and sewer utility funds in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual municipal budget no later than February 10 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 the budget was introduced. 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. Amendments to adopted budgets, if any, are detailed in the statements of revenues and expenditures.

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

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Cash, Cash Equivalents and Investments (Cont'd)**

collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the City requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

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 operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The 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 statements of assets, liabilities, reserves and fund balance.

General Fixed Assets - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years. The City has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The City is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed asset group of accounts, reflecting the activity for the year, must be included in the City's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that include accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

Utility Fixed Assets - Property and equipment purchased by a utility fund are recorded in the utility capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. The reserve for amortization and deferred reserve for amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property and equipment, improvements, and contributed capital.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 asset group of accounts. If such property is converted to a municipal use, it will be recorded in the general fixed asset group of accounts.

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 or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Liens Sold for Other Governmental Units - Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

Fund Balance - Fund balances included in the current fund and water and sewer utility operating fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the City's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the City's current fund; accordingly, such amounts are not recorded as revenue until collected. 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.

Property Tax Revenues - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. 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 County of Camden, the City of Gloucester City School District and the City of Gloucester City Library. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes - The City is responsible for levying, collecting, and remitting school taxes for the City of Gloucester City School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from January 1 to December.

County Taxes - The municipality is responsible for levying, collecting, and remitting county taxes for the County of Camden. County taxes are determined on a calendar year by the County Board of Taxation based upon the ratables required to be certified to them on January 10 of each year. Operations is charged for the amount due to the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 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 reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; whereas interest on utility indebtedness is on the accrual basis.

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 year, to meet specific claims, commitments, or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as income.

Long-Term Debt - Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the general capital and utility capital funds. Where an improvement is a "local Improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the trust fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Compensated Absences and Postemployment 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 postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

FOR THE YEARS ENDED
2016, 2015, 2014, 2013 AND 2012
AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Gloucester City
Gloucester City, New Jersey 08030

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the City of Gloucester City, in the County of Camden, State of New Jersey, as of December 31, 2016, 2015, 2014, 2013 and 2012, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, 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 financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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.

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Opinions

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in note 1 to the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of 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 the State 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.

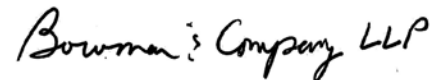
Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the “*Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*” 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 the City of Gloucester City, in the County of Camden, State of New Jersey, as of December 31, 2016, 2015, 2014, 2013, and 2012, or the results of its operations and changes in fund balance for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the City of Gloucester City, in the County of Camden, State of New Jersey, as of December 31, 2016, 2015, 2014, 2013, and 2012, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Certified Public Accountant
Registered Municipal Accountant

Voorhees, New Jersey
June 19, 2017

CITY OF GLOUCESTER CITY
CURRENT FUND

Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>					
Cash	\$ 3,505,039	\$ 3,363,797	\$ 3,508,994	\$ 4,556,090	\$ 4,792,033
Receivables and Other Assets with Full Reserves:					
Delinquent Property Taxes Receivable	455,185	297,655	408,477	387,679	347,066
Tax Title Liens Receivable	58,083	102,014	9,448	3,064	71,208
Property Acquired for Taxes--Assessed Valuation	2,187,700	1,672,900	1,542,300	1,533,700	1,705,600
Revenue Accounts Receivable	83,789	130,529	146,371	110,369	121,453
Other Accounts Receivable	60,421	26,982	36,350	58,715	38,238
Interfunds Receivable	108	67,936	246,395	65,463	152,715
Deferred Charges	150,000	220,000	290,000	315,460	30,920
Federal and State Grants Receivable	2,007,696	2,366,380	1,806,316	2,423,478	2,789,795
Interfund Receivable Federal and State Grant Fund	90,882				
	<u>\$ 8,598,903</u>	<u>\$ 8,248,193</u>	<u>\$ 7,994,651</u>	<u>\$ 9,454,018</u>	<u>\$ 10,049,028</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>					
Appropriation Reserves	\$ 221,947	\$ 232,312	\$ 243,958	\$ 394,904	\$ 712,321
Reserve for Encumbrances	269,938	188,007	309,511	1,258,233	353,276
Accounts Payable	702	6,493	31,932	2,595	897
Prepaid Taxes	151,415	140,891	133,955	107,369	120,355
Payroll Taxes Payable	94,027	93,133	106,344	159,014	115,201
Tax Overpayments				6,533	5,704
Due County for Added & Omitted Taxes	5,973	1,797	2,483	3,560	1,977
Local School Taxes Payable			290,799	290,907	291,268
Due to State of New Jersey	82,753	88,390	96,236	88,613	79,548
Due to CCMUAA	1,240	1,240	1,240	1,240	1,240
Reserve for Federal and State Grants	2,036,310	2,268,941	1,371,130	1,550,161	2,434,194
Reserve for Deposits of Sale of Property	20	20	20	20	20
Reserve for Master Plan	19,329	20,807	68,303	18,303	18,303
Reserve for Revaluation	13,978	13,978	13,978	13,978	
Reserve for Contracts Settlements	41,651	19,551	33,000		244,500
Interfunds Payable	283,025	221,833	466,024	305,013	316,393
Reserves for Receivables and Other Assets	2,845,286	2,298,016	2,389,341	2,158,990	2,436,280
Fund Balance	<u>2,531,309</u>	<u>2,652,784</u>	<u>2,436,397</u>	<u>3,094,585</u>	<u>2,917,551</u>
	<u>\$ 8,598,903</u>	<u>\$ 8,248,193</u>	<u>\$ 7,994,651</u>	<u>\$ 9,454,018</u>	<u>\$ 10,049,028</u>

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

CITY OF GLOUCESTER CITY
CURRENT FUND
Statements of Operations and Changes in Fund Balance--Regulatory Basis

	For the Years Ended December 31,				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue and Other Income Realized:					
Receipts from Current Taxes	\$ 20,684,997	\$ 18,833,575	\$ 18,156,864	\$ 17,918,352	\$ 17,857,847
Receipts from Delinquent Taxes	309,028	416,190	399,358	359,014	524,888
Total Taxes	20,994,025	19,249,765	18,556,222	18,277,366	18,382,735
Miscellaneous Revenues Anticipated	7,113,649	6,366,819	5,700,137	5,296,591	6,071,062
Non-Budget and Other Income	643,913	1,000,738	749,778	972,586	1,410,295
Fund Balance Utilized	1,800,000	2,000,000	2,000,000	2,012,500	1,800,000
Total Income	30,551,587	28,617,322	27,006,137	26,559,043	27,664,092
Expenditures:					
Operating	15,778,093	15,063,634	14,548,370	13,955,064	14,168,569
Deferred Charges and Statutory Expenditures	1,958,247	1,693,631	1,563,279	1,526,223	1,651,801
Capital Improvements	10,000	10,000	20,000		211,500
Municipal Debt Service	899,969	842,476	760,668	780,029	776,779
Special Emergency Authorization			75,460	32,394	22,960
County Taxes	4,935,483	4,332,839	4,463,371	4,332,639	4,508,292
Local District School Taxes	5,255,064	4,397,646	3,998,954	3,973,346	3,901,529
Other Expenditures	36,206	60,709	284,223	69,814	171,887
Total Expenditures	28,873,062	26,400,935	25,714,325	24,669,509	25,413,317
Excess in Revenues	1,678,525	2,216,387	1,291,812	1,889,534	2,250,775
Adjustments to Income before Fund Balance					
Expenditures included above which are by Statute					
Deferred Charges to Budget of Succeeding Years			50,000	300,000	
Statutory Excess to Fund Balance	1,678,525	2,216,387	1,341,812	2,189,534	2,250,775
Fund Balance					
Fund Balance Jan. 1	2,652,784	2,436,397	3,094,585	2,917,551	2,466,776
Decreased by:	4,331,309	4,652,784	4,436,397	5,107,085	4,717,551
Utilized as Anticipated Revenue	1,800,000	2,000,000	2,000,000	2,012,500	1,800,000
Fund Balance Dec. 31	\$ 2,531,309	\$ 2,652,784	\$ 2,436,397	\$ 3,094,585	\$ 2,917,551

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

CITY OF GLOUCESTER CITY

TRUST FUND

Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,				
	<u>2016</u>	<u>2015</u>	<u>Restated 2014</u>	<u>2013</u>	<u>2012</u>
ASSETS					
Animal Control Fund:					
Cash	\$ 11,290	\$ 7,246	\$ 5,494	\$ 2,547	\$ 4,771
Interfunds Receivable					466
Other Accounts Receivable	8	3		12	
	<u>11,298</u>	<u>7,249</u>	<u>5,494</u>	<u>2,559</u>	<u>5,237</u>
Trust Other Funds:					
Cash	806,557	812,469	530,216	556,224	947,635
Community Development Block Grant Receivable					
Other Accounts Receivable	1,846,489	1,948,600	1,768,149	1,856,869	1,887,669
Interfunds Receivable	31,632	30,196	68,182	89,941	91,999
	<u>2,684,678</u>	<u>2,791,265</u>	<u>2,366,547</u>	<u>2,503,034</u>	<u>2,927,303</u>
Community Development Fund:					
Cash	1,101,428	1,111,423	1,235,488	1,765,076	2,437,944
Other Accounts Receivable	3,248,963	3,313,007	2,991,381	2,591,987	2,650,605
Interfunds Receivable	160,511	123,761	151,528	149,696	71,283
	<u>4,510,902</u>	<u>4,548,191</u>	<u>4,378,397</u>	<u>4,506,759</u>	<u>5,159,832</u>
	<u>\$ 7,206,878</u>	<u>\$ 7,346,705</u>	<u>\$ 6,750,438</u>	<u>\$ 7,012,352</u>	<u>\$ 8,092,372</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Animal Control Fund:					
Reserve for Animal Control Fund Expenditures	\$ 4,136	\$ 6,087	\$ 3,574	\$ 734	\$ 4,771
Interfunds Payable	1		6	4	
Accounts Payable	7,161	1,162	1,914	1,821	466
	<u>11,298</u>	<u>7,249</u>	<u>5,494</u>	<u>2,559</u>	<u>5,237</u>
Trust Other Funds:					
Reserve for Tax Title Lien Premiums and Redemptions	245,186	282,560	32,200	78,481	55,002
Accounts Payable	10,933	13,292	73,732	12,499	100,104
Other Liabilities and Special Funds	2,428,559	2,495,414	2,260,615	2,412,054	2,772,197
	<u>2,684,678</u>	<u>2,791,265</u>	<u>2,366,547</u>	<u>2,503,034</u>	<u>2,927,303</u>
Community Development Fund:					
Accounts Payable	698,852	692,488	699,791	469,050	498,488
Miscellaneous Reserves	3,812,050	3,855,703	3,678,606	4,037,709	4,661,344
	<u>4,510,902</u>	<u>4,548,191</u>	<u>4,378,397</u>	<u>4,506,759</u>	<u>5,159,832</u>
	<u>\$ 7,206,878</u>	<u>\$ 7,346,705</u>	<u>\$ 6,750,438</u>	<u>\$ 7,012,352</u>	<u>\$ 8,092,372</u>

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

CITY OF GLOUCESTER CITY
GENERAL CAPITAL FUND
Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>					
Cash	\$ 1,575,861	\$ 1,662,053	\$ 2,001,371	\$ 2,217,133	\$ 1,865,511
Grants Receivable	43,465	43,465	163,527	163,528	214,329
Deferred Charges to Future Taxation:					
Unfunded	12,141,662	10,917,712	10,964,921	10,422,620	9,932,427
Funded	3,118,068	3,648,619	4,166,697	4,672,350	5,181,345
	<u>\$ 16,879,056</u>	<u>\$ 16,271,849</u>	<u>\$ 17,296,516</u>	<u>\$ 17,475,631</u>	<u>\$ 17,193,612</u>
<u>LIABILITIES, RESERVES</u>					
<u>AND FUND BALANCE</u>					
Improvement Authorizations:					
Funded	\$ 216,459	\$ 857,443	\$ 1,097,310	\$ 1,477,733	\$ 1,467,668
Unfunded	4,517,417	3,483,961	3,416,678	3,288,190	3,180,276
Capital Improvement Fund	27,586	48,106	44,681	56,381	83,556
Green Trust Loan Payable	908,068	1,033,619	1,156,697	1,277,350	1,395,626
Reserve for Encumbrances	442,986	95,339	405,167	350,989	101,069
Interfunds Payable	107	60	75	82	69
Serial Bond Payable	2,210,000	2,615,000	3,010,000	3,395,000	3,775,000
EDA Infrastructure Loan Payable					10,719
Reserve to Pay Green Loan	7,083	7,083	7,083	7,083	7,083
Bond Anticipation Notes	8,513,105	8,128,550	8,158,825	7,616,525	7,160,200
Fund Balance	36,245	2,688		6,298	12,346
	<u>\$ 16,879,056</u>	<u>\$ 16,271,849</u>	<u>\$ 17,296,516</u>	<u>\$ 17,475,631</u>	<u>\$ 17,193,612</u>

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

CITY OF GLOUCESTER CITY
WATER AND SEWER UTILITY FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

<u>ASSETS</u>	As of December 31,				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Fund:					
Cash	\$ 836,525	\$ 1,003,348	\$ 656,314	\$ 774,566	\$ 900,059
Interfunds Receivable	85	48	43		1,363
Receivables with Full Reserves:					
Consumer Accounts Receivable	222,459	210,686	314,884	184,732	178,209
Total Operating Fund	1,059,069	1,214,082	971,241	959,298	1,079,631
Capital Fund:					
Cash	998,283	1,067,702	998,477	1,267,974	1,299,848
New Jersey Environmental Infrastructure Trust Loans					
Receivable	958,051	473,107	1,332,245		
Interfunds Receivable				10,947	
Fixed Capital	19,404,252	19,404,252	19,404,252	18,849,252	18,849,252
Fixed Capital Authorized and Uncompleted	21,069,354	17,227,514	17,014,514	17,154,014	12,665,800
Total Capital Fund	42,429,940	38,172,575	38,749,488	37,282,187	32,814,900
	\$ 43,489,009	\$ 39,386,657	\$ 39,720,729	\$ 38,241,485	\$ 33,894,531
<u>LIABILITIES, RESERVES</u>					
<u>AND FUND BALANCE</u>					
Operating Fund:					
Appropriation Reserves	\$ 86,936	\$ 81,922	\$ 142,732	\$ 59,113	\$ 70,284
Encumbrances Payable	74,094	83,288	42,343	39,744	27,339
Accrued Interest on Bonds and Notes	115,974	118,773	128,568	130,287	140,047
Water and Sewer Rental Overpayments	22,067	12,313	7,132	8,378	10,054
Accounts Payable		5,263	980	367	7,000
Interfunds Payable				10,947	
Reserve for Contract Settlements	53,748	24,948	24,000		
Unallocated					10
Reserves for Receivables	222,459	210,686	314,884	184,732	178,209
Fund Balance	483,791	676,889	310,602	525,730	646,688
Total Operating Fund	1,059,069	1,214,082	971,241	959,298	1,079,631
Capital Fund:					
Interfunds Payable	85	48	43		1,363
Bond Anticipation Notes	990,323	973,175	794,485	399,760	173,660
Serial Bonds Payable	1,750,000	2,085,000	2,410,000	2,585,000	2,760,000
NJ Water Resource Loan			72,145	227,041	418,379
NJ Environmental Infrastructure Trust Loans Payable	9,728,945	9,467,457	10,179,059	9,044,950	9,715,511
Capital Improvement Fund	31,470	25,062	25,712	26,487	38,387
Improvement Authorizations:					
Funded	423,862	616,985	1,327,842	537,504	557,273
Unfunded	5,340,109	1,878,320	1,780,760	2,464,545	208,066
Reserve for Encumbrances	383,275	420,693	535,589	2,121,441	115,602
Reserve for MTBE Settlement			61,075	61,075	61,075
Reserve to Pay Debt	425,787	425,787	425,787	425,787	
Reserve for Amortization	21,313,319	20,240,875	19,108,468	17,380,849	16,769,736
Deferred Reserve for Amortization	2,033,207	2,029,615	2,018,965	1,998,190	1,986,290
Fund Balance	9,558	9,558	9,558	9,558	9,558
Total Capital Fund	42,429,940	38,172,575	38,749,488	37,282,187	32,814,900
	\$ 43,489,009	\$ 39,386,657	\$ 39,720,729	\$ 38,241,485	\$ 33,894,531

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

CITY OF GLOUCESTER CITY
WATER AND SEWER UTILITY OPERATING FUND
Statements of Operations and Changes in Fund Balance--Regulatory Basis

<u>Revenue and Other Income Realized</u>	For the Years Ended December 31,				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Fund Balance Utilized	\$ 450,000	\$ 200,000	\$ 300,000	\$ 415,000	\$ 300,000
Sewer Service Charges	3,780,773	3,948,167	3,555,430	3,397,964	3,523,282
Miscellaneous	349,983	433,598	329,527	325,748	317,708
Reserve for MTBE Settlement		61,075			200,000
Other Credits to Income	96,876	124,328	312,311	42,381	31,310
Total Income	4,677,632	4,767,168	4,497,268	4,181,093	4,372,300
<u>Expenditures</u>					
Operating	2,904,000	2,614,741	2,612,142	2,391,245	2,296,000
Debt Service	1,320,930	1,391,541	1,348,096	1,327,652	1,341,151
Capital Improvement Fund	10,000	10,000	288,000		
Statutory Expenditures	185,800	184,599	164,158	168,155	180,000
Total Expenditures	4,420,730	4,200,881	4,412,396	3,887,052	3,817,151
Statutory Excess to Fund Balance	256,902	566,287	84,872	294,041	555,149
<u>Fund Balance</u>					
Balance January 1	676,889	310,602	525,730	646,689	391,540
	933,791	876,889	610,602	940,730	946,689
Decreased by:					
Realized as Revenue	450,000	200,000	300,000	415,000	300,000
Balance December 31	\$ 483,791	\$ 676,889	\$ 310,602	\$ 525,730	\$ 646,689

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

CITY OF GLOUCESTER CITY
Notes to Financial Statements
For the Year Ended December 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The City of Gloucester City (hereafter referred to as the "City") was incorporated by an act of the New Jersey Legislature on February 25, 1868, from the remaining portions of Union City, which was then dissolved. The City, which is located in Camden County, has a total area of approximately three square miles, and is centrally located directly across the Delaware River from Philadelphia and the Port of Philadelphia. The City borders Brooklawn, Bellmawr, Camden, Haddon Township and Mount Ephraim in addition to bordering Gloucester County. According to the 2010 census, the population is 11,456.

The City has a Mayor-Council form of government known as the Mayor-Council Plan A under the Optional Municipal Charter Law of 1960, popularly known as the Faulkner Act. The Mayor is separately elected. Executive and administrative responsibility rests with the Mayor, who is assisted by the City Administrator.

Component Units - The financial statements of the component units of the City are not presented in accordance with Governmental Accounting Standards Board GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. If the provisions of GASBS No. 14, as amended by GASBS No. 39 and GASBS No. 61, had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the City, the primary government:

Gloucester City Library
50 North Railroad
Gloucester City, New Jersey 08030

Gloucester City Economic Development Corporation
P.O. Box 602
Gloucester City, New Jersey 08030

Annual financial reports may be inspected directly at the offices of these component units during regular business hours.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The financial statements of the City contain all funds and account groups in accordance with the *Requirements of Audit* ("Requirements") as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the *Requirements* 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these *Requirements*. In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this note.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd) - In accordance with the *Requirements*, the City accounts for its financial transactions through the use of separate funds which are described as follows:

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 Fund - The general capital fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the current fund.

Water and Sewer Utility Operating and Capital Funds - The water and sewer utility operating and capital funds account for the operations and acquisition of capital facilities of the municipally owned water and sewer operations.

General Fixed Asset Group of Accounts - The general fixed asset group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other governmental funds.

Budgets and Budgetary Accounting - The City must adopt an annual budget for its current and water and sewer utility funds in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual municipal budget no later than February 10 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 the budget was introduced. 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. Amendments to adopted budgets, if any, are detailed in the statements of revenues and expenditures.

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

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments (Cont'd) - N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the 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, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the City requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

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 operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The 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 statements of assets, liabilities, reserves and fund balance.

General Fixed Assets - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years. The City has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The City is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed asset group of accounts, reflecting the activity for the year, must be included in the City's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that include accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Utility Fixed Assets - Property and equipment purchased by a utility fund are recorded in the utility capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. The reserve for amortization and deferred reserve for amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property and equipment, improvements, and contributed capital.

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 asset group of accounts. If such property is converted to a municipal use, it will be recorded in the general fixed asset group of accounts.

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 or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Liens Sold for Other Governmental Units - Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

Fund Balance - Fund balances included in the current fund and water and sewer utility operating fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the City's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the City's current fund; accordingly, such amounts are not recorded as revenue until collected. 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.

Property Tax Revenues - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. 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 County of Camden, the Gloucester City School District, and the Gloucester City Library. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes - The City is responsible for levying, collecting, and remitting school taxes for the Gloucester City School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from January 1 to December 31.

County Taxes - The municipality is responsible for levying, collecting, and remitting county taxes for the County of Camden. County taxes are determined on a calendar year by the County Board of Taxation based upon the ratables required to be certified to them on January 10 of each year. Operations is charged for the amount due to the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 of the following year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Library Taxes - The municipality is responsible for levying, collecting, and remitting library taxes to the Gloucester City Library. Effective 2011, the amount of library tax is a separate local levy tax and is remitted to the library through the municipal budget.

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 reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; whereas interest on utility indebtedness is on the accrual basis.

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 year, to meet specific claims, commitments, or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as income.

Long-Term Debt - Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the general capital and utility capital funds. Where an improvement is a "local improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the trust fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Compensated Absences and Postemployment 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 postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. Although the City does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected 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 agency funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

Note 2: CASH AND CASH EQUIVALENTS (CONT'D)

Custodial Credit Risk Related to Deposits (Cont'd) – As of December 31, 2016, the City's bank balances of \$9,023,537.46 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$	8,894,660.63
Uninsured and Uncollateralized		<u>128,876.83</u>
Total	\$	<u>9,023,537.46</u>

Note 3: PROPERTY TAXES

The following is a five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four calendar years:

	<u>Year Ended</u>				
	<u>2016</u>	<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax Rate	\$ 4.071	\$ 3.666	\$ 5.246	\$ 5.175	\$ 5.144
Apportionment of Tax Rate:					
Municipal	\$ 2.080	\$ 1.966	\$ 2.803	\$ 2.777	\$ 2.720
Municipal Library	0.037	0.031	0.052	0.050	0.057
County Open Space	0.023	0.808	1.229	1.193	1.233
County	0.923	0.021	0.032	0.032	0.036
Local School	1.008	0.840	1.130	1.123	1.098

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2016	\$ 521,431,400.00
2015*	523,386,600.00
2014	353,944,613.00
2013	353,883,358.00
2012	355,450,646.00

*Revaluation

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2016	\$ 21,257,002.96	\$ 20,684,996.99	97.31%
2015	19,195,300.69	18,833,575.19	98.12%
2014	18,578,268.22	18,156,863.97	97.73%
2013	18,327,596.64	17,918,351.88	97.77%
2012	18,292,395.65	17,857,847.74	97.62%

Note 3: PROPERTY TAXES (CONT'D)

Five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four calendar years (cont'd):

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2016	\$ 58,083.22	\$ 455,184.67	\$ 513,267.89	2.41%
2015	102,014.49	297,654.82	399,669.31	2.08%
2014	9,448.14	408,477.37	417,925.51	2.25%
2013	3,063.88	387,679.07	390,742.95	2.13%
2012	71,207.71	347,065.62	418,273.33	2.29%

The following comparison is made of the number of tax title liens receivable on December 31 for the current and previous four calendar years:

<u>Year</u>	<u>Number</u>
2016	1
2015	9
2014	1
2013	2
2012	8

Note 4: PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, for the current and previous four years was as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 2,187,700.00
2015	1,672,900.00
2014	1,542,300.00
2013	1,533,700.00
2012	1,705,600.00

Note 5: WATER AND SEWER UTILITY SERVICE CHARGES

The following is a five-year comparison of water and sewer utility service charges (rents) for the current and previous four years:

<u>Year</u>	<u>Balance Beginning of Year Receivable</u>	<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>
2016	\$ 210,686.05	\$ 3,843,156.56	\$ 4,053,842.61	\$ 3,780,772.96
2015	314,883.52	3,917,592.56	4,232,476.08	3,948,167.04
2014	184,731.51	3,685,582.24	3,870,313.75	3,555,430.23
2013	178,208.59	3,404,486.98	3,582,695.57	3,397,964.06
2012	237,190.55	3,520,258.42	3,757,448.97	3,523,282.32

Note 6: FUND BALANCES APPROPRIATED

The following schedules detail the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets:

Current Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2016	\$ 2,531,308.93	\$ 1,800,000.00	71.11%
2015	2,652,784.15	1,800,000.00	67.85%
2014	2,436,397.11	2,000,000.00	82.09%
2013	3,094,585.16	2,000,000.00	64.63%
2012	2,917,551.42	2,012,500.00	68.98%

Water & Sewer Utility Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2016	\$ 483,790.82	\$ 350,000.00	72.35%
2015	676,888.97	450,000.00	66.48%
2014	310,602.11	200,000.00	64.39%
2013	525,730.45	300,000.00	57.06%
2012	646,689.12	415,000.00	64.17%

Note 7: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balance as of December 31, 2016:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 108.03	\$ 283,024.83
Federal and State Grant	90,881.99	
Trust - Animal Control		0.96
Trust - Other	31,632.03	
Trust - Community Development	160,510.81	
General Capital		107.07
Water & Sewer Utility - Operating	84.87	
Water & Sewer Utility - Capital		84.87
	<u>\$ 283,217.73</u>	<u>\$ 283,217.73</u>

The interfund receivables and payables above predominately resulted from collections and payments made by certain funds on behalf of other funds. During the year 2017, the City expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 8: PENSION PLANS

A substantial number of the City's employees participate in one of the following defined benefit pension plans: the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.nj.gov/treasury/pensions>

General Information about the Pension Plans**Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the City, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Note 8: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

Police and Firemen's Retirement System - The Police and Firemen's Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. The PFRS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PFRS is mandatory for substantially all full-time police and firemen of the City. The PFRS's Board of Trustees is primarily responsible for the administration of the PFRS.

Pension Deferral – Public Law 2009, c.19 (S-21) was enacted on March 17, 2009 and allowed the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying the full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the PERS and PFRS obligations for payments due in the State fiscal year ending June 30, 2009. The City applied for and received approval from the Local Finance Board to defer a portion of the 2009 liability due for both PERS and PFRS. The payments originally due on April 1, 2009, were permitted to be deferred. Repayments began April of 2012 and over a 15 year period. The amount will fluctuate based on pension system investment earnings on the deferred amount.

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier Definition

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Note 8: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

Police and Firemen's Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier Definition

- 1 Members who were enrolled prior to May 22, 2010
- 2 Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 3 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are 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. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits 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.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The City's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The City's contractually required contribution rate for the year ended December 31, 2016 was 13.14% of the City's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the City's contractually required contribution to the pension plan for the year ended December 31, 2016 is \$423,517.00, and is payable by April 1, 2017. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PERS measurement date of June 30, 2015, the City's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$387,010.00, which was paid on April 1, 2016. Employee contributions to the plan during the year ended December 31, 2016 were \$231,026.86.

Note 8: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Police and Firemen's Retirement System - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10.0% in October 2011. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

Special Funding Situation Component - Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: 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 amounts contributed on behalf of the local participating employers under this legislation is considered to be a *special funding situation* as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the local participating employers related to this legislation.

The City's contractually required contribution rate for the year ended December 31, 2016 was 26.66% of the City's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the most recent PFRS measurement date of June 30, 2016, the City's contractually required contribution to the pension plan for the year ended December 31, 2016 is \$1,105,216.00, and is payable by April 1, 2017. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PFRS measurement date of June 30, 2015, the City's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$1,115,978.00, which was paid on April 1, 2016. Employee contributions to the plan during the year ended December 31, 2016 were \$418,237.16.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the City, for the year ended December 31, 2016 was 2.01% of the City's covered payroll.

Based on the most recent PFRS measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2016 is \$83,319.00, and is payable by April 1, 2017. Based on the PFRS measurement date of June 30, 2015, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2015 was \$104,394.00, which was paid on April 1, 2016.

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Public Employees' Retirement System - At December 31, 2016, the City's proportionate share of the PERS net pension liability was \$14,119,271.00. 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 July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the City's proportion was 0.0476726485%, which was an increase of 0.0026574475% from its proportion measured as of June 30, 2015.

At December 31, 2016, the City's proportionate share of the PERS pension expense, calculated by the plan as of the June 30, 2016 measurement date is \$1,529,860.00. This expense is not recognized by the City because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2016, the City's contribution to PERS was \$387,010.00, and was paid on April 1, 2016.

Police and Firemen's Retirement System - At December 31, 2016, the City's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

City's Proportionate Share of Net Pension Liability	\$ 25,894,029.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the City	<u>2,174,456.00</u>
	<u>\$ 28,068,485.00</u>

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 July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2016 measurement date, the City's proportion was 0.1355526769%, which was a decrease of 0.0017391778% from its proportion measured as of June 30, 2015. Likewise, at June 30, 2016, the State of New Jersey's proportion, on-behalf of the City, was 0.1355526769%, which was a decrease of 0.0017391778% from its proportion, on-behalf of the City, measured as of June 30, 2015.

At December 31, 2016, the City's proportionate share of the PFRS pension expense, calculated by the plan as of the June 30, 2016 measurement date is \$3,260,847.00. This expense is not recognized by the City because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2016, the City's contribution to PFRS was \$1,115,978.00, and was paid on April 1, 2016.

At December 31, 2016, the State's proportionate share of the PFRS pension expense, associated with the City, calculated by the plan as of the June 30, 2016 measurement date is \$277,729.00. This on-behalf expense is not recognized by the City because of the regulatory basis of accounting as described in note 1.

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2016, the City had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS	PFRS	Total	PERS	PFRS	Total
Differences between Expected and Actual Experience	\$ 262,576.00	\$ -	\$ 262,576.00	\$ -	\$ 169,739.00	\$ 169,739.00
Changes of Assumptions	2,924,759.00	3,586,536.00	6,511,295.00	-	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	538,381.00	1,814,342.00	2,352,723.00	-	-	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	776,665.00	1,411,919.00	2,188,584.00	47,550.00	200,061.00	247,611.00
City Contributions Subsequent to the Measurement Date	211,759.00	552,608.00	764,367.00	-	-	-
	<u>\$ 4,714,140.00</u>	<u>\$ 7,365,405.00</u>	<u>\$ 12,079,545.00</u>	<u>\$ 47,550.00</u>	<u>\$ 369,800.00</u>	<u>\$ 417,350.00</u>

\$211,759.00 and \$552,608.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2017. These amounts were based on an estimated April 1, 2018 contractually required contribution, prorated from the pension plans measurement date of June 30, 2016 to the City's year end of December 31, 2016.

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The City will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	PERS		PFRS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014	-	-	-	-
June 30, 2015	5.72	-	-	5.53
June 30, 2016	5.57	-	-	5.58
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
June 30, 2016	5.57	-	5.58	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014	-	5.00	-	5.00
June 30, 2015	-	5.00	-	5.00
June 30, 2016	5.00	-	5.00	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	6.44	6.17	6.17
June 30, 2015	5.72	5.72	5.53	5.53
June 30, 2016	5.57	5.57	5.58	5.58

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

Year Ending Dec 31,	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2017	\$ 1,020,675.00	\$ 1,616,666.00	\$ 2,637,341.00
2018	1,020,675.00	1,616,666.00	2,637,341.00
2019	1,153,655.00	2,051,672.00	3,205,327.00
2020	945,955.00	1,141,532.00	2,087,487.00
2021	313,871.00	16,461.00	330,332.00
	<u>\$ 4,454,831.00</u>	<u>\$ 6,442,997.00</u>	<u>\$ 10,897,828.00</u>

Actuarial Assumptions

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 July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>PFRS</u>
Inflation	3.08%	3.08%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	2.10% - 8.98% Based on Age
Thereafter	2.65% - 5.15% Based on Age	3.10% - 9.98% Based on Age
Investment Rate of Return	7.65%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2010 - June 30, 2013

Note 8: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

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

For PFRS, 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 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. Postretirement mortality rates for female service retirements and beneficiaries were based 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.

For PERS and PFRS, 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 inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's and PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

Note 8: PENSION PLANS (CONT'D)Actuarial Assumptions (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 U.S. 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 ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2016 was 3.98% for PERS and 5.55% for PFRS. For both PERS and PFRS, the respective single blended discount rates were 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 rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer 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 2034 for PERS and through 2050 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 for PERS and through 2050 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Note 8: PENSION PLANS (CONT'D)**Sensitivity of City's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

Public Employees' Retirement System (PERS) - The following presents the City's proportionate share of the net pension liability at June 30, 2016, the plans measurement date, calculated using a discount rate of 3.98%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
City's Proportionate Share of the Net Pension Liability	<u>\$ 17,301,519.00</u>	<u>\$ 14,119,271.00</u>	<u>\$ 11,492,050.00</u>

Police and Firemen's Retirement System (PFRS) - As previously mentioned, PFRS has a special funding situation, where the State of New Jersey pays a portion of the City's annual required contribution. As such, the net pension liability as of June 30, 2016, the plans measurement date, for the City and the State of New Jersey, calculated using a discount rate of 5.55%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	PFRS		
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
City's Proportionate Share of the Net Pension Liability	\$ 33,388,452.00	\$ 25,894,029.00	\$ 19,782,778.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the City	<u>2,803,801.57</u>	<u>2,174,456.00</u>	<u>1,661,262.54</u>
	<u>\$ 36,192,253.57</u>	<u>\$ 28,068,485.00</u>	<u>\$ 21,444,040.54</u>

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS and PFRS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions.

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information**

In accordance with GASB 68, the following information is also presented for the PERS and PFRS Pension Plans. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Schedule of the City's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System (PERS) (Last Four Years)

	<u>Measurement Date Ended June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.0476726485%	0.0450152010%	0.0453950203%	0.0420294074%
City's Proportionate Share of the Net Pension Liability	\$ 14,119,271.00	\$ 10,105,011.00	\$ 8,499,189.00	\$ 8,032,655.00
City's Covered Payroll (Plan Measurement Period)	\$ 3,255,632.00	\$ 3,135,224.00	\$ 3,166,288.00	\$ 2,793,580.00
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	433.69%	322.31%	268.43%	287.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

Schedule of the City's Contributions - Public Employees' Retirement System (PERS) (Last Four Years)

	<u>Year Ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Contractually Required Contribution	\$ 423,517.00	\$ 387,010.00	\$ 374,230.00	\$ 316,683.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(423,517.00)</u>	<u>(387,010.00)</u>	<u>(374,230.00)</u>	<u>(316,683.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 3,224,216.00	\$ 3,243,986.00	\$ 3,131,526.00	\$ 3,071,813.00
City's Contributions as a Percentage of its Covered Payroll	13.14%	11.93%	11.95%	10.31%

Note 8: PENSION PLANS (CONT'D)Supplementary Pension Information (Cont'd)***Schedule of the City's Proportionate Share of the Net Pension Liability - Police and Firemen's Retirement System (PFRS) (Last Four Years)***

	<u>Measurement Date Ended June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.1355526769%	0.1372918547%	0.1237413458%	0.1200273727%
City's Proportionate Share of the Net Pension Liability	\$ 25,894,029.00	\$ 22,868,037.00	\$ 15,565,514.00	\$ 15,956,556.00
State's Proportionate Share of the Net Pension Liability associated with the City	2,174,456.00	2,005,450.00	1,676,144.00	1,487,345.00
Total	<u>\$ 28,068,485.00</u>	<u>\$ 24,873,487.00</u>	<u>\$ 17,241,658.00</u>	<u>\$ 17,443,901.00</u>
City's Covered Payroll (Plan Measurement Period)	\$ 4,299,392.00	\$ 4,386,744.00	\$ 3,908,352.00	\$ 3,690,696.00
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	602.27%	521.30%	398.26%	432.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.01%	56.31%	62.41%	58.70%

Schedule of the City's Contributions - Police and Firemen's Retirement System (PFRS) (Last Four Years)

	<u>Year Ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Contractually Required Contribution	\$ 1,105,216.00	\$ 1,115,978.00	\$ 950,419.00	\$ 875,693.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(1,105,216.00)</u>	<u>(1,115,978.00)</u>	<u>(950,419.00)</u>	<u>(875,693.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 4,146,258.00	\$ 4,294,647.00	\$ 4,353,066.00	\$ 3,915,664.00
City's Contributions as a Percentage of its Covered Payroll	26.66%	25.99%	21.83%	22.36%

Note 8: PENSION PLANS (CONT'D)**Other Notes to Supplementary Pension Information*****Public Employees' Retirement System (PERS)***

Changes in Benefit Terms - None

Changes in Assumptions - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

Police and Firemen's Retirement System (PFRS)

Changes in Benefit Terms - None

Changes in Assumptions - For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65%, and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The City provides postretirement health care benefits through a health plan for retirees, which includes a medical, dental, and prescription plan. The City's plan provides an agent multiple-employer post-employment healthcare plan which covers the following retiree population: eligible retirees who retire from active employment with the City who have at least twenty-five (25) years of service with the City. Coverage is provided for the retirees and their spouse up to age sixty-five, providing the retirees annually certify that they have no other medical coverage. Currently, fifty-seven (57) retirees meet these eligibility requirements. The plan is administered by the City; therefore, premium payments are made directly to the insurance carriers.

Funding Policy - The contribution requirement of the City is established by policy of the Council and reflected in the various union contracts. The Council may amend its policy, subject to contract inclusion, as deemed necessary.

Retirees - The City presently funds its current retiree postemployment benefit costs on a "pay-as-you-go" basis. The City's contributions to the plan for the years ended December 31, 2016, 2015, and 2014 were \$214,200.60, \$187,907.60 and \$169,233.50, respectively.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**Funding Policy (Cont'd)**

Future Retirees - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the City is required to disclose the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be \$2,921,608.00 at an unfunded discount rate of 4.5%. As stated on the previous page, the City has funded the cost of existing retirees in the amount of \$214,200.60, and has incurred the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

Annual OPEB Cost - For year ended December 31, 2016, the City's annual OPEB cost (expense) of \$2,722,008.00 for the plan was equal to the ARC plus certain adjustments because the City's actual contributions in prior years differed from the ARC. The City's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for years 2016, 2015, and 2014 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Normal Cost	\$ 724,203.00	\$ 724,203.00	\$ 724,203.00
Unfunded Actuarial Liability	2,197,405.00	2,197,405.00	2,197,405.00
Annual Required Contribution (ARC)	\$ 2,921,608.00	\$ 2,921,608.00	\$ 2,921,608.00
Interest on the Net OPEB Obligation	548,200.00	432,200.00	313,500.00
Adjustment to the ARC	(747,800.00)	(589,700.00)	(427,700.00)
Annual OPEB Cost	2,722,008.00	2,764,108.00	2,807,408.00
Pay as You Go Cost (Existing Retirees)	(214,200.60)	(187,907.60)	(169,233.50)
Increase in the Net OPEB Obligation	2,507,807.40	2,576,200.40	2,638,174.50
Net OPEB Obligation, January 1	12,180,552.00	9,604,351.60	6,966,177.10
Net OPEB Obligation, December 31	<u>\$ 14,688,359.40</u>	<u>\$ 12,180,552.00</u>	<u>\$ 9,604,351.60</u>
Percentage of ARC Contributed	7.33%	6.43%	5.79%

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

Funded Status and Funding Progress - The funded status of the plan as of the two past actuarial valuation dates is as follows:

	<u>2014</u>	<u>2011</u>
Actuarial Accrued Liability (AAL)	\$ 35,793,283.00	\$ 26,091,124.00
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 35,793,283.00</u>	<u>\$ 26,091,124.00</u>
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0.0%	0.0%
Covered Payroll (Active Plan Members)	\$ 9,295,988.94	\$ 8,404,542.92
UAAL as a Percentage of Covered Payroll	385.0%	310.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, as shown above, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - The projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The UAAL is being amortized (straight-line) for thirty (30) years on an open basis. The actuarial assumptions included the following:

- *Mortality.* RP 2000 Combined Healthy Male Mortality Rates set forward three years.
- *Turnover.* NJ State Pensions Ultimate Withdrawal Rates - prior to benefits eligibility.
- *Assumed Retirement Age.* At first eligibility after completing 25 years of service.
- *Full Attribution Period.* Service to assumed retirement age.
- *Annual Discount Rate.* Future costs have been discounted at the rate of 4.5% compounded annually for GASB 45 purposes.
- *Rates of Retirement, Rates of Withdrawal, and Rates of Disability.* The same table used to value the Public Employees' Retirement System of New Jersey - Local liability.
- *Medical Trend.* 8% in 2014, reducing by .5% per annum, leveling at 5% per annum in 2020.
- *Medical Cost Aging Factor.* NJSHBP Medical Morbidity Rates

Note 10: COMPENSATED ABSENCES

The City permits employees to carry over vacations days from year to year. Additionally, union contracts and personnel policy allows employees to accrue unused sick days. Compensated Absence packages differ according to the various union contracts.

The City does not record accrued expenses related to compensated absences. However, it is estimated that, at December 31, 2016, accrued benefits for compensated absences are valued at \$1,553,157.55.

Note 11: DEFERRED COMPENSATION SALARY ACCOUNT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457, which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

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

Note 12: LENGTH OF SERVICE AWARDS PROGRAM

The City's Length of Service Awards Program (LOSAP) was created by a City Ordinance adopted on July 23, 2009 pursuant to Section 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of Gloucester City approved the adoption of the LOSAP at the general election held on November 3, 2009, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was calendar year 2010. The LOSAP provides tax deferred income benefits to active volunteer firefighters.

There have been no eligible participants since the inception of the program, including calendar year 2016.

Note 13: LEASE OBLIGATIONS

At December 31, 2016, the City had lease agreements in effect for the following:

Capital:

Phone System
Five (5) Vehicles

Operating:

Two (2) Photocopiers
Mail Machine

Note 13: LEASE OBLIGATIONS (CONT'D)

Capital leases - The following is an analysis of the City's capital leases:

<u>Description</u>	<u>Balance at December 31,</u>	
	<u>2016</u>	<u>2015</u>
Vehicles	\$ 118,777.98	
Phone System	36,064.84	\$ 51,521.20

The following schedule represents the remaining principal and interest payments, through maturity, for capital leases:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 66,675.10	\$ 8,170.25	\$ 74,845.35
2018	70,706.27	4,139.08	74,845.35
2019	5,078.08	74.04	5,152.12
Total	<u>\$ 142,459.45</u>	<u>\$ 12,383.37</u>	<u>\$ 154,842.82</u>

Operating Leases - Future minimum lease payments under operating lease agreements are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 5,561.76
2018	5,561.76

Rental payments under operating leases for the year 2016 were \$5,561.76.

Note 14: CAPITAL DEBT**General Improvement Bonds**

General Improvement Bonds, Series 2011 - On August 31, 2011, the City issued \$4,140,000.00 of general improvement bonds, with interest rates ranging from 2.00% to 2.75%. The bonds were issued for the purpose of funding various capital projects in the City. The final maturity of the bonds is March 1, 2021.

Note 14: CAPITAL DEBT (CONT'D)**General Improvement Bonds (Cont'd)**

The following schedule represents the remaining debt service, through maturity, for the general improvement bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 415,000.00	\$ 54,337.50	\$ 469,337.50
2018	425,000.00	45,000.00	470,000.00
2019	440,000.00	35,437.50	475,437.50
2020	455,000.00	24,437.50	479,437.50
2021	475,000.00	13,062.50	488,062.50
	<u>\$ 2,210,000.00</u>	<u>\$ 172,275.00</u>	<u>\$ 2,382,275.00</u>

General Debt - New Jersey Green Acres Loans

On April 19, 2002, the City entered into a loan agreement with the New Jersey Department of Environmental Protection to provide \$250,000.00, at an interest rate of 2.0%. The proceeds were used to fund improvements to Johnson Boulevard recreation complex. Semiannual debt payments are due January 24th and July 24th through 2022.

On January 19, 2005, the City entered into a second loan agreement with the New Jersey Department of Environmental Protection to provide \$1,250,000.00, at an interest rate of 2.0%. The proceeds were used to fund the Riverfront Park Project. Semiannual debt payments are due April 24th and October 24th through 2022.

On December 19, 2007, the City entered into a third loan agreement with the New Jersey Department of Environmental Protection to provide \$450,000.00, at an interest rate of 2.0%. The proceeds were used to fund the completion of the Riverfront Park Project. Semiannual debt payments are due March 21st and September 21st through 2024.

In addition, on September 10, 2012, the City entered into a fourth loan agreement with the New Jersey Department of Environmental Protection to provide \$170,000.00, at an interest rate of 2.0%. The proceeds were used to fund the construction of a walkway at Freedom Pier. Semiannual debt payments are due June 13th and December 13th through 2031.

The following schedule represents the remaining debt service, through maturity, for the New Jersey Green Acres loans:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 128,075.13	\$ 17,524.18	\$ 145,599.31
2018	130,649.45	14,949.87	145,599.32
2019	133,275.51	12,323.83	145,599.34
2020	135,954.35	9,644.97	145,599.32
2021	138,687.03	6,912.30	145,599.33
2022-2026	190,286.29	11,494.63	201,780.92
2027-2031	51,139.87	2,854.67	53,994.54
	<u>\$ 908,067.63</u>	<u>\$ 75,704.45</u>	<u>\$ 983,772.08</u>

Note 14: CAPITAL DEBT (CONT'D)**Water and Sewer Utility Bonds**

General Improvement Bonds, Series 2011 - On August 31, 2011, the City issued \$2,935,000.00 of water and sewer utility bonds, with interest rates ranging from 2.00% to 2.75%. The bonds were issued for the purpose of funding various water and sewer utility improvements. The final maturity of the bonds is March 1, 2021.

The following schedule represents the remaining debt service, through maturity, for the water and sewer utility bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 350,000.00	\$ 42,875.00	\$ 392,875.00
2018	350,000.00	35,000.00	385,000.00
2019	350,000.00	27,125.00	377,125.00
2020	350,000.00	18,375.00	368,375.00
2021	350,000.00	9,625.00	359,625.00
	<u>\$ 1,750,000.00</u>	<u>\$ 133,000.00</u>	<u>\$ 1,883,000.00</u>

Water and Sewer Utility Debt - New Jersey Environmental Infrastructure Loans

On November 7, 1997, the City entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$1,285,000.00 at interest rates ranging from 3.0% to 5.0%. The proceeds were used to fund improvements to the wastewater treatment plant. Semiannual debt payments are due February 1st and August 1st through 2017.

On October 13, 2001, the City entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$678,128.00, at no interest, from the fund loan, and \$645,000.00 at interest rates ranging from 4.0% to 5.5% from the trust loan. The proceeds were used to fund the upgrading of various water and sewer mains. Semiannual debt payments are due February 1st and August 1st through 2021.

On October 15, 2002, the City entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$274,572.00, at no interest, from the fund loan, and \$275,000.00 at interest rates ranging from 3.00% to 5.25% from the trust loan. The proceeds were used to fund the upgrading of various water and sewer mains. Semiannual debt payments are due February 1st and August 1st through 2022.

On November 6, 2008, the City entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$4,562,738.00, at no interest, from the fund loan, and \$4,765,000.00 at interest rates ranging from 5.0% to 5.5% from the trust loan. The proceeds were used to fund the replacement of the City's water treatment plant. Semiannual debt payments are due February 1st and August 1st through 2028.

On May 21, 2014, the City entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$901,614.00, at no interest, from the fund loan, and \$295,000.00 at interest rates ranging from 3.0% to 5.0% from the trust loan. The proceeds were used to fund the removal and replacement of water mains and automatic water meter reading system. Semiannual debt payments are due February 1st and August 1st through 2033.

Note 14: CAPITAL DEBT (CONT'D)**Water and Sewer Utility Debt - New Jersey Environmental Infrastructure Loans (Cont'd)**

In addition, on May 21, 2014, the City entered into a second loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$1,005,218.00 with principal forgiveness of \$670,415.00 leaving a remaining balance of \$335,073.00, at no interest, from the fund loan, and \$330,000.00 at interest rates ranging from 3.0% to 5.0% from the trust loan. The proceeds were used to fund the removal and replacement of sanitary sewer main systems. On May 23, 2016, \$32,724.00 of the fund loan was de-obligated based on the revised "Basis for Determination of Allowable Project Costs." Semiannual debt payments are due February 1st and August 1st through 2032.

On May 26, 2016, the City entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$338,377.00, at no interest, from the fund loan, and \$110,000.00 at interest rates ranging from 2.0% to 5.0% from the trust loan. The proceeds were used to fund the removal and replacement of water mains. Semiannual debt payments are due February 1st and August 1st through 2035.

In addition, on May 26, 2016, the City entered into a second loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$452,626.00, at no interest, from the fund loan, and \$145,000.00 at interest rates ranging from 2.0% to 5.0% from the trust loan. The proceeds were used to fund the removal and replacement of sanitary sewer main systems. Semiannual debt payments are due February 1st and August 1st through 2035.

The following schedule represents the remaining debt service, through maturity, for the New Jersey Environmental Infrastructure loans:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 803,284.15	\$ 234,531.28	\$ 1,037,815.43
2018	725,338.77	214,031.28	939,370.05
2019	732,338.31	197,531.28	929,869.59
2020	750,312.93	179,931.28	930,244.21
2021	765,096.23	160,746.28	925,842.51
2022-2026	3,528,625.19	523,256.40	4,051,881.59
2027-2031	2,005,025.81	103,956.40	2,108,982.21
2032-2035	418,923.48	10,181.26	429,104.74
	<u>\$ 9,728,944.87</u>	<u>\$ 1,624,165.46</u>	<u>\$ 11,353,110.33</u>

Note 14: CAPITAL DEBT (CONT'D)

The following schedule represents the City's summary of debt for the current and two previous years:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 11,631,172.63	\$ 11,777,169.20	\$ 12,325,521.89
Water & Sewer Utility:			
Bonds, Loans and Notes	12,469,267.87	12,525,632.11	13,455,689.55
Total Issued	<u>24,100,440.50</u>	<u>24,302,801.31</u>	<u>25,781,211.44</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	3,628,557.29	2,789,161.80	2,806,095.64
Water & Sewer Utility:			
Bonds and Notes	4,657,812.00	1,835,644.00	1,835,644.00
Total Authorized but not Issued	<u>8,286,369.29</u>	<u>4,624,805.80</u>	<u>4,641,739.64</u>
Total Issued and Authorized but not Issued	<u>32,386,809.79</u>	<u>28,927,607.11</u>	<u>30,422,951.08</u>
<u>Deductions</u>			
General:			
Reserve for Payment of Debt	7,083.39	7,083.39	7,083.39
Other	43,464.51	43,464.51	163,527.31
Water & Sewer Utility:			
Self-Liquidating	17,127,079.87	14,361,276.11	15,291,333.55
Total Deductions	<u>17,177,627.77</u>	<u>14,411,824.01</u>	<u>15,461,944.25</u>
Net Debt	<u>\$ 15,209,182.02</u>	<u>\$ 14,515,783.10</u>	<u>\$ 14,961,006.83</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the annual debt statement and indicated a statutory net debt of 2.797%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 6,425,000.00	\$ 6,425,000.00	
Self-Liquidating	17,127,079.87	17,127,079.87	
General	15,259,729.92	50,547.90	\$ 15,209,182.02
	<u>\$ 38,811,809.79</u>	<u>\$ 23,602,627.77</u>	<u>\$ 15,209,182.02</u>

Net debt \$15,209,182.02 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$543,864.677.00, equals 2.797%.

Note 14: CAPITAL DEBT (CONT'D)

Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd)

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$	19,035,263.70
Less: Net Debt		<u>15,209,182.02</u>
Remaining Borrowing Power	\$	<u><u>3,826,081.68</u></u>

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

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for the Year		\$	4,580,756.02
Deductions:			
Operating and Maintenance Costs	\$		3,089,800.00
Debt Service			<u>1,320,929.56</u>
Total Deductions			<u>4,410,729.56</u>
Excess in Revenue		\$	<u><u>170,026.46</u></u>

Note 15: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following fund(s):

<u>Description</u>	<u>Balance December 31, 2016</u>	<u>2017 Budget Appropriation</u>
Current Fund:		
Special Emergency Authorization	\$ 150,000.00	\$ 70,000.00

The appropriations in the 2017 Budget as adopted are not less than that required by the statutes.

Note 16: 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 insurance coverage for property, liability, vehicle, surety bonds, etc.

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

The following is a summary of City contributions, reimbursements to the State for benefits paid and the ending balance of the City's trust fund for the current and previous two years:

<u>Year</u>	<u>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 20,657.25	\$ 66.17	\$ 31,313.52	\$ 56,213.58
2015	21,323.07	32.70	16,291.33	66,803.68
2014	21,602.00	34.82	26,455.75	61,739.24

It is estimated that unreimbursed payments on behalf of the City at December 31, 2016 are \$6,948.00.

Joint Insurance Pool - The City of Gloucester City is a member of the Camden County Municipal Insurance Joint Insurance Fund. The Fund provides its members with the following coverage:

- Workers' Compensation including Employer's Liability
- General Liability including Police Professional and Employee Benefit Liability
- Automobile Liability
- Blanket Crime including Public Employee Dishonesty
- Property Including Boiler and Machinery
- Public Officials and Employment Practices Liability
- Volunteer Directors and Officers Liability
- Cyber Liability

The following coverages are provided to the Fund's member local units by their membership in the Municipal Excess Liability Joint Insurance Fund (MEL):

- Excess Workers' Compensation
- Excess General Liability
- Non-Owned Aircraft Liability
- Excess Auto Liability
- Fidelity and Performance (Blanket)
- Excess Property including Boiler and Machinery
- Crime including Excess Public Employee and Public Official Coverage

Environmental Impairment Liability coverage is provided to the Fund's member local units by the Fund's membership in the New Jersey Municipal Environmental Risk Management Fund.

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Banking and Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

Note 16: RISK MANAGEMENT (CONT'D)

Joint Insurance Pool (Cont'd) - The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through the Municipal Excess Liability Joint Insurance Fund, which is an insurance pool formed by all the other joint insurance funds.

For more information regarding claims, coverages and deductibles, the Fund publishes its own financial report for the year ended December 31, 2016, which can be obtained from:

Camden County Municipal Joint Insurance Fund
PERMA, Inc.
Park 80 West – Plaza One
Saddle Brook, New Jersey 07662

Note 17: REDEVELOPMENT

The Mayor and Common Council of the City of Gloucester City, acting as the Gloucester City Redevelopment Entity, entered into an agreement with Southport Renewal, LLC ("the Redeveloper") for the purposes of the City facilitating the environmental remediation and redevelopment of the redevelopment area in accordance with the established redevelopment plan. The City is obligated to engage a Licensed Site Remediation Professional, obtain title to the Gloucester Titanium Property and pursue acquisition of additional properties with respect to the redevelopment area, including exercising its power of eminent domain. On June 25, 2015, the City passed an Ordinance and executed an agreement for the purchase of the Gloucester Titanium Property. The Redeveloper maintains a checking account for which the City will not have any control other than all disbursements from this account shall be approved by the City. Therefore, these funds are not included in the City's financial statements. However, during the year the City did receive \$1,500,000.00 as a result of a settlement with the principal owner of the property and has remitted \$1,274,838.21 to the Redeveloper as a result of their submission of environmental remediation claims.

Note 18: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

Litigation - The City is a defendant in several legal proceedings that are in various stages of litigation. 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: CONCENTRATIONS

The City depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations.

Note 19: SUBSEQUENT EVENTS

Authorization of Debt - Subsequent to December 31, the City authorized additional bonds and notes as follows:

<u>Purpose</u>	<u>Introduction</u>	<u>Authorization</u>
General Improvements		
Various Capital Improvements	06/15/17	<u>\$ 511,100.00</u>

APPENDIX C

FORMS OF BOND COUNSEL OPINION



April 25, 2018

Mayor and Common Council
of the City of Gloucester City
512 Monmouth Street
Gloucester City, New Jersey

RE: \$3,612,000 CITY OF GLOUCESTER CITY, COUNTY OF CAMDEN, NEW JERSEY, GENERAL OBLIGATION BONDS, SERIES 2018

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of the above-referenced obligations ("Bonds") by the City of Gloucester City, County of Camden, New Jersey ("City"). The Bonds shall consist of: (i) \$2,708,000 General Improvement Bonds; and (ii) \$904,000 Water & Sewer Utility Bonds.

The Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) the bond ordinances set forth in the Resolution (hereinafter defined), each duly and finally adopted by the Common Council and published in accordance with applicable law (collectively, the "Bond Ordinances"); (iii) a resolution adopted by the Common Council on March 22, 2018 ("Resolution"); and (iv) a Certificate of Determination and Award executed by the Chief Financial Officer of the City on April 11, 2018 ("Award Certificate").

The Bonds are dated April 25, 2018, mature on February 15 in each of the years and in the respective principal amounts set opposite each such year in the table below and bear interest at the interest rates per annum below, payable semi-annually on February 15 and August 15 in each year until maturity or earlier redemption, commencing on August 15, 2018.

<u>Year</u>	<u>General Improvement</u>	<u>Water & Sewer Utility</u>	<u>Combined</u>	<u>Interest Rate</u>	<u>Year</u>	<u>General Improvement</u>	<u>Water & Sewer Utility</u>	<u>Combined</u>	<u>Interest Rate</u>
2019	\$193,000	\$34,000	\$227,000	%	2030	\$265,000	\$45,000	\$310,000	%
2020	200,000	30,000	230,000		2031	0	45,000	45,000	
2021	200,000	30,000	230,000		2032	0	45,000	45,000	
2022	205,000	35,000	240,000		2033	0	50,000	50,000	
2023	215,000	35,000	250,000		2034	0	50,000	50,000	
2024	220,000	35,000	255,000		2035	0	50,000	50,000	
2025	225,000	35,000	260,000		2036	0	55,000	55,000	
2026	235,000	35,000	270,000		2037	0	55,000	55,000	
2027	240,000	40,000	280,000		2038	0	60,000	60,000	
2028	250,000	40,000	290,000		2039	0	60,000	60,000	
2029	260,000	40,000	300,000						

The Bonds are issued in fully registered book-entry-only form without coupons and are subject to redemption prior to their stated maturity dates on the terms and conditions set forth therein.

COUNSEL WHEN IT MATTERS.SM



The Bonds are being issued to provide funds which will be used to: (i) permanently finance the cost of various capital improvements by the repayment at maturity of a portion of the principal of certain bond anticipation notes heretofore issued by the City; (ii) permanently finance the costs of various capital improvements for which obligations have been authorized, but not issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

As the basis for the opinions set forth below, we have examined such matters of law as we have deemed necessary including, inter alia, the Constitution of the State of New Jersey, the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and the Local Bond Law. We have also examined such documents, certifications and instruments as we have deemed necessary including, without limitation, the Bond Ordinances, the Resolution, the Award Certificate, the representations and covenants of the City given pursuant to the Code as set forth in the Certificate as to Nonarbitrage and Other Tax Matters ("Nonarbitrage Certificate") and the other certifications, instruments, documents and opinions listed in the closing agenda prepared in connection with the settlement of the Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, instruments and certifications examined including, without limiting the generality of the foregoing, the Non-Arbitrage Certificate.

Based upon and subject to the foregoing, we are of the following opinion:

1. The Bonds are legal, valid and binding obligations of the City enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

2. For the payment of principal of and interest on the Bonds, the City has the power and is obligated, to the extent payment is not otherwise provided, to levy ad valorem taxes upon all taxable real property within the City without limitation as to rate or amount, except to the extent that enforcement thereof may be affected by Creditors' Rights Limitations.

3. Interest on the Bonds will not be includible for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Bonds, is not excludable in calculating "adjusted current earnings" of



those corporations. Accordingly, a portion of the interest on the Bonds received or accrued by corporations with tax years beginning prior to January 1, 2018 that own the Bonds is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive "investment" income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering this opinion, we have assumed continuing compliance by the City that it will comply with the applicable requirements of the Code, including requirements relating to, *inter alia*, the use and investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the City to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, controlled foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The City has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Eighty percent (80%) of the interest expense



deemed incurred by banks, thrift institutions and other financial institutions to purchase or carry "qualified tax-exempt obligations" is deductible.

Owners of the Bonds should consult their own tax advisers as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

4. Interest on the Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof.

We express no opinion as to any matter not set forth in the numbered paragraphs above including, without limitation, any financial or other information which has been or may be supplied to purchasers of the Bonds.

The opinions expressed in the numbered paragraphs above are being rendered on the basis of federal law and the laws of the State of New Jersey, as presently enacted and construed, and we assume no responsibility to advise any party as to any changes in law or fact subsequent to the date hereof.

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

This letter is being provided solely for the benefit of the City and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,



April 25, 2018

Mayor and Common Council
of the City of Gloucester City
512 Monmouth Street
Gloucester City, New Jersey

RE: \$4,590,000 CITY OF GLOUCESTER CITY, COUNTY OF CAMDEN, NEW JERSEY, TAXABLE GENERAL OBLIGATION BONDS, SERIES 2018

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of the above-referenced obligations ("Bonds") by the City of Gloucester City, County of Camden, New Jersey ("City").

The Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) the bond ordinances set forth in the Resolution (hereinafter defined), each duly and finally adopted by the Common Council and published in accordance with applicable law (collectively, the "Bond Ordinances"); (iii) a resolution adopted by the Common Council on March 22, 2018 ("Resolution"); and (iv) a Certificate of Determination and Award executed by the Chief Financial Officer of the City on April 11, 2018 ("Award Certificate").

The Bonds are dated April 25, 2018, mature on February 15 in each of the years and in the respective principal amounts set opposite each such year in the table below and bear interest at the interest rates per annum below, payable semi-annually on February 15 and August 15 in each year until maturity or earlier redemption, commencing on August 15, 2018.

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2019	\$130,000	%	2032	\$180,000	%
2020	130,000		2033	190,000	
2021	130,000		2034	195,000	
2022	135,000		2035	205,000	
2023	135,000		2036	210,000	
2024	140,000		2037	220,000	
2025	145,000		2038	225,000	
2026	150,000		2039	235,000	
2027	155,000		2040	245,000	
2028	160,000		2041	255,000	
2029	165,000		2042	255,000	
2030	170,000		2043	255,000	
2031	175,000				

COUNSEL WHEN IT MATTERS.SM



The Bonds are issued in fully registered book-entry-only form without coupons and are subject to redemption prior to their stated maturity dates on the terms and conditions set forth therein.

The Bonds are being issued to provide funds which will be used to: (i) permanently finance the cost of various capital improvements by the repayment at maturity of a portion of the principal of certain taxable bond anticipation notes heretofore issued by the City; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

As the basis for the opinions set forth below, we have examined such matters of law as we have deemed necessary including, *inter alia*, the Constitution of the State of New Jersey, the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and the Local Bond Law. We have also examined such documents, certifications and instruments as we have deemed necessary including, without limitation, the Bond Ordinances, the Resolution, the Award Certificate, and the other certifications, instruments, documents and opinions listed in the closing agenda prepared in connection with the settlement of the Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, instruments and certifications examined.

Based upon and subject to the foregoing, we are of the following opinion:

1. The Bonds are legal, valid and binding obligations of the City enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").
2. For the payment of principal of and interest on the Bonds, the City has the power and is obligated, to the extent payment is not otherwise provided, to levy ad valorem taxes upon all taxable real property within the City without limitation as to rate or amount, except to the extent that enforcement thereof may be affected by Creditors' Rights Limitations.
3. Interest on the Bonds will be includible for federal income tax purposes in the gross income of the owners thereof. Interest on the Bonds is included in net investment income.
4. Interest on the Bonds and any gain from the sale thereof are not includible in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof.

We express no opinion as to any matter not set forth in the numbered paragraphs above including, without limitation, any financial or other information which has been or may be supplied to purchasers of the Bonds.

The opinions expressed in the numbered paragraphs above are being rendered on the basis of federal law and the laws of the State of New Jersey, as presently enacted and construed, and we



assume no responsibility to advise any party as to any changes in law or fact subsequent to the date hereof.

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

This letter is being provided solely for the benefit of the City and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement") is made on this ___ day of April, 2018 between the City of Gloucester City, County of Camden, New Jersey ("City") and the Dissemination Agent (hereinafter defined). This Disclosure Agreement is entered into in connection with the issuance and sale by the City of its (i) General Obligation Bonds, Series 2018, in the principal amount of \$3,612,000 ("Tax-Exempt Bonds") and (ii) Taxable General Obligation Bonds, Series 2018, in the principal amount of \$4,590,000 ("Taxable Bonds," and together with the Tax-Exempt Bonds, the "Bonds"). The Tax-Exempt Bonds consist of: (i) \$2,708,000 General Improvement Bonds; and (ii) \$904,000 Water and Sewer Utility Bonds.

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the Bonds (collectively, the "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission ("Commission") pursuant to the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds ("Rule").

SECTION 2. Definitions. Capitalized terms, not otherwise defined herein, shall, for purposes of this Disclosure Agreement, have the following meanings:

"Annual Report" shall mean, the City's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Commission" shall have the meaning set forth in Section 1 of this Disclosure Agreement

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the City or the Dissemination Agent is authorized by law or contract to remain closed.

"Continuing Disclosure Information" shall mean: (i) the Annual Report; (ii) any notice required to be filed with the National Repository pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the National Repository pursuant to Section 3(c) hereof.

"Dissemination Agent" shall mean Acacia Financial Group, Inc., Mount Laurel, New Jersey, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System, an internet based filing system created and maintained by the MSRB in accordance with Release No. 34-59062 of the Commission, dated December 5, 2008, pursuant to which issuers of tax-exempt bonds, including the Bonds, and other filers on behalf of such issuers shall upload Continuing Disclosure Information to assist underwriters in complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"National Repository" shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the Commission as a repository for purposes of the Rule.

"Official Statement" shall mean the Official Statement of the City dated April __, 2018 relating to the Bonds.

"Opinion of Counsel" shall mean a written opinion of counsel expert in federal securities law acceptable to the City.

"Rule" shall have the meaning set forth in Section 1 of this Disclosure Agreement.

SECTION 3. Provision of Annual Report.

(a) The City shall not later than two hundred seventy (270) days after the end of its fiscal year (currently December 31) for each fiscal year until termination of the City's reporting obligations under this Disclosure Agreement pursuant to the provisions of Section 6 hereof provide to the Dissemination Agent the Annual Report prepared for the preceding fiscal year of the City (commencing for the fiscal year ending December 31, 2018). Each Annual Report provided to the Dissemination Agent by the City shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the Commission.

(b) The Dissemination Agent, promptly (within fifteen (15) Business Days) after receiving the Annual Report from the City, shall submit each Annual Report received by it to the National Repository and thereafter shall file a written report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement to the National Repository and stating the date it was provided to the National Repository.

(c) If the City fails to provide the Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the City advising of such failure. Whether or not such notice is given or received, if the City thereafter fails to submit the Annual Report to the Dissemination Agent within fifteen (15) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice (with a copy of said notice to the City) to the National Repository in substantially the form attached as EXHIBIT "A" hereto.

SECTION 4. Contents of Annual Report. Annual Report shall mean: (i) the City's annual financial statements, substantially in the form set forth in Appendix B to the Official Statement, audited by an independent certified public accountant, provided that the annual audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required in Section 3(a) hereof for the filing of the Annual Report if the annual audited financial statements are not available by that date, but only if the unaudited financial statements of the City are included in the Annual Report; and (ii) the general financial information and operating data of the City consistent with the information set forth in Appendix A to the Official Statement. Each annual audited financial statements will conform to generally accepted accounting principles applicable to governmental units or will be prepared in accordance

with the standards of the Governmental Accounting Standards Board and requirements of the Division of Local Government Services in the New Jersey Department of Community Affairs as such principles, standards and requirements exist at the time of the filing of the particular annual audited financial statements.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following listed events ("Listed Events"):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to the rights of Bondholders, if material;
- (8) Bond calls (excluding mandatory sinking fund redemptions), if material, or tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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.

(b) The City shall within ten (10) Business Days of the occurrence of any of the Listed Events, notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. In determining the materiality of a Listed Event specified clauses (2), (7), (8), (10), (13) or (14) of subsection (a) of this Section 5, the City may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the National Repository within five (5) Business Days of the receipt of such instruction, with a copy of such notice provided by the Dissemination Agent to the City.

SECTION 6. Termination of Reporting Obligations. The reporting obligations of the City under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or

payment in full of all of the Bonds or when the City is no longer an Obligated Person (as defined in the Rule) with respect to the Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an Opinion of Counsel to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule. No amendment to this Disclosure Agreement shall change or modify the rights or obligations of the Dissemination Agent without its written assent thereto. The City shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent and the Dissemination Agent shall file such notice with the National Repository.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default and Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Bondholders of at least twenty-five percent (25%) in aggregate principal amount of the outstanding Bonds and provision of indemnity and security for expenses satisfactory to it, shall), or any beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A failure of the City to comply with any provision of this Disclosure Agreement shall not be deemed to be a default under the Bonds. The sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Notices. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

- (i) If to the City:

City of Gloucester City
512 Monmouth Street
Gloucester City, New Jersey 08030
Attention: Chief Financial Officer

(ii) If to the Dissemination Agent:

Acacia Financial Group, Inc.
6000 Midlantic Drive, Suite 410 North
Mount Laurel, New Jersey 08054

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provision of this Section 11 for the giving of notice.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent and the Bondholders and nothing herein contained shall confer any right upon any other person.

SECTION 12. Submission of Information to MSRB. Any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in electronic format as shall be prescribed by the MSRB or such other format as the Rule may require or permit, and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

SECTION 13. Compensation. The City shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Disclosure Agreement.

SECTION 14. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the City or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 15. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 17. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 18. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF GLOUCESTER CITY, NEW JERSEY

By: _____
FRANK J. ROBERTSON, Chief Financial Officer

**ACACIA FINANCIAL GROUP, INC.,
as Dissemination Agent**

By: _____
JOSHUA C. NYIKITA, Managing Director

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: City of Gloucester City, County of Camden, New Jersey

Name of Bond Issues Affected: General Obligation Bonds, Series 2018
Taxable General Obligation Bonds, Series 2018

Date of Issuance of the Affected
Bond Issue: April 25, 2018

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above named Bond issue as required by Section 3 of the Continuing Disclosure Agreement, dated April 25, 2018, between the City and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE - The Issuer anticipates that such Annual Report will be filed by _____.]

Dated: _____

ACACIA FINANCIAL GROUP, INC.,
as Dissemination Agent

cc: City of Gloucester City, New Jersey