

OFFICIAL STATEMENT DATED DECEMBER 5, 2012

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel ("Bond Counsel") to the City (as defined herein), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Tax-Exempt Bonds (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under Section 57 of the Code for purposes of calculating the Federal alternative minimum tax; such interest will, however, be included in the adjusted current earnings of a corporation for purposes of the Federal alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds (as defined herein) and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

New Issue

Serial Bonds

**CITY OF ATLANTIC CITY
IN THE COUNTY OF ATLANTIC, NEW JERSEY
\$90,380,000 TAX APPEAL REFUNDING BONDS, SERIES 2012 (TAX-EXEMPT)
AND
\$2,620,000 TAX APPEAL REFUNDING BONDS, SERIES 2012 (FEDERALLY TAXABLE)
(Book-Entry-Only)(Callable)**

Dated: Date of Delivery

Due: November 1, as shown on the inside front cover

The \$90,380,000 Tax Appeal Refunding Bonds, Series 2012 (Tax-Exempt) (the "Tax-Exempt Bonds") and \$2,620,000 Tax Appeal Refunding Bonds (Federally Taxable), Series 2012 (the "Taxable Bonds" and together with the Tax-Exempt Bonds, the "Bonds") of the City of Atlantic City, in the County of Atlantic, New Jersey (the "City") will be issued in the form of one certificate for the aggregate principal amount of each series of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository (as defined herein) for the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on May 1st and November 1st (each an "Interest Payment Date") in each year until maturity or prior redemption, commencing on May 1, 2013. Principal of and interest on the Bonds will be paid to DTC by the City or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each April 15th and October 15th (the "Record Dates") preceding an Interest Payment Date. The Tax-Exempt Bonds are subject to redemption prior to their stated maturities, as described herein. See "DESCRIPTION OF THE BONDS-Redemption" herein.

The Tax-Exempt Bonds are issued pursuant to: (i) the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); (ii) a refunding bond ordinance duly and finally adopted by the City Council of the City on September 26, 2012 and (iii) a resolution adopted by the City Council of the City on September 26, 2012.

Proceeds of the Tax-Exempt Bonds will be used to: (i) fund certain judgments regarding property tax appeals; and (ii) pay the costs of issuance with respect to the Tax-Exempt Bonds.

The Taxable Bonds are issued pursuant to: (i) the Local Bond Law; (ii) a refunding bond ordinance duly and finally adopted by the City Council of the City on September 26, 2012 and (iii) a resolution adopted by the City Council of the City on September 26, 2012.

Proceeds of the Taxable Bonds will be used to: (i) fund a payment to a property owner to relieve the City of its obligation established under a multi-year tax credit agreement regarding property tax appeals; and (ii) pay the costs of issuance with respect to the Taxable Bonds.

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

The scheduled payment of principal of and interest on the Tax-Exempt Bonds maturing on November 1 of the years 2023 through 2032, both dates inclusive (the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY MUNICIPAL CORP.



The Bonds are offered when, as and if issued, and delivered to the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice and to the approval of legality thereof by the law firm of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, and certain other conditions described herein. Certain legal matters will be passed upon for the Underwriters by their counsel, Parker McCay, P.A., Mount Laurel, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as financial advisor in connection with the issuance of the Bonds. Delivery of the Bonds is anticipated to be at the offices of the City's Bond Counsel or at such other place as agreed to with the Underwriters on or about December 14, 2012.

Underwriters for the Tax-Exempt Bonds

**Citigroup
Powell Capital Markets, Inc.
Sterne, Agee & Leach, Inc.**

Underwriter for the Taxable Bonds

RBC Capital Markets, LLC

\$90,380,000 TAX APPEAL REFUNDING BONDS,
SERIES 2012 (TAX-EXEMPT)

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2016	\$7,000,000	4.000%	1.47%	2025*	\$5,790,000	4.000%	2.69%^
2017	4,740,000	4.000	1.64	2026*	5,590,000	4.000	2.75^
2018	4,840,000	4.000	1.81	2027*	5,610,000	4.000	2.81^
2019	6,425,000	5.000	2.00	2028*	5,630,000	3.000	3.10
2020	5,035,000	5.000	2.19	2029*	5,140,000	3.000	3.15
2021	4,680,000	5.000	2.39	2030*	5,095,000	3.000	3.20
2022	4,155,000	5.000	2.58	2031*	4,600,000	3.125	3.25
2023*	5,730,000	4.000	2.59^	2032*	4,560,000	3.125	3.30
2024*	5,760,000	4.000	2.64^				

\$2,620,000 TAX APPEAL REFUNDING BONDS,
SERIES 2012 (FEDERALLY TAXABLE)

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price</u>
2013	\$750,000	1.388%	100%	2015	\$555,000	2.261%	100%
2014	750,000	1.838	100	2016	565,000	2.703	100

* AGM Insured.

^ Yield to the first par call date of November 1, 2022.

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

MAYOR

Lorenzo T. Langford

COUNCIL MEMBERS

William Marsh, President

Steven L. Moore, Vice President

Moisse Delgado

Frank M. Gilliam, Jr.

Timothy Mancuso

Rizwan Malik

Aaron Randolph

Marty Small

George Tibbitt

CITY CLERK

Rhonda Williams

BUSINESS ADMINISTRATOR

Ronald L. Cash

**DIRECTOR OF REVENUE AND
FINANCE**

Michael P. Stinson, CPA

**CHIEF FINANCIAL
OFFICER/COMPTROLLER**

Joanne M. Shepherd

CITY ATTORNEY

Braun Littlefield, Esq.

Atlantic City, New Jersey

AUDITOR

Kenneth Moore, CPA, RMA

Ford-Scott & Associates

Ocean City, New Jersey

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.

Woodbridge, New Jersey

FINANCIAL ADVISOR

Phoenix Advisors, LLC

Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds (as defined herein) other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the City and other sources deemed reliable by the City; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation of accuracy or completeness and such information is not to be construed as a representation of warranty by the Underwriters 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, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein.

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

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, other than the City (subject to the limitations set forth above), will have passed upon the accuracy or adequacy of this Official Statement.

This Official Statement includes the cover page, inside cover page and the Appendices attached hereto. The Underwriters have been authorized by the City to print the Bond yields and/or prices on the inside front cover page and their names on the front cover, together with the interest rates per annum for the various maturities of the Bonds on the inside front cover page.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH 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.

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

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS THEY APPLY TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTY THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and “Appendix D - Specimen Municipal Bond Insurance Policy”.

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DECEMBER 31, 2011

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OFFICIAL STATEMENT

**CITY OF ATLANTIC CITY
IN THE COUNTY OF ATLANTIC, NEW JERSEY
\$90,380,000 TAX APPEAL REFUNDING BONDS, SERIES 2012 (TAX-EXEMPT)
AND
\$2,620,000 TAX APPEAL REFUNDING BONDS, SERIES 2012 (FEDERALLY TAXABLE)
(Book-Entry-Only)(Callable)**

INTRODUCTION

This Official Statement, which includes the front cover page, inside front cover page and the appendices annexed hereto, has been prepared by the City of Atlantic City, in the County of Atlantic, New Jersey (the “City”) in connection with the sale and issuance of its \$90,380,000 Tax Appeal Refunding Bonds, Series 2012 (Tax-Exempt) (the “Tax-Exempt Bonds”) and \$2,620,000 Tax Appeal Refunding Bonds, Series 2012 (Federally Taxable) (the “Taxable Bonds” and together with the Tax-Exempt Bonds, the “Bonds”). This Official Statement has been executed by and on behalf of the City by the Director of Revenue and Finance and its distribution and use in connection with the sale of the Bonds has been authorized by the City.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

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

DESCRIPTION OF THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

Terms and Interest Payment Dates

The Bonds shall be dated the date of delivery and shall mature on November 1st in each of the years and in the amounts set forth on the inside front cover page hereof. The Bonds shall bear interest from their date of delivery which interest shall be payable semi-annually on the first days of May and November (each an “Interest Payment Date”), commencing May 1, 2013, in each of the years and at the interest rates set forth on the inside front cover page hereof in each year until maturity or prior redemption, as applicable, by the City or a duly appointed paying agent to the registered owners of the Bonds as of each April 15th and October 15th immediately preceding the respective Interest Payment Dates (the “Record Dates”). 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 by the City or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Redemption

The Tax-Exempt Bonds maturing prior to November 1, 2023 are not subject to redemption prior to their stated maturities. The Tax-Exempt Bonds maturing on or after November 1, 2023 are subject to redemption prior to their stated maturities, in whole or in part, on any date on or after November 1, 2022, upon notice of redemption as provided herein, at a price of 100% of the par amount to be redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Tax-Exempt Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Tax-Exempt Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City or a duly appointed Bond Registrar. So long as DTC (the "Depository Trust Company") (or any successor thereto) acts as securities depository for the Tax-Exempt Bonds ("Securities Depository"), such Notice of Redemption shall be sent directly to such Securities Depository and not to the Beneficial Owners of the Tax-Exempt Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any Beneficial Owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the City determines to redeem a portion of the Tax-Exempt Bonds prior to maturity, the Tax-Exempt Bonds to be redeemed shall be selected by the City; the Tax-Exempt Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

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

Authorization and Purpose

Background

During calendar year 2008, the City implemented a City-wide real property revaluation. As a result of such revaluation, numerous real estate tax appeals were filed against the City seeking adjustment to the new real property valuations imposed by the City. Many of such appeals, in particular, appeals filed by casinos, have been successful by the filers thereof, thus resulting in a reduction in the amount of property tax revenue collected by the City. The number of tax appeals and their success rate resulted in a fiscal operating deficit for the City in 2009. In addition, as a result of such successful tax appeals, in 2009 the City projected operational deficits to occur in 2010 and 2011. As a result of such projections, the City determined to issue tax appeal refunding bonds as permitted by applicable law. Specifically, in 2010, the City issued \$1,795,000 of its General Obligation Tax Appeal Refunding Bonds (Tax-Exempt) and \$6,925,000 of its General Obligation Tax Appeal Refunding Bonds (Federally Taxable) and, in 2011, the City issued \$35,285,000 of its General Obligation Tax Appeal Refunding Bonds, to finance certain of the outstanding tax appeals over a period of five (5) years.

The proceeds of the Bonds will be used to fund several of the largest currently outstanding tax appeals in the City (as described below) in order to offset the immediate fiscal impact of such tax appeals upon the City and to enable the City to operate under a balanced budget, all as more particularly described below under the subheadings "Authorization and Purpose - The Tax-Exempt Bonds" and "Authorization and Purpose - The Taxable Bonds".

The Tax-Exempt Bonds

Proceeds of the Tax-Exempt Bonds will be used to: (i) pay amounts owed to certain taxpayers in the City for tax liabilities resulting from court approved settlements and judgments of property tax appeals (as more particular described below); and (ii) pay the costs of issuance with respect to the Tax-Exempt Bonds.

The court approved settlements and judgments include settlements to be paid with the proceeds of the Tax-Exempt Bonds to: (i) Trump Marina Assocs., LLC; Trump Plaza Assocs., LLC; and Trump Taj Mahal Assocs., LLC in the approximate amount of \$54,000,000; (ii) Bally's Park Place, Inc. in the approximate amount of \$27,000,000; and (iii) RIH/ACH Gaming in the approximate total amount of \$19,400,000, of which \$16,800,000 will be funded by the Tax-Exempt Bonds and \$2,600,000 represents tax credits which will be funded with a portion of the proceeds of the Taxable Bonds (see "DESCRIPTION OF THE BONDS – Authorization and Purpose - The Taxable Bonds" herein).

The Tax-Exempt Bonds have been authorized and are issued pursuant to the laws of the State of New Jersey (the "State"), including the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), a refunding bond ordinance of the City finally adopted on September 26, 2012 and entitled "REFUNDING BOND ORDINANCE AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$98,500,000 AGGREGATE PRINCIPAL AMOUNT OF TAX APPEAL REFUNDING BONDS (TAX-EXEMPT) BY THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY FOR THE PURPOSE OF PAYING AMOUNTS OWED TO TAXPAYERS FOR TAX LIABILITIES RESULTING FROM COURT APPROVED SETTLEMENTS AND JUDGMENTS OF PROPERTY TAX APPEALS AND APPROPRIATING THE PROCEEDS OF SUCH REFUNDING BONDS TO SUCH PURPOSE," and by a resolution duly adopted by the City Council of the City on September 26, 2012 (the "Bond Resolution"). The Local Finance Board, in the Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board") issued positive findings with respect to the issuance of the Tax-Exempt Bonds by virtue of a resolution adopted on September 12, 2012.

The Taxable Bonds

Proceeds of the Taxable Bonds will be used to: (i) fund a payment to RIH/ACH Gaming in the amount of \$2,600,000 to relieve the City of its obligation established under a multi-year tax credit agreement; and (ii) pay the costs of issuance with respect to the Taxable Bonds.

The Taxable Bonds have been authorized and are issued pursuant to the laws of the State, including the Local Bond Law, a refunding bond ordinance of the City finally adopted on September 26, 2012 and entitled "REFUNDING BOND ORDINANCE AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$4,000,000 AGGREGATE PRINCIPAL AMOUNT OF TAX APPEAL REFUNDING BONDS (TAXABLE) BY THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY FOR THE PURPOSE OF PAYING AMOUNTS OWED TO TAXPAYERS FOR TAX LIABILITIES OR TAX CREDITS RESULTING FROM SETTLEMENTS AND JUDGMENTS OF PROPERTY TAX APPEALS AND APPROPRIATING THE PROCEEDS OF SUCH REFUNDING BONDS TO SUCH PURPOSE," and by the Bond Resolution. The Local Finance Board issued positive findings with respect to the Taxable Bonds by virtue of a resolution adopted on September 12, 2012.

OUTSTANDING TAX APPEALS

In addition to the tax appeals previously settled and described above, the City has several other outstanding tax appeals with various real property owners in the City. Such outstanding tax appeals

include, but are not limited to, tax appeals filed by certain property owners who are among the twenty-five highest tax paying entities in the City as set forth below:

<u>Name of Taxpayer</u>	<u>Taxpayer Ranking</u>	<u>Property Assessed</u>	<u>2012 Assessed Valuation</u>	
Marina District Development Corp.	1	Borgata Casino/Hotel	\$2,262,391,300	*
Revel Atlantic City LLC	4	Revel Casino/Hotel	1,470,000,000	*
Adamar of New Jersey	6	Trop World Casino/Hotel	1,258,906,600	*^
Mirage A C Corp	9	Land Holdings	677,858,100	*
Showboat Land, LLC	11	Showboat Casino/Hotel	625,000,000	*
Boardwalk Florida Enterprises	25	Former Trump Worlds Fair Site	30,717,200	*

* Tax court pending

^ Settlement Pending

Source: City Tax Assessor

(See Appendix "A" for a more complete summary of the twenty-five highest paying taxpayers in the City.)

The City cannot and does not predict the outcome of any of such appeals, the financial impact of any of such appeals on the City or when such appeals may be resolved in their entirety. The City presently considers three (3) of such outstanding tax appeals to potentially have an adverse, though manageable, impact on the City's tax base (Marina District Development Corp, Revel Atlantic City LLC and Adamar of New Jersey). Upon conclusion of such outstanding appeals, however, the tax appeals that the City presently considers to potentially have an adverse, though manageable, impact on the City's tax base will have been settled. For a more complete discussion relative to tax assessments, collections, and appeals, generally, see discussion under heading "TAX ASSESSMENT AND COLLECTION."

The City is permitted, but not obligated, to fund the costs of any such finally adjudicated or settled tax appeals through the issuance of additional general obligation refunding bonds in accordance with, among other things, the provisions of the Local Bond Law. The City does not and cannot, however, make any statements or predictions regarding the issuance of additional indebtedness for such purpose.

ESTIMATED SOURCES AND USES OF FUNDS

The City expects to use the proceeds from the sale of the Bonds as follows:

	<u>Tax-Exempt Bonds</u>	<u>Taxable Bonds</u>	<u>Total</u>
Sources of Funds:			
Par Amount of Bonds	\$90,380,000.00	\$2,620,000.00	\$93,000,000.00
Net Original Issue Premium	<u>8,571,718.90</u>	<u>0.00</u>	<u>8,571,718.90</u>
Total Sources of Funds	<u>\$98,951,718.90</u>	<u>\$2,620,000.00</u>	<u>\$101,571,718.90</u>
Uses of Funds:			
Funding of Tax Appeal Judgments	\$97,900,000.00	\$2,600,000.00	\$100,500,000.00
Costs of Issuance ¹	<u>1,051,718.90</u>	<u>20,000.00</u>	<u>1,071,718.90</u>
Total Uses of Funds	<u>\$98,951,718.90</u>	<u>\$2,620,000.00</u>	<u>\$101,571,718.90</u>

¹ Includes, *inter alia*, Underwriters' discount, bond insurance premium (Insured Bonds only), credit rating, legal, financial advisor, accounting, printing, and fiduciary fees and other expenses incurred in connection with the issuance of the Bonds.

EFFECTS OF POST-TROPICAL STORM SANDY UPON THE CITY

Background

On October 29, 2012, Hurricane Sandy (the "Storm") approached the northeastern portion of the United States and made landfall within miles of the City at approximately 8:00 p.m. At landfall, the Storm was categorized by the National Weather Service as a "post-tropical storm" due to the strength of prevailing winds.

Impact of the Storm upon the City

General Damage

The City, like certain other portions of the State, was significantly impacted by the wind, rain and tidal surge generated by the Storm. The City was particularly impacted by the tidal surge that caused the Atlantic Ocean to breach the dunes and sea walls in several locations and likewise caused a rise in the median height of the inland bays. The combination of this tidal surge, together with wind and rain created by the Storm, caused temporary widespread flooding and associated property damage to certain portions of the City.

Most ocean tidal surge damage to the City occurred in the Inlet area of the City, located in the northeast portion of the City where the Atlantic Ocean meets Absecon Bay. Such damage included the destruction of a portion of the pedestrian boardwalk located along the Inlet. The portion of the pedestrian boardwalk destroyed is located in a residential portion of the City and not along the larger commercial and pedestrian portions of the City. Moreover, the portion of the pedestrian boardwalk destroyed had been previously closed to pedestrian traffic and was slated for demolition and replacement prior to the arrival of the Storm. Contrary to media reports, there was virtually no damage to the City's iconic pedestrian promenade and boardwalk fronting the casino areas of the City.

While temporary flooding occurred throughout the City, the most substantial flooding occurred in the Inlet area and in the City's Chelsea section. Such flooding resulted in damage to various homes and businesses, but did not materially affect any casinos. The remainder of the flooding in the City resulted in widespread sand and debris displacement, but does not, according to ongoing reports by City officials, appear to have resulted in significant property loss. The foregoing notwithstanding, the full extent of the damage caused by flood waters is not yet known. All of the flood waters caused by the Storm have receded, making the clean-up process easier for the residents of and businesses in the City.

Beaches

While the Storm resulted in erosion of various portions of the City's beaches, such erosion does not appear significant and is expected to be addressed through the City's regularly planned beach replenishment program. However, to the extent that the City subsequently discovers that any significant beach erosion occurred as a result of the Storm, the City will undertake the appropriate replenishment and repair on an expedited basis.

Utilities, Roadways, Transportation and Education

The City sustained short-term damage to certain of its utilities as a result of the Storm, including power lines and communications. However, as of the date hereof, all utilities have been restored and are fully functioning, including power, communications, water, sewer and gas. Certain precautions were initially imposed by the Atlantic City Municipal Utilities Authority relative to the use of drinking water immediately following the Storm, but such precautions have since been lifted.

There was no significant damage to the City's roadways as a result of the Storm, other than the required return of displaced sand from the roadways to the beaches of the City, a process which is well underway. In addition, all public transit in and out of the City, including New Jersey transit trains and busses, has resumed normal services.

Prior to the arrival of the Storm, the Atlantic City Board of Education (the "School District") closed all school facilities located within its jurisdictional borders. Such closures remained in effect until November 2, 2012. The School District has not reported any substantial damage to its facilities resulting from the Storm and all of the schools within the School District are now fully re-opened with classes in session.

Economic Impact

At present, all Storm-related costs and expenses for damage to City-owned property are being funded out of the City's budget, including budget transfers as permitted by applicable law. See "FINANCIAL MANAGEMENT – Budget Transfers" herein for a more complete discussion of budgeting procedures of the City. As of the date hereof, the City has appropriated approximately \$500,000 for Storm-related expenses, including costs for personnel and overtime, but, based upon initial estimates, expects to incur additional costs related to damage to City-owned property resulting from wind, rain and flooding in the amount of \$6,000,000. Such Storm-related costs are expected to be funded with a combination of insurance proceeds from the City's property, casualty and flood insurance policies and certain federal grants provided by the Federal Emergency Management Agency and other federal agencies. The City further expects that such costs will be paid by the City in the first instance, with reimbursement to the City for such payments from insurance proceeds and federal grants. To the extent that insurance proceeds and federal grants do not cover all of the costs of damage incurred as a result of the Storm, the City does not expect such costs to have any material impact on its budget.

Although the City reasonably expects that all Storm-related costs and expenses will be paid for or reimbursed with insurance proceeds and federal grants, the City makes no assurances as to the availability of such funds to the City. If and to the extent that certain Storm-related costs are not otherwise payable or reimbursable by insurance proceeds or federal grants, the City may issue additional indebtedness to finance such costs as permitted by applicable law. See "PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT" and "FINANCIAL MANAGEMENT" herein for a more complete discussion related to the issuance of indebtedness.

While the businesses of the City have sustained, and will sustain, substantial economic loss as a result of business interruption caused by the storm, based upon current estimates made by the Chief Financial Officer and other City officials, the City's cash flow position remains stable. In addition, taxes are being collected in the normal course and are currently expected to be collected at the rates and in the amounts provided in the City's budget.

To the extent that the City makes expenditures for Storm-related costs and expenses, such expenditures, pursuant to applicable law, are considered "emergency appropriations" and automatically become a part of the City's subsequent fiscal year budget (and accounted for as a deferred charge) and, pursuant to applicable law, will not be subject to the appropriation "cap" or levy "cap" otherwise provided by the New Jersey Local Budget Law (N.J.S.A. 40A:4-1 et seq.). See "FINANCIAL MANAGEMENT" herein for a more complete discussion of the financial management of the City and the Local Budget Law.

Based upon current estimates of damage incurred and the fiscal position of the City, the City does not expect the impact of Storm to materially affect the City's ability to pay any of its bonds or notes, including the Bonds. In addition, based upon current estimates of damages incurred and the current fiscal position of the City, the City does not expect the impact of the Storm to materially affect the cash position

of the City to pay any of its current or near-term obligations, including operational and debt-related obligations.

Impact of the Storm upon Casinos in the City

All of the casinos operating in the City were ordered, pursuant to directive of the State, to temporarily cease operations as of on October 29, 2012. None of the casinos have reported any significant structural or property damage, including those casinos located upon the Atlantic oceanfront. The casinos remained closed until the State lifted operational restrictions on November 2, 2012. As of the date hereof, all casinos in the City are open for business.

Impacts After the Storm

The City presently expects overall damage to business and residential property in the City to be significant as a result of the Storm. However, due to the ongoing clean-up efforts, final amounts may not be definitively determined for some time. Moreover, the City is not presently able to predict the economic impact of the business disruption to the various businesses located within the City, but anticipates lost revenues (primarily from the casinos) to be substantial. However, since the City derives over 90% of its revenues from the collection of property taxes, which the City expects to receive in due course and in the amounts provided in the budget of the City, such business interruption is not expected to materially affect the financial condition of the City.

Despite the impact of the Storm upon the residents and business owners of the City, the City remains committed to a speedy and efficient clean-up effort. Such clean-up efforts have already allowed all casinos and nearly all businesses in the City to reopen within days of the Storm.

BOOK-ENTRY-ONLY SYSTEM²

The following description of the procedures and record keeping with respect to beneficial ownership interest in the Bonds, payments of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners, defined below, confirmation and transfer of beneficial ownership interest 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 concerning these matters.

The Depository Trust Company ("DTC"), New York, New York, 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 Tax-Exempt Bonds and for each maturity of the Taxable 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

² Source: The Depository Trust Company

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 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.

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 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 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 paying agent, 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, paying agent, or the City, 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 paying agent, 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 paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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 Underwriters take any responsibility for the accuracy thereof.

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 aggregate principal amount of Bonds in authorized denominations and of the same maturity, upon surrender thereof at the offices of the City or principal corporate trust office of the paying agent, if any; (ii) the transfer of any Bonds may be registered on the books maintained by the City/paying agent for such purpose only upon the surrender thereof to the City/paying agent together with the duly executed assignment in form satisfactory to the City/paying agent; and (iii) for every exchange or registration of transfer of Bonds, the City/paying agent 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 of the Bonds. 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, preceding an Interest Payment Date.

SECURITY AND SOURCE OF PAYMENT

General

The full faith and credit of the City are irrevocably pledged to the payment of the principal of the Bonds and the interest thereon. The Bonds are valid and legally binding general obligations of the City and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all taxable property within the City without limitation as to rate or amount. The City is required to include the total amount of interest and debt redemption charges on all of its general obligation indebtedness, including the Bonds, for the current year in each annual municipal budget.

The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "MUNICIPAL BANKRUPTCY" herein.

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

The City

The City covers an area of approximately 12 square miles and borders the Atlantic Ocean in southern New Jersey. It lies about 65 miles southeast of Philadelphia and 125 miles south of New York City. The location and climate of the City have traditionally enabled it to maintain itself as a recreational and resort center. In addition, casino gaming (which is discussed in further detail in Appendix “A” under the heading “LEGALIZED CASINO GAMING”) has, for more than 25 years, provided significant growth and another attraction to go along with the existing beaches, boardwalk and the Atlantic Ocean.

Local Government Supervision Act

The Director of the Local Finance Board (the “Director”) initiated an action in New Jersey Superior Court, Law Division—Atlantic County, with the consent and support of the City, seeking a judicial determination, pursuant to N.J.S.A. 52:27BB-55(6). The Director sought the approval of the court to require the City to be supervised by the Local Finance Board and the Director, pursuant to the provisions of Article IV of the “Local Government Supervision Act (1947),” N.J.S.A. 52:27BB-1 et seq. (the “Local Government Supervision Act”). The basic allegation made by the Director was that the City was unable to fund an operating deficit in its 2010 budget, thus jeopardizing the City’s fiscal integrity.

On October 12, 2010, the court agreed with the Director’s allegations about the City’s finances and ordered that certain provisions of Article IV of the Local Government Supervision Act take effect. Specifically, the Director was authorized to seek a resolution from the Local Finance Board to place the City under the supervision of the Local Finance Board and the Director, pursuant to requirements of N.J.S.A. 52:27BB-56.

Accordingly, the Local Finance Board, on October 13, 2010, adopted a resolution as to the application to the City of Article 4 of the Local Government Supervision Act. Pursuant to the Local Government Supervision Act, the Commissioner of the New Jersey Department of Community Affairs, the State Treasurer and the Attorney General approved the resolution. Pursuant to such resolution, the Local Finance Board determined that various provisions of the Local Government Supervision Act shall be placed in effect in the City, including N.J.S.A. 52:27BB-55(6) (Compliance with requirements of law), N.J.S.A. 52:27BB-87 (Preparation of budgets), N.J.S.A. 52:27BB-89 (General duties of board), and N.J.S.A. 52:27BB-90 (Delegation of powers to director). To remain effective, the resolution must be renewed each year by the Local Finance Board and approved by two of the cabinet officers. On September 14, 2011, the Local Finance Board adopted, and the Commissioner of the New Jersey Department of Community Affairs and the Attorney General approved, a resolution to continue application of Article 4 of the Local Government Supervision Act through December 31, 2012.

In accordance with the resolution adopted on October 13, 2010, the Local Finance Board prepared a “Memorandum of Understanding” (the “Original MOU”), outlining the specific areas over which the Director will have direct supervision relating to the operations and finances of the City. On December 8, 2010, the City adopted a resolution acknowledging the contents of the Original MOU. Certain provisions of the Original MOU have since been removed or made less restrictive under a revised “Memorandum of Understanding” acknowledged by the Local Finance Board and the City on February 10, 2012 (the “Revised MOU”). Some of the major provisions of the Revised MOU are as follows:

1. Certain requests for new employment positions must first be approved by the Director;
2. The imposition of salary restraints on all elected officials and non-contractual employees;
3. The hiring for the provision of legal services must first be approved by the Director;
4. Contracts and services pertaining to tax appeals, revaluation, or reassessments must be approved by the Director;

5. The City is not permitted to create any new services or expand existing services without seeking approval of the Director;
6. The City is not permitted to expend funds on any out-of-state travel or overnight stays in New Jersey without first obtaining the approval of the Director;
7. The City's Pay-to-Play Ordinance may not be modified without the approval of the Director;
8. The City is required to clearly communicate fiscal stress to unions and arbitrators and provide copies of such communications to the Director; and
9. The City is required to meet quarterly, or more often as requested by the Division, with the Director and staff to discuss budget and fiscal progress.

The provisions of the Revised MOU are subject to annual renewal by the City and the Local Finance Board. The Original MOU was renewed by both the State and the City for the year ending December 31, 2011. The Revised MOU was adopted by both the State and City for the year ending December 31, 2012 and will remain in effect until December 31, 2012 unless it is renewed for another year.

As a condition of the September 12, 2012 resolution issued by the Local Finance Board authorizing the issuance of the Bonds, the Local Finance Board required the City to remain under its supervision for calendar year 2013. Thus, the City and the Local Finance Board will enter into a new Memorandum of Understanding (the "2013 MOU") governing the direct supervision of the operations and finances of the City for calendar year 2013. Currently, the City and the Local Finance Board are discussing the provisions of the proposed 2013 MOU and it is anticipated that the 2013 MOU will be executed by both parties prior to December 31, 2012 and will remain in effect until December 31, 2013 unless the Local Finance Board agrees to terminate the 2013 MOU prior to such date. The City does not make any representations, statements or predictions regarding the continued supervision of the City's operations and finances by the Local Finance Board after December 31, 2013.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Tax-Exempt Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Tax-Exempt Bonds maturing on November 1 of the years 2023 through 2032, inclusive (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (on review for possible

downgrade) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 20, 2012, Moody's issued a press release stating that it had placed AGM's "Aa3" insurance financial strength rating on review for possible downgrade. On October 30, 2012, Moody's indicated that it anticipated resolving its review during the first half of November 2012. AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, and its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012.

Capitalization of AGM

At September 30, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,263,902,433 and its total net unearned premium reserve was approximately \$2,153,794,346, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011, for the quarterly period ended March 31, 2012, for the quarterly period ended June 30, 2012, and for the quarterly period ended September 30, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL's website at <http://www.assuredguaranty.com>, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 (filed by AGL with the SEC on August 9, 2012); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 (filed by AGL with the SEC on November 9, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Insured Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Insured Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Insured Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Insured Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

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PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

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

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

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

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

Short-Term Financing

Local governmental units, including counties, may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter unless an amount of such notes, at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

Tax anticipation notes are limited in amount by law and, in the case of the City, may be renewed from time to time, but all such notes and renewals thereof must mature not later than April 30 of the succeeding fiscal year.

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

Refunding bonds may be issued by a local unit pursuant to the Local Bond Law for the purpose of paying, funding or refunding its 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 refunding bonds. The Local Finance Board must approve the authorization of the issuance of refunding bonds as it has done for the Bonds.

Statutory Debt Limitation

There are statutory requirements which limit the amount of debt which the City is permitted to authorize. The authorized bonded indebtedness of a municipality is limited by the Local Bond Law and other laws to an amount equal to three and one-half percent (3.50%) of its stated average equalized valuation basis, subject to certain exceptions noted below. N.J.S.A. 40A:2-6. The stated equalized valuation basis is set by statute as the average of the aggregate equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of Class II railroad property within the boundaries of the City for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuations by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). N.J.S.A. 40A:2-2. Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. N.J.S.A. 40A:2-43, -44. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation - Extensions of Credit" below. As shown in Appendix "A", the City has not exceeded its statutory debt limit.

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

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

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

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

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

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

Investment of Municipal Funds

Investment of funds by municipalities is governed by N.J.S.A. 40A:5-14 et seq. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant to such plan. N.J.S.A. 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (a) obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"), (b) Government money market mutual funds which invest in securities permitted under the statute, (c) bonds of certain Federal Government agencies having a maturity date not greater than 397 days from the date of purchase, (d) bonds or other obligations of the particular municipality or school districts of which the local unit is a part or within which the school district is located, and (e) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase and approved by the Division of Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

The accounting policies of the City conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes

are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the City does not record obligations for accumulated unused vacation and sick pay.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including counties, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget must be certified as approved by the Director prior to final adoption of the budget by the City. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

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

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of more than 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population of less than 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. The capital program, when adopted, does not constitute the appropriation of funds, but sets forth a plan of capital expenditures which the local unit may contemplate over the next six (6) years or the next three (3) years, as applicable. Expenditures for capital purposes may be made either by ordinances adopted by the governing body which set forth the items and the methods of financing, or from the annual operating budget. See "FINANCIAL MANAGEMENT – Capital Improvement Program" herein.

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

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. Under the regulations prescribed by the Local Finance Board, the City was not eligible for local examination of its budget in 2011. The City has adopted its 2012 budget in accordance with the procedures described under the heading entitled, "FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)".

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

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

Limitation on Expenditures (“CAP Law”) (N.J.S.A. 40A:4-45.1 et seq.)

N.J.S.A. 40A:4-45.4 places limits on municipal tax levies and expenditures, this law is commonly known as the “Cap Law” (the “Cap Law”). The Cap Law provides that the City shall limit any increase in its budget to 2.5% or the Cost-of-Living Adjustment, whichever is less, of the previous year’s City tax levy, subject to certain exceptions. The Cost-of-Living Adjustment is defined as the annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-of-Living Adjustment is equal to or less than 2.5%, the City may, by resolution approved by a majority vote of the full membership of the governing body, provide that the tax levy of the City for such year be increased by a percentage rate that is greater than the Cost-of-Living Adjustment, but not more than the 3.5% over the previous year’s City tax levy. See N.J.S.A. 40A:4-45.14. The Cost-of-Living Adjustment for calendar year 2012 is 2.50%. In addition, pursuant to Chapter 100 of the Laws of New Jersey of 1994 (N.J.S.A. 40A:4-45.15a, -45.15b) and Chapter 74 of the Laws of New Jersey of 2004, municipalities may “Cap Bank” under the Local Budget Law. Municipalities are permitted to appropriate available “CAP Bank” in either of the next two (2) succeeding years’ final appropriations if its actual appropriations in a fiscal year are below the allowable Cost-of-Living Adjustment. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the “CAP”.

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

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

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the City, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in a provision of the Local Budget Law, N.J.S.A. 40A:4-48, -49, and approved by at least two-thirds of full membership of the governing body. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1, -55.2, -55.3. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism for local units, including counties. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, contingent expenses, capital improvement fund or from other sources as provided in the statute.

Anticipation of Real Estate Taxes

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

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

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

$$\begin{array}{rcl} \text{Total of Local, County,} & & \\ \text{and School Levies} & - & \text{Anticipated Revenues} & = & \text{Cash Required from Taxes to Support} \\ & & & & \text{Local Municipal Budget and Other Taxes} \\ \\ \text{Cash Required from Taxes to Support Local Municipal Budget and Other Taxes} & & & = & \text{Amount to be} \\ \text{Prior Year's Percentage of Current Tax Collection (or Lesser \%)} & & & & \text{Raised by} \\ & & & & \text{Taxation} \end{array}$$

Anticipation of Miscellaneous Revenues

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

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

Debt Statements

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

Capital Improvement Program

In accordance with the Local Budget Law, the City must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing three (3) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to N.J.A.C. 5:30-4. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a “like” basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the City, the local school district and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collections to fund the budgets. The statutory provisions for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special district.

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

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State statutes. Tax title liens are periodically assigned to the City Attorney (as defined herein) for *in rem* foreclosures in order to acquire title to these properties.

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

Tax installment payments for the fourth quarter of 2012 were due for payment to the City by November 10, 2012. Certain taxpayers in the City did not, however, submit such tax installment payments then due and owing. Among such taxpayers were Revel Atlantic LLC and its affiliated entities ("Revel"), one of the five (5) largest taxpayers in the City. See "Twenty-five Highest Property Assessments in Appendix A – Certain Financial and Demographic Information Concerning the City of Atlantic City, in the County of Atlantic, New Jersey" herein.

As more specifically described above under the subheading "-Tax Assessment and Collection of Taxes", tax installments due and owing and not otherwise paid shall, if not paid by certain dates fixed by

statute, become subject to certain interest penalties until paid. In addition, pursuant to the authority provided to the City by N.J.S.A. 54:4-1 et seq., and as more particularly described above under the subheading "-Tax Assessment and Collection of Taxes", the City is permitted to conduct a tax lien sale in order to sell its interest in the uncollected taxes pursuant to a public sale. In furtherance of such authority, the City, by notice provided to the general public on November 30, 2012, has determined to conduct a tax lien sale for tax installments payments currently due and payable to the City that have not otherwise been paid, including those of Revel. Such tax lien sale is scheduled to occur on December 11, 2012.

The City and Revel have heretofore engaged, and continue to engage, in discussions related to the payment, in full, of the delinquent fourth quarter tax installments currently due and payable to the City by Revel. As part of such discussions, the City and Revel have tentatively agreed to postpone the tax lien sale of the Revel-owned properties as permitted by N.J.S.A. 54:4-28 conditioned upon, among other things, a definitive payment date for the unpaid Revel tax installments and the expedited resolution of Revel's outstanding tax appeals against the City, including the confirmation of the value of assessed property owned by Revel. See "OUTSTANDING TAX APPEALS" herein for a more complete discussion of the outstanding tax appeals of the City, including the outstanding tax appeal of Revel. The City cannot and does not, however, provide any assurances as to the finalization of a formal agreement with Revel that would provide for the payment in full of Revel's delinquent tax payments, the final resolution of the outstanding tax appeals between the City and Revel, or the final resolution of the assessment value of Revel-owned property.

The City's fiscal year 2012 budget will not, however, be materially adversely affected if the City does not otherwise collect the outstanding tax installment payments (including those due and owing from Revel) directly from the delinquent taxpayers or from a tax lien sale by December 31, 2012, as the City has collected sufficient revenue in fiscal year 2012, together with the City's reserve for uncollected taxes, to meet all of its budgetary obligations. In particular, as of November 30, 2012, the City had collected aggregate tax payments, including payments due and owing through the fourth quarter of 2012, in the amount of \$335,190,983.62, which represents 99.69% of the total amount of tax installments due and payable for fiscal year 2012.

Tax Appeals

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

LITIGATION

To the knowledge of Braun Littlefield, Esq., Atlantic City, New Jersey (the "City 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 of the City.

To the knowledge of the City Solicitor, no litigation is presently pending or threatened that, in the opinion of the City Solicitor, would have a material adverse impact on the financial condition of the City if adversely decided, except for the property tax appeal credits, settlements and judgments successfully litigated against the City. A certificate to such effect will be executed by the City Attorney and delivered to the Underwriters at closing.

TAX MATTERS

Federal Income Tax Treatment

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Tax-Exempt Bonds in order for the interest thereon to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause such interest to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. The City has covenanted to comply with the provisions of the Code applicable to the Tax-Exempt Bonds, and has covenanted not to take any action or fail to take any action that would cause interest on the Tax-Exempt Bonds to lose the exclusion from gross income under Section 103 of the Code.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the City with the requirements of the Code described above, interest on the Tax-Exempt Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax imposed on individuals and corporations; *provided, however*, that interest on the Tax-Exempt Bonds is included in the adjusted current earnings of a corporation for purposes of the Federal alternative minimum tax imposed on corporations.

The Tax-Exempt Bonds maturing on November 1, 2016 through November 1, 2027, inclusive, have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Tax-Exempt Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Tax-Exempt Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Tax-Exempt Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Tax-Exempt Bonds and not as interest.

Additional Federal Income Tax Consequences Relating to Tax-Exempt Bonds

Prospective purchasers of the Tax-Exempt Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Tax-Exempt Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Tax-Exempt Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is also of the opinion that interest on the Bonds, and any gain on the sale of the Bonds, is not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds. See “APPENDIX C – FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL” for the complete text of the proposed form of Bond Counsel's approving legal opinion.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the Federal tax-exempt status of interest on the Tax-Exempt Bonds and the State tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters.

Other Tax Consequences

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

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

Prospective purchasers of the Bonds should consult their tax advisors with respect to all tax consequences (including but not limited to those listed above) of holding the Bonds.

LEGALITY FOR INVESTMENT

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

MUNICIPAL BANKRUPTCY

The undertakings of the City should be considered with reference to 11 U.S.C. 401, et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any

judicial or other proceeding against the petitioner; grants certain priority to debt owed; and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of such class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

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

Reference to the Bankruptcy Code or the State statute should not create any implication that the City expects to utilize the benefits of their provisions.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Bond Counsel to the City, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix "C" hereto. Certain legal matters will be passed on for the City by the City Solicitor and for the Underwriters (as defined herein), by their Counsel, Parker McCay P.A., Mount Laurel, New Jersey.

PREPARATION OF OFFICIAL STATEMENT

The City hereby states that the descriptions and statements herein, including the financial statements, are true and correct in all material respects and it will confirm same to the Underwriters by certificates signed by the Chief Financial Officer and/or Director of Revenue and Finance.

All other information has been obtained from sources that 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 Financial Advisor (as hereinafter defined) has participated in the preparation of this Official Statement on behalf of the City, but has not independently verified the accuracy, completeness or fairness hereof and, accordingly, takes no responsibility and expresses no opinion with respect hereto.

The Underwriters (as hereinafter defined) have participated in the preparation of this Official Statement on behalf of the City, but have not independently verified the accuracy, completeness or fairness hereof and, accordingly, take no responsibility and express no opinion with respect hereto.

Wilentz, Goldman & Spitzer, P.A. has neither participated in the preparation of the financial or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned a rating of "A- (stable outlook)" to the Bonds, based upon the credit of the City and a rating of "AA-" to the Insured Bonds, based upon the issuance of the Policy by AGM. The ratings reflect only the views of S&P and an explanation of the significance of such ratings may only be obtained from S&P. The City furnished to S&P certain information and materials concerning the Bonds and the City. There can be no assurance that the ratings will be maintained for any given period of time or that they may not be raised, lowered or withdrawn entirely if, in S&P's judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the marketability or market price of the Bonds.

On November 16, 2012, S&P affirmed its previously assigned rating of "A- (stable outlook)" to the Bonds based upon an updated review of the City after the Storm. For purposes of obtaining the affirmed rating, the City furnished to S&P certain information and materials concerning the City subsequent to the Storm. The affirmed rating reflects only the views of S&P and an explanation of the significance of such affirmed rating may only be obtained from S&P.

FINANCIAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey served as financial advisor to the City (the "Financial Advisor") with respect to the issuance of the Bonds. This Official Statement has been prepared with the assistance of the Financial Advisor. Certain information set forth herein has been obtained from the City and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein.

There is no assurance that any of the assumptions or estimates contained herein will be realized. The Financial Advisor is a financial advisory and consulting organization, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

UNDERWRITING

The Tax-Exempt Bonds are being purchased from the City by Citigroup Global Markets Inc., New York, New York, as representative of the underwriters for the Tax-Exempt Bonds, as shown on the front cover page hereof (the "Tax-Exempt Underwriters") at a price of \$98,547,140.08, consisting of \$90,380,000.00 par amount of Tax-Exempt Bonds, plus a net original issue premium in the amount of \$8,571,718.90, and less an underwriters' discount in the amount of \$404,578.82. The Tax-Exempt Underwriters are obligated to purchase all of the Tax-Exempt Bonds if any Tax-Exempt Bonds are purchased.

The Taxable Bonds are being purchased from the City by RBC Capital Markets, LLC, Florham Park, New Jersey (the "Taxable Underwriter" and together with the Tax-Exempt Underwriters, the "Underwriters") at a price of \$2,607,790.80, consisting of \$2,620,000.00 par amount of Taxable Bonds and less an underwriter's discount in the amount of \$12,209.20. The Taxable Underwriter is obligated to purchase all of the Taxable Bonds if any Taxable Bonds are purchased.

The Underwriters intend to offer the Bonds to the public initially at the offering yields and prices 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 Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at yields higher than or prices lower than the public offering yields or prices, respectively, set forth on the inside front cover page, and such public offering yields or prices may be changed, from time to time, by the Underwriters without prior notice.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the “Rule”), and provided that the Bonds are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the City shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof:

(a) On or prior to 270 days from the end of each fiscal year, beginning December 31, 2011, electronically to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the City consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the City and the City’s most recently adopted budget. The audited financial statements will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by State law;

(b) if any of the following material events occur regarding the Bonds, a timely notice, not in excess of ten (10) business days after the occurrence of the event, sent to EMMA:

- (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 rights of security holders, if material;
- (8) Bond calls, if material, and 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;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or Federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(c) If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided hereunder and in the continuing disclosure certificate to be executed by the City simultaneously with the issuance of the Bonds (the "Disclosure Certificate"), insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

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

(e) In the event that the City fails to comply with the Rule requirements or the written contracts or undertakings specified herein and in the Disclosure Certificate, the City shall not be liable for monetary damages, remedy being hereby specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

The City previously failed to timely file its annual financial information for the year ended December 31, 2008 as outlined in existing continuing disclosure agreements. However, on February 11, 2010, the City filed such financial information. The City previously failed to timely file its annual financial information for the year ended December 31, 2011 as outlined in existing continuing disclosure agreements. However, on October 24, 2012, the City filed such financial information. As of the date of this Official Statement, the City has made all appropriate filings and is in compliance with the Rule with respect to its prior undertakings. The City is in the process of undertaking the necessary steps to ensure future compliance with the Rule. Specifically, the City is exploring hiring a "dissemination agent" to assist the City in complying with all of the requirements of the Rule.

FINANCIAL STATEMENTS

Appendix "B" contains audited financial data of the City prepared by Ford-Scott & Associates (the "Auditor") for the City's fiscal year ending December 31, 2011. The audited financial data was

provided by the Auditor to the extent and for the period set forth in the Auditor's report appearing in Appendix "B", and is included herein in reliance upon the authority of such firm. The Auditor has consented to the inclusion of its report in this Official Statement.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Michael P. Stinson, CPA, Director of Revenue and Finance at (609) 347-5800 or the Financial Advisor at (609) 291-0130.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

At the time of the original delivery of the Bonds, the City will deliver a certificate of one of its authorized officials to the effect that he/she has examined this Official Statement (including the Appendices) and the financial and other data concerning the City contained herein and that, to the best of his/her knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of the Official Statement and the date of delivery of the Bonds, there has been no material adverse change in the affairs (financial or other), financial condition of results or operations of the City except as set forth in or contemplated by this Official Statement.

MISCELLANEOUS

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

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

/s/ Michael P. Stinson, CPA

Michael P. Stinson, CPA
Director of Revenue and Finance

Dated: December 5, 2012

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APPENDIX A

**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION CONCERNING
THE CITY OF ATLANTIC CITY, IN THE COUNTY OF ATLANTIC,
NEW JERSEY**

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GENERAL INFORMATION CONCERNING THE CITY OF ATLANTIC CITY

General

Atlantic City (the “City”) covers an area of approximately 12 square miles and borders the Atlantic Ocean in the County of Atlantic (the “County”), located in southern New Jersey. It lies about 65 miles southeast of Philadelphia and 125 miles south of New York City. The location and climate of the City have traditionally enabled it to maintain itself as a recreational and resort center. In addition, casino gaming (which is discussed in further detail under the heading “LEGALIZED CASINO GAMING”) has, for more than 25 years, provided spectacular growth and another attraction to go along with the existing beaches, boardwalk and ocean.

City municipal offices are located in an office building of adequate size in center-city. The building was constructed in 1969 by the Atlantic County Improvement Authority, which leased the building to the City under a lease-purchase agreement until September 9, 1997. On such date, the lease was terminated and the building was deeded to the City.

City Organization

The City was governed by a Commission-type government until June 30, 1982. Prior to that date, a comprehensive study of the City’s functions and government prompted the voters to opt for a change to the Mayor-Council form of government with an appointed Business Administrator, which began on July 1, 1982, when the Mayor and nine Council members took office. Three of the Council members are elected at-large for four-year terms. The remaining six members are elected from wards. On November 7, 2000, the voters of the City approved a further change in the City’s form of government, from a non-partisan to a partisan form of government. Under the partisan form of government, elections are held in November rather than May and elected terms begin on January 1st rather than July 1st.

Under the Mayor-Council form of government, the Business Administrator is appointed by the Mayor with the advice and consent of the Council and supervises all City departments as well as assists the Mayor in the preparation of the annual operating and capital budgets.

The City Council adopted an Administrative Code, by ordinance, which established the following departments:

- Administration
- Revenue and Finance
- Planning and Development
- Public Works
- Public Safety
- Health and Human Services
- License and Inspection
- Human Resources

Employees

As of August 1, 2012, the City had a total of 1,274 full-time employees.

Population

The population trends of the City are as follows:

<u>Year</u>	<u>Population</u>
1960	66,198
1970	47,859
1980	40,199
1990	37,986
2000	40,517
2010	39,558

Source - Federal Bureau of Census

Employment and Unemployment Comparisons

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>City</u>				
2011	16,910	14,003	2,907	17.2%
2010	16,920	14,165	2,755	16.3
2009	16,980	14,489	2,491	14.7
2008	16,669	15,144	1,555	9.3
2007	16,884	15,395	1,489	8.8
<u>County</u>				
2011	135,813	118,346	17,467	12.9
2010	137,168	119,715	17,453	12.7
2009	136,912	120,774	16,138	11.8
2008	135,930	126,424	9,506	7.0
2007	135,555	127,559	7,996	5.9
<u>State</u>				
2011	6,914,800	4,556,200	4,131,800	9.3%
2010	6,859,900	4,554,100	4,116,600	9.6
2009	6,766,200	4,546,400	4,138,400	9.0
2008	6,722,100	4,509,100	4,262,300	5.5
2007	6,686,100	4,456,300	4,264,600	4.3

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics.

Pension Information

Those municipal employees who are eligible for pension coverage are enrolled in the State of New Jersey Pension System. Three pension systems have been established by act of the State Legislature. Benefits, contributions, means of funding, and the manner of administration are determined by State legislation.

The three administered pension funds are: the Consolidated Police and Firemen's Pension Fund (N.J.S.A. 43:16A), the Police and Firemen's Retirement System (N.J.S.A. 43:16A), and the Public Employees' Retirement System (N.J.S.A. 43:15A). The Division of Pensions (the "Division") within the Treasury Department of the State of New Jersey is the administrator of the funds. This Division annually charges municipalities and other governmental units for their respective contributions. The City is current in its pension liabilities to these funds except for those for which the City elected to defer 50% of payments due for 2009 to 2012, as indicated in the table below.

Lifeguards are required to enroll in a separated pension established under N.J.S.A. 43:13-23. The lifeguards contribute 4% of their salary to their pension and the City is required to budget the projected annual participants' distribution. The plan is administered by a commission appointed by the Mayor.

The following table sets forth the City's annual pension payments and contributions to the Social Security System for the past five fiscal years. In 2012, the City refunded its early retirement incentive obligation through the issue of Pension Refunding Bonds.

ANNUAL PAYMENT/CONTRIBUTIONS^{1,2}

	2011	2010	2009	2008	2007
Public Employees' Retirement System	\$3,708,679	\$2,863,797	\$1,309,958	\$1,839,167	\$1,032,629
Social Security	3,299,073	3,491,285	3,510,278	3,395,917	3,157,138
Consolidated Police & Fireman's Pension Fund	466	669	998	937	1,996
Police & Firemen's Retirement System	16,213,750	12,234,755	5,780,837	10,821,796	8,004,077
Pension Increase Account					
Consolidated Police & Fire	121,742	113,606	123,310	197,758	236,019
Beach Patrol	785,289	744,059	708,438	714,195	698,039
Defined Contribution Retirement	20,871	13,893	10,166	8,954	-
PERS - Early Retirement	790,431	790,431	790,431	790,431	678,237
	<u><u>\$24,940,301</u></u>	<u><u>\$20,252,495</u></u>	<u><u>\$12,234,416</u></u>	<u><u>\$17,769,155</u></u>	<u><u>\$13,808,135</u></u>

Labor Contracts

Under the laws of the State of New Jersey (the "State" or "New Jersey"), municipal employees have certain organizational and representational rights, which include the right to organize, to negotiate collectively through representatives of their choosing and to engage in lawful concerted activities for negotiating. State law prohibits strikes by public employees and there have been no strikes by municipal employees in the City since employees were granted the right to negotiate collectively.

As of December 31, 2011, the City's employees are organized into eight collective bargaining units, as described below:

¹ The City elected to defer 50% of the PERS and PFRS payments due for 2009 to 2012.

² As of December of each year, unless otherwise indicated.

Bargaining Unit	Job Category	Membership	Expiration Date	Number of Members
PBA	Uniform Police	Police	12/31/2012	312
Superior Officer's Assoc	Captains	Police	12/31/2012	8
IAFF	Uniform Firefighters	Firefighters	12/31/2011 *	231
AFL-CIO #2303	Blue Collar	Pub Works & Maint.	12/31/2009 **	165
AFL-CIO #2303C	Beach Patrol	Lifeguards	12/31/2012	132
GWU#910	Supervisors	Supervisors	12/31/2011 **	120
ACWCPA	White Collar	All Others	12/31/2010 **	394
IBEW #351	Const. Inspectors	Const. Inspectors	12/31/2011 **	<u>15</u>
Total:				1,377

* Tentative arbitration award for 2012 to 2014.

** Under negotiation

School District

The Atlantic City School District (the “School District”) is coterminous with the boundaries of the City. The Board of Education of the City of Atlantic City (the “Board”) is comprised of ten members with nine of the members being citizens of the City serving three-year staggered terms and one who is appointed from the sending districts of Brigantine, Margate and Ventnor and participates on issues affecting the high school. The Superintendent, appointed by and responsible to the Board, is the executive in charge of the instruction program and personnel. The School Business Administrator/Board Secretary, also appointed by and responsible to the Board, is the chief fiscal officer and is additionally responsible for operation of the physical plant.

The School District is a Type II school district and provides a full range of educational services appropriate to pre-kindergarten through grade twelve (12), including regular and special education programs. The School District has send-receive agreements with the Brigantine City School District, Ventnor City School District, Margate City School District, and Longport Borough School District, allowing each of these school districts to send their ninth through twelfth grade students to the Atlantic City High School on a tuition basis. These agreements can only be severed by the New Jersey Commissioner of Education.

School District Staff

The Superintendent of Schools is the Chief Administrative Officer of the School District. The School Business Administrator/Board Secretary oversees the business functions and reports through the Superintendent to the Board. As of June 30, 2012, the Board employed approximately 1,141 employees, of which 814 are teachers, 272 are education support and 55 are administrators.

School District Enrollment

The School District consists of eight (8) elementary schools accommodating grades K-8, and two (2) schools accommodating only pre-kindergarten students. Atlantic City High School is the City’s only high school and students also attend the Atlantic County Vocational-Technical School. The City’s total school enrollment is presented in the following table.

<u>Fiscal Year</u>	<u>Total School District Enrollment</u>
2011-2012	6,497
2010-2011	6,484
2009-2010	6,529
2008-2009	6,231
2007-2008	6,281
2006-2007	6,632
2005-2006	6,893

School District Labor Relations

The Board currently has a contract with the Atlantic City Administrators Association which represents 41 district administrators. The School District's teachers are represented by the Atlantic City Education Association. Both contracts expire June 30, 2013.

Utilities

Electricity is provided by the Atlantic City Electric Company and gas by South Jersey Gas Co., a subsidiary of South Jersey Industries, Inc.

Sewerage facilities are provided by the Atlantic City Sewerage Company, a privately-held concern which, in turn, is a participant in the Atlantic County Utilities Authority, a public body created by resolution of the Atlantic County Board of Chosen Freeholders for the purpose of relieving waters in the Atlantic County Coastal Region from pollution or threatened pollution and for the improvement of conditions affecting public health. The Atlantic County Utilities Authority completed the construction of a wastewater treatment system for the Atlantic County Coastal Region and began operations on October 19, 1978. The Atlantic City Sewerage Company pays to the Atlantic County Utilities Authority annual service charges based on its percentage participation in the system.

The Atlantic City Municipal Utilities Authority ("ACMUA"), established by the City government, acquired the City Water Utility in 1980 and has assumed its operation. The ACMUA is solely responsible for operating, maintaining, managing, and improving the water system in the City. The ACMUA has the ability to deliver 21,000,000 treated gallons of water per day (gpd). The peak single day requirement in 2011 was 16,284,200 gpd and in 2010, 17,240,000 gpd.

Transportation

The City is accessible by land via the Garden State Parkway, a major north-south artery which is adjacent to the City and provides access to New York City, and the Atlantic City Expressway, which leads directly to Philadelphia. The Garden State Parkway going south connects with the Cape May-Lewes ferry service, which provides a convenient, modern method of crossing the Delaware Bay to points south. The South Jersey Transportation Authority constructed a \$330 million tunnel and roadway that links the Atlantic City Expressway with the Marina District.

Atlantic City International Airport (approximately fifteen miles distant) provides both commuter and regular air travel to major eastern cities and beyond.

City Capital Improvement Program

The Capital Improvement Program for the next six years will average \$5,000,000 per year which will be financed through a combination of short and long-term debt, the City's capital improvement fund,

and grants. This program does not include any special one-time improvements but is designed to provide adequate funds for normal capital expenditures.

State Tourism District

In July of 2010, Governor Christie announced plans for the improvement of the City's entertainment and gaming districts. Under the plan and based upon a February 2010 State commission review, the State would oversee the creation of a tourism district in the City. The Governor's plan will also increase marketing efforts of the City's entertainment, meeting and convention businesses as well as improve transportation options to the City. A master plan for the tourism district, which includes gaming and non-gaming attractions, was finalized on February 1, 2012. Under a resolution adopted by the Casino Reinvestment Development Authority ("CRDA") in April of 2011, CRDA was designated to oversee the district which includes the Boardwalk, The Walk outlet stores, and the City's Marina District. CRDA will also be authorized, among other things, to facilitate development by assuming planning, zoning, and other land use functions.

Local Government Supervision Act

The Director of the Local Finance Board (the "Director") initiated an action in New Jersey Superior Court, Law Division—Atlantic County, with the consent and support of the City, seeking a judicial determination, pursuant to N.J.S.A. 52:27BB-55(6). The Director sought the approval of the court to require the City to be supervised by the Local Finance Board and the Director, pursuant to the provisions of Article IV of the "Local Government Supervision Act (1947)," N.J.S.A. 52:27BB-1 *et seq.* (the "Local Government Supervision Act"). The basic allegation made by the Director was that the City was unable to fund an operating deficit in its 2010 budget, thus jeopardizing the City's fiscal integrity.

On October 12, 2010, the court agreed with the Director's allegations about the City's finances and ordered that certain provisions of Article IV of the Local Government Supervision Act take effect. Specifically, the Director was authorized to seek a resolution from the Local Finance Board to place the City under the supervision of the Local Finance Board and the Director, pursuant to requirements of N.J.S.A. 52:27BB-56.

Accordingly, the Local Finance Board, on October 13, 2010, adopted a resolution as to the application to the City of Article 4 of the Local Government Supervision Act. Pursuant to the Local Government Supervision Act, the Commissioner of the New Jersey Department of Community Affairs, the State Treasurer and the Attorney General approved the resolution. Pursuant to such resolution, the Local Finance Board determined that various provisions of the Local Government Supervision Act shall be placed in effect in the City, including N.J.S.A. 52:27BB-55(6) (Compliance with requirements of law), N.J.S.A. 52:27BB-87 (Preparation of budgets), N.J.S.A. 52:27BB-89 (General duties of board), and N.J.S.A. 52:27BB-90 (Delegation of powers to director). To remain effective, the resolution must be renewed each year by the Local Finance Board and approved by two of the cabinet officers. On September 14, 2011, the Local Finance Board adopted, and the Commissioner of the New Jersey Department of Community Affairs and the Attorney General approved, a resolution to continue application of Article 4 of the Local Government Supervision Act through December 31, 2012.

In accordance with the resolution adopted on October 13, 2010, the Local Finance Board prepared a "Memorandum of Understanding" (the "Original MOU"), outlining the specific areas over which the Director will have direct supervision relating to the operations and finances of the City. On December 8, 2010, the City adopted a resolution acknowledging the contents of the Original MOU. Certain provisions of the Original MOU have since been removed or made less restrictive under the most recently approved "Memorandum of Understanding" (the "Revised MOU"). Some of the major provisions of the Revised MOU are as follows:

1. Certain requests for new employment positions must first be approved by the Director;

2. The imposition of salary restraints on all elected officials and non-contractual employees;
3. The hiring for the provision of legal services must first be approved by the Director;
4. Contracts and services pertaining to tax appeals, revaluation, or reassessments must be approved by the Director;
5. The City is not permitted to create any new services or expand existing services without seeking approval of the Director;
6. The City is not permitted to expend funds on any out-of-state travel or overnight stays in New Jersey without first obtaining the approval of the Director;
7. The City's Pay-to-Play Ordinance may not be modified without the approval of the Director;
8. The City is required to clearly communicate fiscal stress to unions and arbitrators and provide copies of such communications to the Director; and
9. The City is required to meet quarterly, or more often as requested by the Division, with the Director and staff to discuss budget and fiscal progress.

The provisions of the Revised MOU are subject to annual renewal by the City and the Local Finance Board. The Original MOU was renewed by both the State and the City for the year ending December 31, 2011. The Revised MOU was adopted by both the State and City for the year ending December 31, 2012 and will remain in effect until December 31, 2012 unless it is renewed for another year.

As a condition of the September 12, 2012 resolution issued by the Local Finance Board authorizing the issuance of the Bonds, the Local Finance Board required the City to remain under its supervision for calendar year 2013. Thus, the City and the Local Finance Board will enter into a new Memorandum of Understanding (the "2013 MOU") governing the direct supervision of the operations and finances of the City for calendar year 2013. Currently, the City and the Local Finance Board are discussing the provisions of the proposed 2013 MOU and it is anticipated that the 2013 MOU will be executed by both parties prior to December 31, 2012 and will remain in effect until December 31, 2013 unless the Local Finance Board agrees to terminate the 2013 MOU prior to such date. The City does not make any representations, statements or predictions regarding the continued supervision of the City's operations and finances by the Local Finance Board after December 31, 2013.

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LEGALIZED CASINO GAMING

Background

On November 2, 1976, in a State constitutional referendum, the electorate approved legalized casino gambling exclusively in the City. The enabling legislation, the Casino Control Act, P.L. 1977, Ch. 110, was signed on June 2, 1977. It created a State regulatory agency known as the Casino Control Commission and outlined procedures, eligibility, restrictions and limitations on gambling; defined types of hotels eligible for licenses; specified the annual license fees to be used to pay all commission and related administrative costs; and established a State tax on casino gambling to be utilized to reduce utility costs for senior citizens and the disabled in the State.

The creation of the City's casino gaming industry has profoundly affected the social and economic fabric of the entire region of the County and even has had implications for the financial climate of the State. To date, the industry has invested in excess of \$10.0 billion in casino hotel construction with further investments planned. This figure does not reflect capital investment from sources outside the casino industry, including the public sector.

Casino Development

Casino licenses are issued to approved hotels which meet a variety of requirements, the most significant of which is a minimum of 500 rooms containing at least 325 square feet each for the accommodation of overnight guests. The following is a list of casino hotels whose construction is completed and which are currently in operation.

	<u>Date Opened</u>	<u>Guest Rooms</u>
Resorts Casino Hotel	May 1978	942
Caesars Atlantic City Hotel Casino	June 1979	1,141
Bally's Park Place Casino Hotel & Tower	December 1979	1,749
Harrah's Marina Hotel Casino	November 1980	2,590
Atlantic Club Hotel Casino	December 1980	809
Tropicana Casino & Entertainment Resort	November 1981	2,078
Trump Plaza Casino Hotel	May 1984	906
Golden Nugget Hotel & Casino	June 1985	727
Showboat	March 1987	1,331
Trump Taj Mahal Casino Resort	April 1990	2,010
Borgata	July 2003	2,767
Revel Hotel-Casino	April 2012	1,399
Total:		<u>18,449</u>

Source: Casino Control Commission 3rd Quarter ended June 30, 2012

Current Developments

The new Revel Hotel-Casino, which includes a 47-story tower with 1,399 hotel rooms and 150,000 square feet of gaming space, opened on April 2, 2012.

Hard Rock International received approval from the Casino Control Commission for the construction of a new casino-hotel and rock n' roll museum on the Boardwalk. Construction was expected to begin in 2013 but the project has recently been canceled.

Casino Employment

<u>Year</u>	<u>Total Employees³</u>
2011	32,823
2010	34,145
2009	36,377
2008	38,585
2007	40,788
2006	42,545
2005	44,542
2004	45,501
2003	46,159
2002	44,820

Source – New Jersey Casino Control Commission

State Gaming Tax

The State receives as revenue a tax on gross receipts of the City's gaming operations, which is used primarily to reduce utility costs for senior citizens and the disabled in the State. These taxes have been fixed at 8.0% gross casino revenues and are presented in the following table:

<u>Year</u>	<u>Total Gross Casino Revenues</u>	<u>Taxes Paid to the State of New Jersey⁴</u>
2011	\$2,951,616,640	\$236,129,331
2010	3,261,745,265	260,939,621
2009	3,691,358,658	295,309,000
2008	4,503,128,873	360,250,310
2007	4,921,337,023	393,706,962
2006	5,219,199,165	417,527,920
2005	5,018,276,523	401,461,736
2004	4,806,799,000	384,579,000
2003	4,488,335,000	358,459,000
2002	4,381,579,000	348,730,966

Source – State of New Jersey Casino Control Commission

Casino Investment Alternative Tax

Each licensed casino hotel is required to either pay 2.5% of its gross revenues as a tax or to invest 1.25% of its annual gross revenues in CRDA projects. CRDA was created pursuant to Chapter 218 of P.L. 1984, effective December 19, 1984 (the "Act"). The statute provides that investments may take the form of: 1) taxable or tax-free bonds issued to the casino licensees at a discounted rate; 2) direct investment in projects approved by CRDA; or 3) CRDA approved donations. It has been estimated by CRDA that casino reinvestment obligations will generate up to nearly \$2 billion over a 50-year period, with approximately \$660 million for City projects.

CRDA was established in 1984 pursuant to the Act as a public body corporate and politic,

³ As of December of each year, unless otherwise indicated.

⁴ Revenue derived from 8% State tax on gross gaming revenue, which goes directly to the New Jersey Treasury. The fund supports programs for senior citizens and handicapped persons in the form of property tax and utility bill relief.

constituting an instrumentality of the State. CRDA is governed by a board of seventeen (17) members. Six (6) members are appointed by the Governor with the advice and consent of the State Senate. Two (2) members appointed by the Governor are Casino industry representatives. Two (2) members are appointed by the Governor upon recommendation of the President of the State Senate. Two (2) members are appointed by the Governor upon recommendation of the Speaker of the General Assembly. One (1) member is also a member of the Casino Control Commission appointed by the Governor. One (1) member shall be either Commissioner of the Department of Commerce and Economic Development or the Commissioner of the Department of Community Affairs or an additional member of the Casino Control Commission, as appointed by the Governor. The Mayor of the City, the State Treasurer and the State Attorney General are also members of the board. The following chart shows the statutory distribution of reinvestment tax moneys throughout the State over the 50-year period during which a given licensee has a reinvestment obligation.

<u>Years</u>	<u>Atlantic City</u>	<u>North Jersey</u>	<u>South Jersey</u>
1-3	100%	0%	0%
4-5	90%	2%	8%
6-10	80%	8%	12%
11-15	50%	22%	28%
16-20	30%	27%	43%
21-25	20%	35%	45%
26-30	65%	35%	0%
31-35	25%	50%	25%
36-50	0	50%	50%

During the first three years of CRDA's operation, all obligation moneys were allocated to the City for housing projects. Thereafter, 50% of the City obligations may go to non-housing projects.

Parking Fee Revenue

Pursuant to the Parking Fee Statute, P.L. 1993 c159, as amended, on July 1, 2003, the State increased the minimum casino hotel parking charge from \$2.00 to \$3.00, and directed \$1.50 of the fee to be deposited in the Casino Revenue Fund in State fiscal years 2004 through 2006. Beginning in State fiscal year 2007 and thereafter, the State directed \$0.50 of the fee to be deposited into the Casino Revenue Fund, and \$1.00 to be transferred to CRDA for its purposes pursuant to law, and for use by CRDA to bond for \$30 million for deposit into the Casino Capital Construction Fund. The historic Parking Fee collections are as follows:

<u>Year</u>	<u>Total Annual Revenue</u>	<u>Percentage Change from Prior Year</u>
2011*	\$28,427,000	(4.89)%
2010	29,888,874	(5.05)
2009	31,477,113	(8.49)
2008	34,398,033	(4.08)
2007	35,860,098	(3.31)
2006	37,087,204	5.68
2005	35,092,845	(3.15)
2004	36,233,088	75.01
2003	20,703,015	30.22
2002	15,898,009	n/a

* Rounded

Source – State of New Jersey Casino Control Commission

Other Taxes and Fees

<u>Year</u>	<u>Luxury Tax⁵</u>	<u>Promo Tax⁶</u>	<u>Tax on Complimentaries⁷</u>	<u>Hotel Room Fee⁸</u>	<u>Adjusted Net Income Tax⁹</u>	<u>Tax on Progressive Slots¹⁰</u>
2011	\$22,415,479a	\$7,196,802a	n/a	\$6,938,037b	n/a	\$1,890,233a
2010	28,478,537	7,486,410	n/a	15,381,693	n/a	3,325,855
2009	26,374,435	10,697,314	3,023,567	15,445,731	n/a	3,487,117
2008	27,608,318	10,460,486	9,429,155	15,170,718	n/a	4,145,291
2007	27,979,920	10,257,478	15,415,314	14,540,982	n/a	4,346,368
2006	27,281,597	10,368,106	22,395,987	14,968,908	9,736,768	5,414,570
2005	26,247,227	10,556,223	27,144,933	14,855,577	21,756,363	6,120,959
2004	21,322,350	9,899,941	26,333,650	14,228,871	25,363,068	5,836,420
2003	18,188,693	9,352,656	13,257,394	7,036,316	10,878,002	3,028,095
2002	18,882,857	8,576,594	n/a	n/a	n/a	n/a

Source – State of New Jersey Casino Control Commission
a: 8 months; b: 6 months

Non-Casino Development

CRDA Projects:

CRDA has constructed a mixed-use parking structure consisting of 1,200 parking spaces and five floors on property owned by CRDA at the corner of Fairmount and Mississippi Avenues in the City. The project houses structured parking and 16,000 square feet of ground floor retail space. The structured parking component will serve the needs of area merchants and businesses primarily located in the Ducktown neighborhood and the Walk retail project. Atlantic City Convention Center and Boardwalk visitors also have access to the garage.

Adjacent to the mixed use parking structure is “The Walk III”, which fronts Columbus Boulevard. The development consists of retail, dining and entertainment venues.

CRDA is spearheading the implementation of the South Inlet Transportation Improvement Plan. Benefits of the plan already in progress include expansion of Connecticut Avenue, improvements to arterial roadway access and updated utility services. The completion of the expansion, improvements and updates are expected to draw additional investment for economic development and housing projects in the South Inlet.

CRDA is funding a Boardwalk Revitalization Project which has four phases and includes building façade improvements, facility improvements and numerous renovations.

⁵ Luxury Tax rates are 3% on sales of alcoholic beverages and 9% on other taxable items (i.e., beach chairs (not complimentary)).

⁶ Promotional "Promo" Tax is a \$2 fee per day for each occupied room in casino hotels and \$1 per day for each occupied room in other lodging places.

⁷ Tax on Casino Complimentaries became effective on July 1, 2003. Tax raises a fixed \$26 million for state fiscal years 2004 through 2006, \$19.5 million for 2007, \$13 million for 2008 and \$6.5 million for 2009. The tax is no longer assessed.

⁸ Hotel Room Fee became effective on July 1, 2003. Fee is \$3 per day for each occupied room in casino hotels.

⁹ Adjusted Net Income Tax became effective on July 1, 2003. Tax is based on net income plus management fees for calendar year 2002 (7/03 - 6/04 for Borgata). The tax is no longer assessed.

¹⁰ Tax on Multi-Casino Progressive Slot Machine Revenue became effective on July 1, 2003. Tax is paid by slot machine system operators (not casinos) based on 8% of revenues from operating progressive slot machine systems in the City.

Other:

There is a planned housing development on the former Garwood Mills Site. The project is expected to include 300 low-rise housing units.

The sale and development of Bader Field, which is owned by the City, is currently zoned for casino development. The City is working to determine the highest and best use of the property.

Special Improvement District:

In 1992, the City approved by ordinance the creation of a Special Improvement District (“SID”), a program in which proceeds from a special tax on businesses within a specific geographic area are directed toward targeted improvement projects within that area. Employing a community-based approach, the SID is designed to improve the City’s Central Business District by encouraging self-help and self-financing programs and enhancing the commercial viability and attractiveness of the area. The success of the program has resulted in multiple expansions of the district. The SID was dissolved in 2011 and made part of the newly established Tourism District.

Commercial:

The Convention Center consists of approximately 500,000 square feet of contiguous exhibit space, approximately 109,000 square feet of meeting space, and approximately 648,000 square feet of garage space. The convention facility ties in with the rail terminal and with a 500-room hotel. The Convention Center is equipped to accommodate 92% of the world’s largest trade shows.

The facility generally hosts many large convention and trade shows throughout the year. Among the largest are the New Jersey Education Association Annual Exhibition which brings approximately 45,000 attendees to the City, the New Jersey State League of Municipalities which has approximately 20,000 attendees, the Atlantic City Boat Show with approximately 36,000 attendees and the Atlantic City Classic Car Show which generally attracts approximately 30,000 attendees.

The original Convention Hall, located on the boardwalk in mid-city, will continue to be used as a special events and sports facility. A \$90 million renovation of the facility was completed in 2001 with funding from CRDA. The renovated hall includes an ice rink for minor league hockey with a seating capacity for 13,000 and provides a venue for such events as concerts and professional boxing events. The Boardwalk Hall, as it is now known, was declared by Billboard Magazine in 2009 as the highest grossing mid-size venue of the decade.

Historic Gardner’s Basin is the site of Ocean Life Center, the Jersey Shore’s premier marine education attraction. The \$4 million, 14,000 square foot project opened in 1999. This unique attraction combines wet exhibits, touch tanks, giant aquariums filled with species indigenous to coastal New Jersey, interactive computers and dynamic field study programs, to give visitors young and old new opportunities to explore the marine environment.

City Valuation

<u>Year Ended December 31</u>	<u>Net Assessed Valuations</u>	<u>Estimated Full Cash Valuations</u>	<u>Percentage of Net Assessed to Estimated Full Cash Valuation</u>
2012	\$18,078,249,000	\$15,016,404,186	120.39%
2011	19,457,830,928	15,448,890,426	125.95
2010	20,480,854,452	20,143,170,351	101.68
2009	20,320,995,673	21,058,026,604	96.50
2008	20,503,172,174 **	22,363,843,994	91.68

** Revaluation

Source: Audited Financial Statements of the City

Tax Rates

<u>Year</u>	<u>Net Assessed Valuation</u>	<u>School District</u>	<u>City</u>	<u>Atlantic County</u>	<u>Total</u>
2012	\$18,078,249,000	\$0.742	\$1.130	\$0.292	\$2.164
2011	19,457,830,928	0.670	1.016	0.241	1.927
2010	20,480,854,452	0.584	0.928	0.258	1.770
2009	20,320,995,673	0.547	0.925	0.241	1.713
2008	20,503,172,174 **	0.524	0.882	0.260	1.666

** Revaluation

Source: Audited Financial Statements of the City

Tax Levies and Collections

<u>Year Ended December 31</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>% of Tax Levy Collected</u>
2011	\$373,123,879 (1)	\$368,505,597	98.76%
2010	361,447,771 (2)	358,890,658	99.29
2009	334,622,560 (3)	334,037,385	99.83
2008	325,745,620 (4)	324,061,583	99.48
2007	302,877,153 (5)	302,577,800	99.90
2006	300,595,635	298,250,259	99.22

(1) Reduced by \$4,040,227 in tax appeals; (2) Reduced by \$5,300,737 in tax appeals;

(3) Reduced by \$5,590,278 in tax appeals; (4) Reduced by \$6,502,404 in tax appeals;

(5) Reduced by \$7,472,340 in tax appeals.

Source: Audited Financial Statements of the City

Tax Title Liens

Year	Balance January 1	Increased	Collected	Foreclosed or Other	Balance December 31
2011	\$4,051,806	\$4,793,179	\$352,126	\$712,663	\$7,780,196
2010	2,526,601	2,095,724	431,944	-	4,190,381
2009	2,324,837	539,117	113,390	223,963	2,526,601
2008	2,198,833	321,554	137,585	57,965	2,324,837
2007	2,367,567	153,965	291,822	30,877	2,198,833
2006	2,517,517	320,757	470,707	-	2,367,567

Source: Audited Financial Statements of the City

Foreclosed Property

Year	Balance January 1	Increased	Sold or Canceled	Balance December 31
2011	\$21,622,800	\$2,782,200	\$752,600	\$23,652,400
2010	21,999,500	485,300	862,000	21,622,800
2009	21,729,500	555,900	285,900	21,999,500
2008	22,098,500	-	369,000	21,729,500
2007	22,098,500	-	-	22,098,500
2006	22,030,500	428,000	360,000	22,098,500

Source: Audited Financial Statements of the City

Twenty-five Highest Property Assessments

<u>Name of Taxpayer</u>	<u>Property Assessed</u>	<u>2012 Assessed Valuation</u>	
1. Marina District Development Corp	Borgata Casino/Hotel	\$2,262,391,300	*
2. Trump Taj Mahal Assoc	Trump Taj Mahal Casino/Hotel	1,625,504,800	
3. Bally Park Place, Inc.	Ballys Park Place Casino/Hotel	1,492,289,800	
4. Revel Atlantic City LLC	Revel Casino/Hotel	1,470,000,000	*
5. Marina Associates	Harrah's Casino/Hotel	1,469,980,700	
6. Adamar of New Jersey	Trop World Casino/Hotel	1,258,906,600	*^
7. Boardwalk Regency	Caesars Casino/Hotel	1,048,906,000	
8. Trump Plaza Corp	Trump Plaza Casino/Hotel	723,084,000	
9. Mirage A C Corp	Land Holdings	677,858,100	*
10. Trump Castle Assoc	Trump Marina Casino/Hotel	653,447,400	
11. Showboat Land, LLC	Showboat Casino/Hotel	625,000,000	*
12. GNOC Corp	Hilton Casino/Hotel	300,000,000	
13. Ocean Club Condominiums	Condominiums	244,093,200	
14. Resorts International Inc	Resorts Casino/Hotel	165,000,000	
15. Fairfield Resorts	Time Share Condominiums	127,702,300	
16. Boardwalk Regency Corp	The Pier @ Caesars	115,000,000	
17. Flagship Resorts	Time Share Condominiums	114,960,600	
18. CRDA (Atlantic City Associates)	The Walk Retail Outlets	111,511,900	
19. Berkley Condominium Assoc	Condominiums	92,476,300	
20. Atlantic Palace Condominium Assoc	Condominiums/Timeshare	74,660,500	
21. Pinnacle Entertainment	Former Sands Casino/Hotel Site	70,000,000	
22. Enclave Condominium Assoc	Condominiums	67,118,900	
23. Bella Development Group LLC	Condominiums	61,440,600	
24. CRDA	Sheraton Hotel	31,000,000	
25. Boardwalk Florida Enterprises	Former Trump Worlds Fair Site	30,717,200	*

* Tax court pending (See "Litigation" herein)

^ Settlement Pending (See "Litigation" herein)

The twelve (12) casinos operating in 2012 constitute approximately seventy percent (70%) of the total assessed valuation of real estate in the City in 2012.

Source: City Tax Assessor

STATEMENT OF BONDED INDEBTEDNESS¹¹
December 31, 2011

Issued and Outstanding:

Serial Bonds:	\$98,249,000
Tax Appeal Bonds:	42,370,000
Bond Anticipation Notes:	0
Miscellaneous Bonds, Notes & Loans Issued:	23,678,156
School Bonds (2):	120,366,000
Authorized But Not Issued:	<u>542</u>
Total Issued and Outstanding:	\$284,663,698

Less Applicable Deductions:

Reserve to Pay Municipal Debt:	519,970
Bonds Authorized by Another Public Body and Guaranteed:	23,678,156
School Bonds (2):	<u>120,366,000</u>
Total Deductions	\$144,564,126

Net Bonded Indebtedness: **\$140,099,572**

Borrowing Capacity

Statutory Borrowing Power under Local Bond Law:

3.5% of Average (2009 - 2011) Equalized Valuation of Real Property and Second Class Railroad (\$17,930,493,733):	<u>\$627,567,281</u>
Net Debt:	140,099,572
Remaining Borrowing Power Available under N.J.S.A. 40A:2-6:	\$487,467,709
Net Debt Percentage:	0.78%

¹¹ Source: Annual Debt Statement and City Auditor.

Overlapping Debt Information (as of December 31, 2011)

<u>Name of Overlapping Entity</u>	<u>Amount of Overlapping Net Debt</u>	<u>Percent Chargeable to City (1)</u>	<u>Amount Chargeable to City</u>
County of Atlantic City of Atlantic City Board of Education (2)	\$131,518,545 \$120,366,000	31.24% 100.00%	\$41,086,393 \$120,366,000
Total Overlapping Debt			\$161,452,393
Total Direct General Debt			\$140,099,572
Total Direct & Overlapping Debt			\$301,551,965
City Equalized Value of Real Property			\$15,448,890,426
County Equalized Value of Real Property			\$49,447,840,475
City Percentage Share			31.24%

(1) Based on 2011 Equalization Table Issued by the Atlantic County Board of Taxation

(2) As of June 30, 2012

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED
DECEMBER 31, 2011**

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CITY OF ATLANTIC CITY

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

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CITY OF ATLANTIC CITY

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CITY OF ATLANTIC CITY

PART 1

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of City Council
City of Atlantic City, New Jersey

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of the City of Atlantic City, New Jersey, as of December 31, 2011, the related statements of operations and changes in fund balance - regulatory basis for the year then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2011. These financial statements are the responsibility of the City of Atlantic City's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements for the year ended December 31, 2010 were audited by other auditors whose report dated June 30, 2011 expressed an adverse opinion under accounting principles generally accepted in the United States of America and an unqualified opinion under the regulatory basis of accounting.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City of Atlantic City, New Jersey prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The presentation requirement does not include a Management Discussion and Analysis as required by the Governmental Accounting Standards Board to be presented as required Supplementary Information, but not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The effect on the financial statements of the variances between the prescribed basis of accounting and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph of this report, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Atlantic City as of December 31, 2011 or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position - regulatory basis of the various funds and account groups of the City of Atlantic City, New Jersey as of December 31, 2011 and the results of operations and changes in fund balance - regulatory basis of such funds for the year then ended and the statements of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2011 on a modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2012 on our consideration of the City of Atlantic City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the City of Atlantic City, New Jersey taken as a whole. The supplemental information, as listed in the table of contents, is presented for additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements. The supplemental information, as listed in the table of contents, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from the relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ford, Scott & Associates, L. L. C.
Ford, Scott & Associates, L.L.C.
Certified Public Accountants

Kenneth Moore
Kenneth Moore, CPA
Registered Municipal Accountant
No. 231

August 10, 2012

EXHIBIT A - CURRENT FUND

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Regular Fund:			
Cash - Treasurer	A-4	\$ 38,270,242	\$ 27,328,713
Amount Due from State of New Jersey			
Veterans and Senior Citizens		47,790	48,353
		<hr/>	<hr/>
		38,318,032	27,377,066
		<hr/>	<hr/>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	135,244	662,637
Tax Title Liens Receivable	A-7	7,780,196	4,051,806
Property Acquired for Taxes-Assessed Valuation	A-9	23,652,400	21,622,800
Demolition Assessments and Liens	A-8	1,295,559	1,247,056
Revenue Accounts Receivable	A-10	118,026	214,322
Due From:			
Animal Control Fund	B	262	6
Federal and State Grant Fund	A	254,856	1,131,678
		<hr/>	<hr/>
		33,236,543	28,930,305
		<hr/>	<hr/>
Deferred Charges:			
Deficit in Operations		5,352,088	7,136,117
		<hr/>	<hr/>
	A	5,352,088	7,136,117
		<hr/>	<hr/>
		76,906,663	63,443,488
		<hr/>	<hr/>

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

ASSETS	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Federal and State Grant Fund:			
Cash	A-4	\$ 48,447	\$ 36,701
Due from Trust Fund - Other	B	757	757
Grants Receivable	A-13	21,036,161	8,636,465
		<u>21,085,365</u>	<u>8,673,923</u>
		<u>\$ 97,992,028</u>	<u>\$ 72,117,411</u>

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-11	\$11,139,657	\$ 4,708,385
Reserve for Encumbrances	A-3	8,157,715	7,494,641
Accounts Payable		986,122	243,665
Inspection Surcharges - DCA		55,657	12,940
Marriage Licenses		9,450	7,534
Taxes Collected in Advance		651,362	783,321
Tax Overpayments		1,275,644	5,151,817
Payroll Deductions Payable		1,029,951	994,625
AC Endowment Fund		4,604,122	2,313,365
Due to:			
CDBG	A	505,840	2,825
County - Added Taxes		5,420	4,575
Other Trust Funds	B	5,626,398	6,453,552
Reserve for:			
Performance Bonds		503,067	476,135
Police Property Room		46,733	46,733
State Tax Appeals Pending		7,700,000	3,300,000
MAC		-	1,281,579
Preparation of Approved Tax Map		270,608	270,608
		<u>42,567,746</u>	<u>33,546,300</u>
Reserves for Receivables			
and Other Assets	A	33,236,543	28,930,305
Fund Balance	A-1	<u>1,102,374</u>	<u>966,883</u>
		<u>76,906,663</u>	<u>63,443,488</u>

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Federal and State Grant Fund:			
Encumbrances Payable	A-14	\$ 4,004,086	\$ 481,658
Due to Current	A	254,856	1,131,678
Reserve for Federal and State Grants			
- Appropriated	A-14	16,771,990	7,007,391
- Unappropriated		<u>54,433</u>	<u>53,196</u>
		<u>21,085,365</u>	<u>8,673,923</u>
		<u>\$97,992,028</u>	<u>\$ 72,117,411</u>

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$ 100,000	\$ -
Miscellaneous Revenue Anticipated	A-2	46,306,043	26,798,539
Receipts from Delinquent Taxes	A-2	381,616	437,251
Receipts from Current Taxes	A-2	368,505,597	358,890,658
Non Budget Revenue	A-2:A-4	2,398,545	2,605,305
Other Credits to Income:			
Tax Appeal Refunding Bonds		4,675,000	8,655,845
Reserve for State Tax Appeals		-	700,000
Grants Canceled		-	25,903
Reserve for Payroll Deduction - Canceled		149,186	-
Interfunds Returned		888,380	-
Unexpended Balance of Approp Reserves	A-11	1,550,554	2,273,871
Total Income		<u>424,954,921</u>	<u>400,387,372</u>
Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	98,548,073	101,835,674
Other Expenses	A-3	89,181,560	78,345,376
Deferred Charges and Regulatory			
Expenditures	A-3	27,042,753	14,439,178
Capital Improvements	A-3	550,000	-
Municipal Debt Service	A-3	21,651,713	20,388,887
Local District School Tax	A-12	130,260,523	119,676,155
County Tax		46,707,683	52,843,152
County Share of Added Taxes		5,420	4,575
Special Improvement District Assessment		2,221,850	4,203,358
Prior Year Revenue Returned Created by Canceled Taxes		8,451,698	7,762,571
Interfund Created		-	705,796
Prior Year Revenue Returned		98,157	7,747
Total Expenditures		<u>424,719,430</u>	<u>400,212,469</u>
Excess in Revenues		<u>235,491</u>	<u>174,903</u>

See Accompanying Notes to Financial Statements

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by			
Statute Deferred Charges to Budget of			
Succeeding Year		<u>\$ -</u>	<u>\$ -</u>
Statutory Excess to Fund Balance		235,491	174,903
Fund Balance January 1	A	<u>966,883</u>	<u>791,980</u>
		1,202,374	966,883
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	<u>100,000</u>	<u>-</u>
Balance December 31	A	<u><u>\$ 1,102,374</u></u>	<u><u>\$ 966,883</u></u>

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Ref.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		BUDGET	SPECIAL NJS 40A:4-87		
Fund Balance Anticipated	A-1	\$ 100,000	\$ -	\$ 100,000	\$ -
Miscellaneous Revenues:					
Section A: Local Revenues					
Licenses:					
Alcoholic Beverages	A-10	150,000		154,080	4,080
Other	A-10	950,000		1,000,901	50,901
Fees and Permits	A-10	1,300,000		1,416,974	116,974
Fines and Costs:					
Municipal Court	A-10	1,100,000		1,310,807	210,807
Interest and Costs on Taxes	A-10	1,400,000		573,447	(826,553)
Parking Meters	A-10	450,000		601,846	151,846
Interest on Investments and Deposits	A-10	190,000		114,025	(75,975)
Refunds and Reimbursements	A-10	650,000		844,750	194,750
Rent and Sale of City Property	A-10	525,000		660,879	135,879
Towing Fees	A-10	325,000		286,132	(38,868)
Horizon Reimbursement	A-10	484,461		290,573	(193,888)
Payments in Lieu of Taxes	A-10	2,601,055		3,142,932	541,877
Total Section A		10,125,516	-	10,397,346	271,830
Section B: State Aid Without Offsetting Appropriations					
Energy Receipts Tax	A-10	6,260,714		6,260,714	-
Total Section B		6,260,714	-	6,260,714	-

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Ref.</u>	ANTICIPATED		SPECIAL NJS 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
		BUDGET				
Section C: Dedicated Uniform Construction Code Fees Offset with Appropriations (NJS 40A:4-36 & NJAC 5:23-4.17)						
Uniform Construction Code Fees	A-10	\$ 1,000,000	\$	-	\$ 2,073,429	\$ 1,073,429
Total Section C		1,000,000		-	2,073,429	1,073,429
Section D: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government Services - Interlocal Municipal Service Agreements Offset with Appropriations Pleasantville BOE		160,000			31,979	(128,021)
Total Section D		160,000		-	31,979	(128,021)
Section F: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government Services - Public and Private Revenues Offset with Appropriations						
Atlantic City BOE - Restoration of Uptown Park Summer Food Program				192,000	-	(192,000)
Revel Entertainment Group LLC				84,423	84,423	-
Municipal Alliance and Alcoholism and Drug Abuse				2,200,955	2,200,955	-
Municipal Alcohol Education/Rehabilitation Program				28,695	28,695	-
County Environmental Health Act-Public Health				539	539	-
				45,000	45,000	-

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Ref.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		BUDGET	SPECIAL NJS 40A:4-87		
Meals on Wheels		\$ 12,090		\$ 12,090	\$ -
Forest Business Stimulus Funds				-	-
NJ Department of Environmental Protection - Divison of Parks & Forestry			3,000	3,000	-
Homeland Security			10,000	10,000	-
US Department of Energy - Energy Efficiency		61,172	13,480	74,652	-
Body Armor			27,852	27,852	-
Bulletproof Vest Partnership			42,120	42,120	-
Recycling Tonage Grant		80,390	15,806	96,196	-
COPS in Shops			11,600	11,600	-
Ed Byrne Memorial Justice Assistance Grant			250,000	250,000	-
DWI		54,572	-	54,572	-
New Jersey State Department of Health					-
Women, Infants & Children (WIC)			658,300	658,300	-
NJ Department of Transportation			300,000	300,000	-
HIV Counseling and Testing			418,700	418,700	-
Standard Solar Inc - Project Development Fee			47,500	47,500	-
CRDA - Boardwalk Lighting			3,225,000	3,225,000	-
CRDA - Demolition			2,500,000	2,500,000	-
Clean Communities Program			65,454	65,454	-
Federal Emergency Management Assistance		20,000		20,000	-
Frank H Stewart - SB Waterfront Park		175,000		175,000	-
SAFER		9,726,403		9,726,403	-
H1N1 Vaccination		10,000		10,000	-
Total Section F		10,139,627	10,140,424	20,088,051	(192,000)

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Ref.	ANTICIPATED		SPECIAL NJS 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
		BUDGET				
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government Services - Other Special Items						
Uniform Fire Safety Act		\$ 249,065	\$ -	\$ 255,893	\$ 6,828	
Reserve to Pay Bonds		252,275	-	252,275	-	
Redevelopment Agreement (AC Endowment)		4,788,421	-	4,788,421	-	
Atlantic City Municipal Utilities Authority		657,935	-	657,935	-	
MAC Funds		1,500,000	-	1,500,000	-	
Total Section G		7,447,696	-	7,454,524	6,828	
Total Miscellaneous Revenues	A-1	35,133,553	10,140,424	46,306,043	1,032,066	
Receipts from Delinquent Taxes	A-1:A-2	600,000	-	381,616	(218,384)	
Amount to be Raised by Taxes for Support of Municipal Budget						
Local Tax for Municipal Purposes	A-2	192,474,738	-	186,630,392	(5,844,346)	
Minimum Library Tax		5,388,115	-	5,388,115	-	
Total Amount to be Raised by Taxes for Support of Municipal Budget		197,862,853	-	192,018,507	(5,844,346)	
Budget Totals		233,696,406	10,140,424	238,806,166	(5,030,664)	
Non-Budget Revenues:						
Other Non-Budget Revenue	A-2		-	2,398,545	2,398,545	
Ref.		A-3	A-3	\$ 241,204,711	\$ (2,632,119)	

**CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Ref.

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	A-1:A-6	\$368,505,597
Less: Reserve for Tax Appeals Pending		
State Tax Appeals		-

368,505,597

Allocated to:

School, County, and Special Improvement		
District Taxes		179,195,476

Balance for Support of Municipal Budget Appropriations	189,310,121
--	-------------

Increased by:

Appropriation "Reserve for Uncollected		
Taxes"	A-3	2,708,386

Amount for Support of Municipal		
Budget Appropriations	A-2	192,018,507

Receipts from Delinquent Taxes:

Delinquent Tax Collections	A-6	29,490
Tax Title Lien Collections	A-7	352,126

\$ 381,616

**CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Ref.

Analysis of Non-Budget Revenue

Miscellaneous Revenue not Anticipated:

Revenue Accounts Receivable:

Demolition Revenue	A-8	\$	-
Other Tax Collector Miscellaneous	A-5		-

Total		\$	-
-------	--	----	---

Treasurer:

Fringe Benefits	602,075
Police Detail	824,115
Reimbursement	340,832
FEMA Reimbursements	541,299
Grant Reimbursement	43,507
Escheat Tax Premiums	12,390
Other Miscellaneous	34,327

Total	A-4	2,398,545
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A-1:A-2 Cash	2,398,545
--------------	-----------

<u>\$ 2,398,545</u>

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS			EXPENDED		UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER- EXPENDED
DEPARTMENT OF ADMINISTRATION							
Mayors Office							
Salaries and Wages	\$ 253,395	\$ 253,395	\$ 179,647	\$ -	\$ 73,748	\$ -	\$ -
Other Expenses	38,631	38,631	11,933	475	26,223		
Business Administrator's Office							
Salaries and Wages	287,971	287,971	269,849		18,122		
Other Expenses	239,650	239,650	92,266	27,544	119,840		
Solicitor's Office							
Salaries and Wages	1,064,591	1,049,591	957,473		92,118		
Other Expenses	1,195,540	1,580,540	1,121,357	436,184	22,999		
Administrative Services - Mail Room							
Salaries and Wages	92,819	87,819	65,868		21,951		
Other Expenses	149,485	149,485	120,667	2,951	25,867		
Municipal Court							
Salaries and Wages	1,726,383	1,722,183	1,489,572		232,611		
Other Expenses	153,372	157,572	137,592	16,005	3,975		
Prosecutor's Office							
Salaries and Wages	444,184	449,184	431,032		18,152		
Other Expenses	21,450	21,450	15,287	1,340	4,823		
Insurance							
Unemployment	2,300,000	2,300,000	802,757		-	1,497,243	
Liability	5,500,000	5,500,000	5,437,236		62,764		
Workers Compensation	5,255,000	5,255,000	5,121,804	31,161	102,035		
Employee Group	27,641,000	27,641,000	22,060,647	3,220,932	584,421	1,775,000	
Health Waiver - Employee Opt Out	150,000	150,000	100,396		1,604	48,000	
Public Defender							
Salaries and Wages	371,653	371,653	349,539		22,114		
Other Expenses	11,464	11,464	9,979	694	791		

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS			EXPENDED			UNEXPENDED		OVER-
	BUDGET	MODIFICATION	BUDGET AFTER	PAID OR	CHARGED	ENCUMBERED	RESERVED	BALANCE	
								CANCELLED	EXPENDED
Miscellaneous	\$	30,000	\$	30,000	\$	-	\$	30,000	\$ -
Social Services Agencies									
Assessor									
Salaries and Wages	285,891	285,891		270,254			15,637		
Other Expenses	450,589	450,589		309,558		109,657	31,374		
Data Processing/Management Information (MIS)									
Salaries and Wages	397,959	387,959		279,227			108,732		
Other Expenses	161,200	171,200		132,146		30,585	8,469		
DEPARTMENT OF HUMAN RESOURCES									
Director's Office									
Salaries and Wages	65,086	65,086		61,581			3,505		
Other Expenses	89,010	89,010		69,529		10,654	3,827	5,000	
Personnel Division									
Salaries and Wages	737,826	737,826		571,586			166,240		
Health Division									
Salaries and Wages	93,531	93,531		63,888			29,643		
DEPARTMENT OF PLANNING AND DEVELOPMENT									
Director's Office									
Salaries and Wages	175,405	117,405		112,536			4,869		
Other Expenses	5,250	5,250		4,023		671	556		
PLANNING Division									
Salaries and Wages	586,557	644,557		604,754			39,803		
Other Expenses	52,696	58,696		31,241		17,498	4,957	5,000	
Zoning Board									
Other Expenses	28,000	22,000		17,406		594	4,000		
DEPARTMENT OF REVENUE AND FINANCE									
Director's Office									
Salaries and Wages	265,060	265,060		236,021			29,039		
Other Expenses	76,550	76,550		66,702		1,992	2,856	5,000	

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDED		UNEXPENDED		OVER-
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	
Comptroller's Office							
Salaries and Wages	\$ 1,120,896	\$ 1,120,896	\$ 1,040,052	\$ -	\$ 80,844	\$ -	\$ -
Other Expenses	66,700	66,700	20,920	7,933	12,847	25,000	
Tax Collector's Office							
Salaries and Wages	346,217	346,217	316,207		30,010		
Other Expenses	58,249	58,249	42,049	12,603	3,597		
Audit Services							
Other Expenses	140,000	140,000	134,500	5,500	-		
Purchasing							
Salaries and Wages	256,915	256,915	246,718		10,197		
Other Expenses	35,402	35,402	34,403	642	357		
Finance Division							
Salaries and Wages	152,668	152,668	146,191	288	6,477		
Other Expenses	1,430	1,430	785		357		
DEPARTMENT OF PUBLIC SAFETY							
Director's Office							
Salaries and Wages	194,816	194,816	108,527		86,289		
Other Expenses	5,700	5,700	2,839	175	686	2,000	
Police							
Salaries and Wages	35,699,729	35,399,729	32,641,482		2,758,247		
Other Expenses	1,360,963	1,360,608	970,138	252,387	88,083	50,000	
Police Civilian Division							
Salaries and Wages	4,144,350	4,074,350	3,434,461		639,889		
Other Expenses	21,115	21,470	20,049	1,266	155		
Emergency Services							
Salaries and Wages	2,383,026	2,273,026	2,162,585		110,441		
Other Expenses	213,672	263,672	227,112	24,998	8,562	3,000	
Fire							
Salaries and Wages	21,919,396	21,904,396	20,354,232		1,550,164		
Other Expenses	176,042	176,042	70,996	104,243	803		

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDED		UNEXPENDED		OVER-
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	
Fire Civilian							
Salaries and Wages	\$ 178,682	\$ 148,682	\$ 139,378	\$ -	\$ 9,304	\$ -	\$ -
Uniform Fire Safety Act							
Salaries and Wages	1,604,388	1,649,388	1,565,689		83,699		
Other Expenses	2,103	2,103	1,927	175	1		
Communications							
Salaries and Wages	2,547,651	2,547,651	2,179,733		367,918		
Other Expenses	449,808	449,808	412,005	26,687	11,116		
DEPARTMENT OF PUBLIC WORKS							
Director's Office							
Salaries and Wages	582,763	582,763	476,490		106,273		
Other Expenses	891,100	907,100	595,879	234,637	76,584		
City Engineer							
Salaries and Wages	752,270	752,270	588,726		163,544		
Other Expenses	172,148	172,148	99,733	44,011	8,404	20,000	
Electrical Bureau							
Salaries and Wages	443,883	443,883	423,042		20,841		
Other Expense	23,716	23,716	19,813	3,255	648		
Parks							
Salaries and Wages	1,058,880	1,058,880	895,209		163,671		
Other Expenses	70,000	70,000	44,315	15,563	5,122	5,000	
Beach and Boardwalk							
Salaries and Wages	1,231,793	1,231,793	1,154,345		77,448		
Other Expenses	21,860	21,860	17,241	4,241	378		
Sanitation							
Salaries and Wages	2,496,771	2,296,771	2,131,259		165,512		
Other Expenses	2,163,486	2,147,486	1,499,737	262,421	35,328	350,000	
Asphalt Plant/Street Repairs							
Salaries and Wages	699,848	692,848	611,759		81,089		
Other Expenses	36,950	36,950	32,520	2,264	2,166		

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDED		UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	OVER- BALANCE CANCELLED
						EXPENDED
Paint and Sign Shop						
Salaries and Wages	\$ 225,312	\$ 205,112	\$ 185,535	\$ -	\$ 19,577	\$ -
Other Expenses	22,350	22,350	20,494	10	1,846	-
Building Maintenance Division						
Salaries and Wages	1,958,714	1,958,714	1,730,454		228,260	
Other Expenses	70,642	70,642	46,295	5,660	18,687	
Community Services Act						
Other Expenses	665,000	692,200	651,819	37,643	2,738	
Vehicle Maintenance						
Other Expenses	2,400,000	2,600,000	1,992,281	607,719	-	
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Director's Office						
Salaries and Wages	350,583	350,583	333,003		17,580	
Other Expenses	217,800	217,800	113,876	8,004	45,920	50,000
Health Administration						
Salaries and Wages	1,405,703	1,405,703	1,278,255		127,448	
Other Expenses	40,340	40,340	29,928	1,849	8,563	
Social Services						
Salaries and Wages	911,971	911,971	837,618		74,353	
Other Expenses	188,300	188,300	148,170	39,477	653	
Recreational and Cultural Affairs						
Salaries and Wages	2,167,844	2,167,844	1,935,686		232,158	
Other Expenses	336,498	336,498	312,956	15,539	8,003	
Clinical Services						
Salaries and Wages	118,182	118,182	87,163		31,019	
Other Expenses	1,003,750	1,003,750	986,772	5,597	1,381	10,000
Animal Control Expense						
Other Expenses	43,200	43,200	39,600	3,600	-	

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDED		UNEXPENDED		OVER-
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	
DEPARTMENT OF NEIGHBORHOOD SERVICES							
Director's Office							
Salaries and Wages	\$ 187,128	\$ 187,128	\$ 179,527	\$ -	\$ 7,601	\$ -	\$ -
Other Expenses	2,000	2,000	1,745	104	151		
Inspections							
Salaries and Wages	902,807	902,807	742,081		160,726		
Other Expenses	10,050	10,050	7,067	1,605	1,378		
Regulatory Division							
Salaries and Wages	552,377	552,377	439,170		113,207		
Other Expenses	12,400	12,400	11,052	1,266	82		
CITY COUNCIL							
Salaries and Wages	311,315	311,315	299,317		11,998		
Other Expenses	24,000	24,000	9,722	1,306	2,972	10,000	
CITY CLERK							
Salaries and Wages	464,606	464,606	428,771		35,835		
Other Expenses	283,050	283,050	111,459	90,148	31,443	50,000	
UNIFORM CONSTRUCTION CODE							
Salaries and Wages	1,996,701	1,996,701	1,897,988		98,713		
Other Expenses	26,105	26,105	21,048	1,815	2,242	1,000	
UNCLASSIFIED							
Electricity	1,850,000	1,850,000	1,527,110	81,041	91,849	150,000	
Street Lighting	1,750,000	1,700,000	1,525,430	68,626	105,944		
Telephone	750,000	800,000	664,514	14,735	120,751		
City Water Usage	300,000	300,000	263,893		36,107		
Gas	500,000	400,000	276,547	11,654	61,799	50,000	
Sewer	160,000	160,000	144,031		15,969		
Gasoline	1,400,000	1,500,000	1,326,634	75,727	97,639		
Codification of Ordinances	25,000	25,000	9,594	8,424	6,982		
Terminal Leave Payments	3,000,000	3,000,000	3,000,000		-		
Redevelopment Agreement	4,788,421	4,788,421	4,788,421		-		
Reserve for Tax Appeals	700,000	700,000	700,000		-		
Back Pay Awards	67,977	67,977	67,977		-		
TOTAL OPERATIONS WITHIN "CAPS"	166,312,710	166,252,710	145,641,402	5,993,775	10,506,290	4,111,243	-
Detail:							
Salaries and Wages	99,284,473	98,548,073	90,001,457	-	8,546,616	-	-
Other Expenses	67,028,237	67,704,637	55,639,945	5,993,775	1,959,674	4,111,243	-

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDED		UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	OVER- BALANCE CANCELLED EXPENDED
(1) Deferred Charges:						
Edmund & Associates	\$ 16,180	\$ 16,180	\$ 15,182	\$ -	\$ -	\$ 998
John Latorre - Health Reimbursement	907	907	907	-	-	-
Robert Whinna - Health Reimbursement	567	567	567	-	-	-
Operating Deficit	1,784,029	1,784,029	1,784,029	-	-	-
(2) Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	3,708,679	3,708,679	3,708,679	-	-	-
Social Security	3,600,000	3,600,000	3,299,073	-	300,927	-
Consolidated Police and Firemen's Pension Fund	466	466	466	-	-	-
Police and Firemen's Retirement System of NJ	16,213,750	16,213,750	16,213,750	-	-	-
Defined Contribution Retirement	21,000	21,500	20,871	-	629	-
Lifeguard Pension	750,000	809,500	785,289	-	211	24,000
Pension Increase Act - CPF	121,742	121,742	121,742	-	-	-
Early Retirement - PERS	790,431	790,431	790,431	-	-	-

**TOTAL DEFERRED CHARGES AND
REGULATORY EXPENDITURES**

27,007,751	27,067,751	26,740,986	-	301,767	24,998	-
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**TOTAL GENERAL APPROPRIATIONS FOR
MUNICIPAL PURPOSES WITHIN "CAPS"**

193,320,461	193,320,461	172,382,388	5,993,775	10,808,057	4,136,241	-
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OPERATIONS - EXCLUDED FROM "CAPS"

Maintenance of Library	5,388,115	5,388,115	5,371,675	16,440	-	-
Pleasantville BOE	160,000	160,000	53,227	-	106,773	-
Federal Emergency Management Assistance	40,000	40,000	40,000	-	-	-
Body Armor		27,852	27,852	-	-	-
Meals on Wheels	12,090	12,090	12,090	-	-	-
SAFER	9,726,403	9,726,403	9,726,403	-	-	-
DWI		539	539	-	-	-
COPS in Shops		11,600	11,600	-	-	-
Municipal Alliance on Alcoholism and Drug Abuse		35,868	35,868	-	-	-

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDED			UNEXPENDED		OVER-
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	EXPENDED	
Revel Beach Replenishment	\$ -	\$ 2,200,955	\$ 100,955	\$ 2,100,000	\$ -	\$ -	\$ -	-
Atlantic County Environmental Health Act - Public Health		45,000	45,000		-			
Ed Byrne Memorial Justice Assistance Grant		250,000	250,000		-			
Frank H Stewart SB Waterfront Park	175,000	175,000	175,000		-			
Bulletproof Vest Partnership		42,120	42,120		-			
CRDA - Street Lighting		3,225,000	3,225,000		-			
CRDA - Demolition		2,500,000	2,500,000		-			
HIV Counseling & Testing		418,700	418,700		-			
ACBOE Restoration of Uptown Park		192,000	-		192,000			
H1N1 Vaccination	10,000	10,000	10,000		-			
Standard Solar Energy		47,500	-	47,500	-			
Drunk Driving Enforcement	54,572	54,572	54,572		-			
Green Communities		3,000	3,000		-			
Women, Infants and Children (WIC)		658,300	658,300		-			
State Health Services		10,000	10,000		-			
Clean Communities		65,454	65,454		-			
Summer Food		84,423	84,423		-			
US Dept of Energy - Energy Efficiency Conservation	61,172	74,652	74,652		-			
Recycling Tonnage	80,390	96,196	96,196		-			
Match for Grant Funds	40,000	32,827			32,827			
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	15,747,742	25,588,166	23,092,626	2,163,940	331,600	-	-	-
Detail:								
Salaries and Wages								
Other Expenses	15,747,742	25,588,166	23,092,626	2,163,940	331,600	-	-	-

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDED		UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED RESERVED	BALANCE CANCELLED	OVER- EXPENDED
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -
NJ Transportation Trust Fund		300,000	300,000	-	-	-
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	250,000	550,000	550,000	-	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	17,355,000	17,355,000	17,355,000	-	-	-
Interest on Bonds	4,296,713	4,296,713	4,278,609	-	18,104	-
Interest on Notes	18,104	18,104	18,104	-	-	-
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	21,669,817	21,669,817	21,651,713	-	18,104	-
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM CAPS						
(1) Deferred Charges						
Special Emergency		-	-	-	-	-
TOTAL DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"	-	-	-	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	37,667,559	47,807,983	45,294,339	2,163,940	331,600	18,104
SUBTOTAL GENERAL APPROPRIATIONS	230,988,020	241,128,444	217,676,727	8,157,715	11,139,657	4,154,345
Reserve for Uncollected Taxes	2,708,386	2,708,386	2,708,386	-	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 233,696,406	\$ 243,836,830	\$ 220,385,113	\$ 8,157,715	\$ 11,139,657	\$ 4,154,345
Budget	A-2		A-1	A	A:A-1	
Appropriations by 40A:4-87	original	\$ 233,696,406				
	A-2	10,140,424				
		<u>\$ 243,836,830</u>				

**CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Ref.</u>	<u>PAID OR CHARGED</u>
Federal and State Grants	A-14	\$ 17,691,769
Deferred Charges		1,784,029
Reserve for Tax Appeals		700,000
Redevelopment Agreement		4,788,421
Reserve for Uncollected Taxes		2,708,386
Disbursed	A-4	<u>192,712,508</u>
		<u><u>\$ 220,385,113</u></u>

EXHIBIT B - TRUST FUND

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

	Ref.	<u>2011</u>	<u>2010</u>
ASSETS			
Animal Control Fund:			
Cash	B-1	<u>\$ 2,593</u>	<u>\$ 1,962</u>
		<u>2,593</u>	<u>1,962</u>
Community Development Block Grant:			
Cash	B-1	3,307	88,138
Due from Bank			-
Community Development Block Grant Receivable		1,891,947	2,145,678
HOME Receivable		530,021	457,518
Loans Receivable		637,756	640,396
Deferred Loan		4,055,103	3,995,225
Due to Current Fund		<u>505,840</u>	<u>2,825</u>
		<u>7,623,974</u>	<u>7,329,780</u>
Other Funds:			
Cash - Treasurer	B-1	6,142,785	5,017,285
Cash - Collector	B-2	1,230,248	481,351
Police Detail Receivable		356,165	316,301
Tax Title Lien Receivable		73,636	73,636
Due from Taxpayers - Tax Title Lien		759	759
Due from Current Fund	B-5	5,626,398	6,453,553
Loan Receivable - NPP Program		<u>1,254</u>	<u>1,254</u>
		<u>13,431,245</u>	<u>12,344,139</u>
		<u><u>\$ 21,057,812</u></u>	<u><u>\$ 19,675,881</u></u>

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

	Ref.	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Animal Control Fund:			
Reserve for Dog Fund Expenditures	B-3	\$ 2,331	\$ 1,950
Due to State of NJ		-	6
Amount Due to Current Fund	A	<u>262</u>	<u>6</u>
		<u>2,593</u>	<u>1,962</u>
Community Development Block Grant:			
Reserve for Community Development Block Grant - Appropriated	B-7	2,931,099	2,694,159
Reserve for Loans Receivable		4,692,859	4,635,621
Unappropriated Reserves	B-8	<u>16</u>	<u>-</u>
		<u>7,623,974</u>	<u>7,329,780</u>

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

	Ref.	2011	2010
Other Funds:			
Encumbrances		\$ -	\$ 447,849
Deposits for Redemption of			
Tax Sale Certificates		601,367	245,877
Premiums on Tax Sale Deposits		627,000	232,800
Due to Taxpayers - Tax Title Lien		1,881	2,674
Reserve for Receivables - Tax Title Lien		74,395	74,395
Overpaid Special Detail Services		50,057	32,111
Reserve for:			
Loan Receivable - NPP Program		1,254	1,254
Planning Development Escrow	B-6	395,862	600,499
Police Detail	B-6	745,000	726,664
Self-Insurance (Workers Compensation)	B-6	2,173,018	2,645,747
Self-Insurance (General Liability)	B-6	2,481,058	1,510,780
Neighborhood Preservation Program	B-6	10,849	10,837
Law Enforcement	B-6	195,874	138,583
Uniform Fire Penalties	B-6	153,836	249,825
Unemployment Compensation	B-6	776,876	1,561,692
Parking Offenses Adjudication Act	B-6	35,694	31,844
Environmental Quality and Enforcement	B-6	12,344	12,344
Accumulated Sick and Vaction	B-6	5,094,123	3,817,607
Due to Federal and State Grant Fund	A	757	757
		<u>13,431,245</u>	<u>12,344,139</u>
		<u>\$ 21,057,812</u>	<u>\$ 19,675,881</u>

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EXHIBIT C - CAPITAL FUND

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Cash and Investments	C-2	\$ 43,441,422	\$ 9,646,982
Deferred Charges to Future Taxation			
Funded	C-3	140,619,000	106,335,000
Unfunded	C-4	542	16,354,542
		<u>184,060,964</u>	<u>132,336,524</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Bond Anticipation Notes	C-7	-	5,000,000
General Serial Bonds	C-8	98,249,000	97,615,000
Tax Appeal Refunding Bonds	C-9	42,370,000	8,720,000
Encumbrances Payable	C-6	2,764,881	3,164,556
Improvement Authorizations			
Funded	C-6	36,778,375	1,889,695
Unfunded	C-6	542	12,934,732
Reserve for Payment of Bonds		519,970	252,275
Capital Improvement Fund	C-5	318,043	68,043
Fund Balance	C-1	<u>3,060,153</u>	<u>2,695,223</u>
		<u>\$ 184,060,964</u>	<u>\$ 132,339,524</u>

There were bonds and notes authorized but not issued at December 31, 2011 and 2010 of \$542 and \$11,354,542 (C-10)

**GENERAL CAPITAL FUND
SCHEDULE OF FUND BALANCE
REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Balance beginning	C	\$ 2,695,223	\$ 2,691,485
Increased by:			
Canceled Improvement Authorizations	C-6	246,027	-
Premium on Sale of Bonds	C-2	118,903	3,738
		364,930	3,738
Balance ending	C	\$ 3,060,153	\$ 2,695,223

EXHIBIT G - GENERAL FIXED ASSETS ACCOUNT GROUP

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**STATEMENT OF GENERAL FIXED ASSETS
REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2011</u>	<u>2010</u>
General Fixed Assets:		
Land	\$ 337,487,210	\$ 328,574,210
Land Improvements	8,274,940	8,123,484
Buildings	63,511,831	63,498,512
Machinery and Equipment	24,129,330	23,515,233
Vehicles	<u>23,990,215</u>	<u>24,179,510</u>
	<u>457,393,526</u>	<u>447,890,949</u>
Investment in General Fixed Assets	<u>\$457,393,526</u>	<u>\$ 447,890,949</u>

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CITY OF ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Atlantic City is a resort community in the County of Atlantic, State of New Jersey. The City covers an area of approximately 12 square miles with a population according to the 2010 census of 39,558. The City operates under a Mayor and Council form of government with the Mayor being the chief executive officer of the City and directly elected by the voters. The City Council is the law making body and passes all resolutions and ordinances. The City also employs a City Administrator who is responsible for the day to day operations of the City. Except as noted below, the financial statements of the City of Atlantic City include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the City of Atlantic City, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. If the City reported under GAAP, the Atlantic City Municipal Utility Authority, 401 N. Virginia Avenue, Atlantic City and the Atlantic City Special Improvement District, Gordon's Alley, Atlantic City would be considered component units. Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

B. Description of Funds

The accounting policies of the City of Atlantic City conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the City of Atlantic City accounts for its financial transactions through the following separate funds:

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

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

CITY OF ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
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General Capital Fund -- receipt and disbursement of funds for the acquisition of general facilities, other than those acquired in the Current Fund.

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. The more significant policies in New Jersey follow. A modified accrual basis of accounting is followed with minor exceptions.

Revenues -- are recorded as received in cash except for certain amounts that are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts that may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital 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.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds -- Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

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

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General Fixed Assets -- The City has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America.

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value at the time the land is foreclosed or donated. Land purchased by the City is valued at cost.

No depreciation has been provided for in the financial statements.

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

Fixed assets acquired through grants in aid or contributed capital have been accounted for separately.

The following schedule is a summarization of the changes in general fixed assets for the most recent calendar year ended December 31, 2011 and 2010.

	Balance as of 12/31/09	Additions	Disposals	Adjustments	Balance as of 12/31/10
Land	\$ 314,525,410	\$ 14,428,500	\$ 379,700		\$ 328,574,210
Land Improvements	8,123,484				8,123,484
Buildings	63,520,412		21,900		63,498,512
Machinery and Equipment	22,820,103	824,798	135,740	6,072	23,515,233
Vehicles	22,548,586	2,101,046	470,122		24,179,510
	<u>\$ 431,537,995</u>	<u>\$ 17,354,344</u>	<u>\$ 1,007,462</u>	<u>\$ 6,072</u>	<u>\$ 447,890,949</u>

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	Balance as of 12/31/10	Additions	Disposals	Balance as of 12/31/11
Land	\$ 328,574,210	\$ 9,523,300	\$ 610,300	\$ 337,487,210
Land Improvements	8,123,484	151,456		8,274,940
Buildings	63,498,512	13,319		63,511,831
Machinery and Equipment	23,515,233	908,216	294,119	24,129,330
Vehicles	24,179,510	1,091,176	1,280,471	23,990,215
	<u>\$ 447,890,949</u>	<u>\$ 11,687,467</u>	<u>\$ 2,184,890</u>	<u>\$ 457,393,526</u>

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et seq.

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

Capitalization of Interest -- It is the policy of the City of Atlantic City to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America or the statutory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

E. Recent Accounting Pronouncements Not Yet Effective

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements" to improve financial reporting related to service concession arrangements (SCAs) which are a type of public-

CITY OF ATLANTIC CITY
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private or public-public partnership. This statement will become effective for fiscal periods beginning after December 15, 2011. This statement is not anticipated to have any effect on the City's financial reporting.

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The purpose of the statement is to amend the criteria for reporting and including component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the City's financial reporting.

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The statement, which is effective for periods beginning after December 15, 2011, amends and supersedes several previously issued GASB statements to incorporate guidance that had been included in AICPA and FASB guidance. The statement is not anticipated to have an effect on the financial statements of the City.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position". The statement, which is effective for periods beginning after December 15, 2011, amends several previously issued GASB statements to standardize reporting of deferred inflows and outflows of financial resources. This statement is not anticipated to have any effect on the City's financial reporting.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 64 "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53". This statement, which is effective for fiscal periods beginning after June 15, 2011, is not anticipated to have any effect on the City's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 "Items Previously Reported as Assets and Liabilities" The statement modified several previously issued statements related to reclassifying as deferred inflows of resources or deferred outflows of resources that were previously reported as assets and liabilities. The statement, which is effective for periods beginning on or after December 15, 2012 with early application encouraged, is anticipated to have no effect on the City's financial reporting and a minimum effect on the City's financial statement disclosures. The most significant impact will be in the area of debt refunding and defeasance of debt.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66 "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62". This statement, which is effective for financial statements with reporting periods beginning after December 15, 2012, was issued to correct conflicting information between the two standards is not anticipated to have any effect on the financial reporting or disclosure of the City.

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Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2011 and 2010 statutory budgets included a reserve for uncollected taxes in the amount of \$2,709,201 and \$1,075,181. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2011 and 2010 statutory budgets was \$100,000 and \$0.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following significant budget transfers were approved in the 2011 calendar year:

<u>Budget Category</u>	
Solicitor's Office	
Other Expenses	\$ 385,000
Police	
Salaries & Wages	(300,000)
Emergency Services	
Salaries & Wages	(110,000)
Sanitation	
Salaries & Wages	(200,000)
Vehicle Maintenance	
Other Expenses	200,000

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2011, the following significant budget insertions were approved:

Ed Byrne Justice Assistance Grant	\$ 250,000
NJ Department of Health	
Women, Infants & Children	658,300
NJ DOT Artic Ave	300,000
HIV Counseling and Testing	418,700
CRDA - Street Lighting	3,225,000
CRDA - Demolition	2,500,000
Reval Beach Replenishment	220,955

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The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years.

Note 3: INVESTMENTS

As of December 31, 2011 and 2010, the municipality had investments totaling \$0 and \$282,969, respectively in New Jersey Cash Management Plan.

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

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

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

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2011 and 2010, \$0 and \$0 of the municipality's bank balance of \$93,008,583 and \$44,213,203, respectively were exposed to custodial credit risk.

CITY OF ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
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Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2011 consisted of the following:

	Balance Beginning	Additions	Reductions	Balance Ending	Due in One Year
General	\$ 106,335,000	\$ 51,639,000	\$ 17,355,000	\$ 140,619,000	\$ 27,635,000
Comp Absences	34,588,998	13,019,158	12,834,889	34,773,267	
Total	<u>\$ 140,923,998</u>	<u>\$ 64,658,158</u>	<u>\$ 30,189,889</u>	<u>\$ 175,392,267</u>	<u>\$ 27,635,000</u>

Paid by Current Fund:

\$25,600,000 General Obligation Refunding Bonds (Capital Appreciation Bonds) dated 7/16/92 payable in annual installments through 7/16/13. \$2,560,000 of principal was paid on 8/1/11. The balance remaining as of December 31, 2011 was \$5,120,000.

\$34,800,000 General Improvement Bond dated 8/1/03 payable in annual installments through 8/1/10. \$3,200,000 of principal was paid on 8/1/11. Interest is paid semiannually at rates from 2.00% to 4.125% per annum. The balance remaining as of December 31, 2011 was \$19,350,000.

\$29,010,000 General obligation refunding bonds dated 6/23/05 with principal payments starting 8/15/09 and ending 8/15/15. \$4,415,000 of principal was paid on 8/15/11. Semiannual interest payments began 8/15/09 with annual rates of 4.0% to 5.0%. The balance remaining as of December 31, 2011 was \$15,740,000. The refunding bonds replaced \$29,500,000 of the series 1998 General obligation bonds. The net present value savings exceeded \$900,000.

\$17,980,000 General obligation bonds dated 1/15/05 with principal payments starting 1/15/06 and ending 1/15/18. \$1,000,000 of principal was paid on 1/15/11. Semiannual interest payments began 7/15/05 with annual rates of 3.0% to 4.0%. The balance remaining as of December 31, 2011 was \$11,980,000.

\$26,500,000 General obligation bonds dated 2/15/08 with principal payments starting 2/15/09 and ending 2/15/18. \$2,500,000 of principal was paid on 2/15/11. Semiannual interest payments began 2/15/09 with annual rates of 2.25% to 5.5%. The balance remaining as of December 31, 2011 was \$21,000,000.

\$10,750,000 General obligation refunding bonds dated 12/15/10 with principal payments starting 12/15/11 and ending 12/15/15. \$2,045,000 of principal was paid on 12/15/11. Semiannual interest payments began 6/15/11 with annual rates of 2.0% to 3.00%. The balance remaining as of December 31, 2011 was \$8,705,000. \$10,750,000 of the refunding bonds replaced \$10,475,000 of the series 2000 General obligation refunding bonds. The net present value savings exceeded \$521,000.

CITY OF ATLANTIC CITY
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\$8,720,000 Tax appeal refunding bonds dated 12/15/10 with principal payments starting 12/15/11 and ending 12/15/15. \$1,635,000 of principal was paid on 12/15/11. Semiannual interest payments began 6/15/11 with annual rates of 3.0% to 4.75%. The balance remaining as of December 31, 2011 was \$7,085,000. \$6,925,000 of this issue was taxable for federal and state income taxes based on the purpose of the bond ordinance and in the opinion of Bond Council.

\$16,354,000 General Improvement bonds dated 2/1/11 with principal payments starting 2/1/12 and ending 2/1/22. Semiannual interest payments began 8/1/11 with annual rates of 3.0% to 5.00%. The balance remaining as of December 31, 2011 was \$16,354,000.

\$35,285,000 Tax appeal refunding bonds dated 12/15/11 with principal payments starting 12/15/12 and ending 12/15/16. Semiannual interest payments began 6/15/12 with annual rates of 1.40% to 3.299%. The balance remaining as of December 31, 2011 was \$35,285,000. This entire issue was taxable for federal and state income taxes based on the purpose of the bond ordinance and in the opinion of Bond Council.

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

Calendar Year	General Capital Principal	Total Interest	Total
2012	\$ 27,635,000	\$ 4,875,182	\$ 32,510,182
2013	28,070,000	4,105,557	32,175,557
2014	24,960,000	3,256,084	28,216,084
2015	22,525,000	2,358,712	24,883,712
2016	14,480,000	1,497,791	15,977,791
2017-2021	21,350,000	1,959,937	23,309,937
2022	1,599,000	39,975	1,638,975
	<u>\$ 140,619,000</u>	<u>\$ 18,093,238</u>	<u>\$ 158,712,238</u>

As of December 31, 2011, the carrying value of the above bonds approximates the fair value of the bonds.

CITY OF ATLANTIC CITY
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<u>Summary of Municipal Debt</u>	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
<u>Issued:</u>			
General:			
Bonds & Notes Issued	\$ 140,619,000	\$ 106,335,000	\$ 113,240,000
Notes	-	5,000,000	-
Less: Funds Temporarily Held to Pay			
Bonds and Notes	519,970	252,275	4,030,628
Net Debt Issued	<u>140,099,030</u>	<u>111,082,725</u>	<u>109,209,372</u>
<u>Authorized but not issued:</u>			
General:			
Bonds and notes	<u>542</u>	<u>11,354,542</u>	<u>5,000,000</u>
Bonds & Notes Authorized But Not Issued	<u>542</u>	<u>11,354,542</u>	<u>5,000,000</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>140,099,572</u>	<u>122,437,267</u>	<u>114,209,372</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 indicates a statutory net debt of 0.78%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 118,716,000	118,716,000	-
General Debt	164,297,698	24,198,126	140,099,572
	<u>\$ 283,013,698</u>	<u>142,914,126</u>	<u>140,099,572</u>

Net Debt \$140,099,572 / Equalized Valuation Basis per NJSA 40A:2-2 as amended, \$17,930,493,733 = 0.78%.

The foregoing information is in agreement with the Annual Debt Statement filed with the Division of Local Government Services.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 627,567,281
Net Debt	140,099,572
Remaining Borrowing Power	<u>\$ 487,467,709</u>

The City of Atlantic City School District, as a K-12 school district, is permitted to borrow up to 4% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amounts approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

Note 6: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2011, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2012 were as follows:

Current Fund	\$0
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Note 7: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2011, the following deferred charges are shown on the balance sheets of the various funds:

	Balance December 31, 2011	2012 Budget Appropriation	Balance to Succeeding
Current fund:			
Deficit in Operations	\$ 5,352,088	\$ 1,784,029	\$3,568,059
	<u>\$ 5,352,088</u>	<u>\$ 1,784,029</u>	<u>\$3,568,059</u>

The appropriations in the 2012 Budget are not less than that required by statute and State agreement.

Note 8: SCHOOL TAXES

Local District School Tax in the amount of \$130,260,523 has been raised for the 2011 calendar year and \$130,260,523 remitted to the school district leaving a \$0 balance payable. Since the school district operates on a July 1 to June 30 fiscal year the school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

CITY OF ATLANTIC CITY
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Note 9: TAXES COLLECTED IN ADVANCE

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

	Balance 12/31/11	Balance 12/31/10
Prepaid Taxes	\$ 651,362	\$ 783,321
Cash Liability for Taxes Collected in Advance	\$ 651,362	\$ 783,321

Note 10: PENSION FUNDS

Description of Plans

Substantially all of the City's employees are covered by the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS), a cost-sharing multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and Police and Fireman's Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at

http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Police and Fireman's Retirement System

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 8.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

**CITY OF ATLANTIC CITY
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Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS and PFRS. The current PERS rate is 6.9% of covered payroll and for PFRS a rate of 8.5% of covered payroll. The City's contributions to PERS for the years ending December 31, 2011, 2010 and 2009 were \$3,708,679, \$2,863,797 and \$1,309,958 respectively, equal to the required contributions for each year. The City's contributions to PFRS for the years ending December 31, 2011, 2010 and 2009 were \$16,213,750, \$12,234,755 and \$5,780,837 respectively, equal to the required contributions for each year. For the year 2009 the City elected to defer 50% of the PERS and PFRS payments. The City will be required to budget the deferred amount starting in 2012 for 5 years, in addition to 8.5% interest.

NOTE 11: PENSION PLAN FOR LIFEGUARDS

The City of Atlantic City has established a pension plan to provide retirement, disability and survivor pension benefits for the individuals who serve on the City's lifeguard force. An eligible employee becomes a plan member upon employment. Employee contributions shall be withheld from the member's salary at the rate of 4.0% and contributed to the plan for his benefit. Retiree benefits are paid out of the current fund and charged to the current operating budget of the City. A plan member may retire with a pension only after his 45th birthday and after he has completed 20 years of service, the last 10 must have been completed immediately preceding his application.

Employee contributions to the pension fund were \$78,698 and \$74,045 and benefits paid to retirees was \$863,984 and \$818,104 for the years ended December 31, 2011 and 2010, respectively. The City has not established a separate trust fund for the accumulation of contributions and the payment of retiree benefits.

Notes 12: POST-RETIREMENT BENEFITS

The City contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

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The SHBP was extended to employees, retirees and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2009, the City authorized participation in the State Health Benefit Program through resolution 307-2009.

Members of the Public Employees' Retirement System would generally qualify for coverage under the following criteria:

Service Retirement	Eligible at age 60
Early Retirement	Eligible after 25 years of service
Service or Early Retirement Eligibility for State-paid SHBP Benefits	Attainment of 25 years of service
Ordinary Disability Retirement	Eligible after 10 years of service
Accidental Disability	Eligible upon total and permanent disability prior to age 65 as a result of a duty injury

The New Jersey State Health Benefits Plan issues a stand-alone financial report under GASB 43. To view the report, go to <http://www.state.nj.us/treasury/pensions/shbp.htm>.

The City is a member of the SHBP. During 2011, \$25,281,579 was paid by the City for health care, of which \$5,338,410 was paid for retirees. The amount paid during 2010 was \$24,831,599, of which \$4,143,356 was paid for retirees.

Note 14: DEFERRED COMPENSATION

Employees of the City of Atlantic City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service For State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

CITY OF ATLANTIC CITY
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As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

Note 15: LABOR CONTRACTS

As of December 31, 2011, the City's employees are organized in the following collective bargaining units. Contracts are continually being negotiated the following table shows their current status.

Contract	Category	Expiration	Covers
ACWCPA	White Collar	12/31/10*	All employees except police, fire, craft and blue collar workers. Supervisors are also excluded.
PBA	Police	12/31/12	All uniformed police, detectives, and other special police units, excluding the chief, deputy chief, inspectors, captains, and all other employees of the City.
IAFF	Firefighters	12/31/11*	All uniformed firefighters
IBEW #351	Construction Code	12/31/11	All Construction Office inspectors.
GWU # 910	Supervisors	12/31/11	All supervisors
AFL-CIO #2303	Blue Collar	12/31/09*	Blue collar workers
AFL-CIO # 2303C	Beach Patrol	12/31/12	All lifeguards, lieutenants and captains, but excludes chief, assistant chief, area chief, beach surgeon, medical assistant.
SOA	Superior Officers'	12/31/12	Police captains, excluding chief, deputy chief, inspectors, and all other employees of the City.
Chiefs		12/31/12	Deputy Chief and Chief of Police

* *Under negotiation*

Note 16: ACCRUED SICK AND VACATION BENEFITS

The City has permitted full time employees to accrue unused sick and vacation time, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2011 and 2010, the City estimates this liability to approximate \$34,773,267 and

CITY OF ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

\$34,588,998, respectively. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absences liability. The City has established an accrual that as of December 31, 2011 and 2010 was \$5,094,123 and \$3,817,607, respectively.

Note 17: ECONOMIC DEPENDENCY

The City of Atlantic City is economically dependent on one industry as a major source of tax revenue for the City. The City receives approximately 65% of the Tax Levy from the Casino industry.

Note 19: COMMITMENTS AND CONTINGENCIES

During the normal course of operations, lawsuits are frequently brought against the governmental unit. There are presently numerous suits pending against the City.

The City has not prepared an Incurred But Not Reported ("IBNR") report for the General Liability or Workers Compensation self funded insurance. The General Liability loss reserve calculated by the insurance consultant is approximately \$4,750,000. This Reserve is underfunded without including an IBNR calculation, by over \$2,300,000. Based on verification by the City's Insurance Broker and Solicitor the loss reserves include an adequate basis for estimating potential liabilities to the City at December 31, 2011. Also, estimates of payments to be made in 2012 were included in the City's 2012 budget. Additionally, the City has purchased an excess loss policy for any losses over \$500,000.

The Worker Compensation report, prepared by the City's other consultant, indicated current claims of over \$8,600,000. This Reserve is underfunded without including an IBNR calculation, by over \$6,500,000. Based on verification by the City's Insurance Broker and Solicitor the loss reserves include an adequate basis for estimating potential liabilities to the City at December 31, 2011. Also, estimates of payments to be made in 2012 were included in the City's 2012 budget.

In prior years the City has settled real estate tax appeals with a number of casinos. The settlements were comprised of cash payments and future tax credits. The tax credits are applied to the quarterly tax bills to a maximum of the total bill. The application of the credit results in a negative adjustment to fund balance. The future tax credits as of December 31, 2011 are as follows:

	<u>DGMB</u>		<u>Trump Properties</u>		<u>Pinnacle</u>		<u>Total</u>
2012	\$ 10,618,000	A	\$ 5,000,000	\$	8,500,000	B	\$ 24,118,000
2013			5,000,000				5,000,000
	<u>\$ 10,618,000</u>		<u>\$ 10,000,000</u>		<u>\$ 8,500,000</u>		<u>\$ 29,118,000</u>

A. This was settled with a cash payment of \$10,200,000 in February 2012.

B. This was settled with a cash payment of \$8,200,000 in February 2012.

CITY OF ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 20: 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 is self insured for property, liability some employee health plans and workers compensation. The City has commercial coverage for surety bonds and employee health insurance.

The self insurance has an excess policy for covered claims over \$500,000

The following is the activity for the years ended December 31,

	2011		2010	
	General Liability	Worker Compensation	General Liability	Worker Compensation
Beginning of Year:				
Unencumbered Reserve	\$ 1,510,779	\$ 2,638,412	\$ 13,800	\$ 1,047,768
Encumbrances/Payables	447,849		-	
Other	13,607	151,486	340,749	250,175
Funded by Budget Appropriation	4,459,500	4,925,000	5,313,422	5,100,000
	<u>6,431,735</u>	<u>7,714,898</u>	<u>5,667,971</u>	<u>6,397,943</u>
Paid	3,950,628	5,549,165	3,709,343	3,759,531
End of Year	<u>\$ 2,481,107</u>	<u>\$ 2,165,733</u>	<u>\$1,958,628</u>	<u>\$ 2,638,412</u>
Analysis of Balance				
Unencumbered Reserve	\$ 2,481,107	\$ 2,165,733	\$1,510,779	\$ 2,638,412
Encumbrances/Payables	447,849		447,849	
	<u>\$ 2,481,107</u>	<u>\$ 2,165,733</u>	<u>\$1,958,628</u>	<u>\$ 2,638,412</u>

CITY OF ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 21: INTERFUND BALANCES

As of December 31, 2011, the following interfunds were included on the balance sheets of the various funds of the City of Atlantic City:

	Due From	Due To
Current Fund:		
CDBG Trust	\$	505,840
Grant Fund	254,856	
Trust Fund - Dog Fund	262	
Trust Funds - Other		5,626,398
Grant Fund:		
Current Fund		254,856
Trust Funds - Other	757	
Trust Fund:		
Current -		
Dog Fund		262
Other Trusts	5,626,398	
CDBG	505,840	
Grant Fund		757
	\$ <u>6,388,113</u>	<u>6,388,113</u>

The Grant Fund only maintains a bank account for specific grants. All other grant activity is transacted through Current Fund bank accounts. A number of the Trust Funds do not maintain bank accounts. Their activity is transacted through the Current Fund bank accounts. The CDBG interfund is due to a timing issue based on the drawdown of Federal funds.

Note 22: SUBSEQUENT EVENTS

The City has evaluated events through August 10, 2012, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

APPENDIX C

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

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7 Admitted MD
8 Admitted VA
9 Admitted CA
10 Admitted FL
11 Admitted PR
12 Admitted VI

December ___, 2012

Mayor and Council of the
City of Atlantic City
Atlantic City, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of the \$90,380,000 aggregate principal amount of Tax Appeal Refunding Bonds, Series 2012 (the "Tax-Exempt Bonds") and the \$2,620,000 aggregate principal amount of Tax Appeal Refunding Bonds, Series 2012 (Federally Taxable) (the "Taxable Bonds" and together with the Tax-Exempt Bonds, the "Bonds") of the City of Atlantic City, in the County of Atlantic (the "City"), a body politic and corporate of the State of New Jersey (the "State").

The Bonds are authorized by and are issued pursuant to: (i) the laws of the State of New Jersey including the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); (ii) a resolution duly adopted by the Local Finance Board, Division of Local Government Services, Department of Community Affairs, State of New Jersey on September 12, 2012, after a hearing held thereon, consenting to the issuance of the Bonds; (iii) refunding bond ordinances duly adopted by the City Council of the City on September 26, 2012, and published as required by law; and (iv) resolutions duly adopted by the City Council of the City on September 26, 2012.

The Tax-Exempt Bonds are being issued to (i) pay amounts owed to taxpayers for tax liabilities resulting from court approved settlements and judgments of property tax appeals; and (ii) pay the costs associated with the issuance of the Tax-Exempt Bonds.

The Taxable Bonds are being issued to (i) fund a payment to a property owner to relieve the City of its obligations established under a multi-year tax credit agreement with such property owner; and (ii) pay the costs associated with the issuance of the Taxable Bonds.

#6621772.1(157611.001)

The tax appeal liabilities are an extraordinary expense and the amount of the liabilities were not foreseen at the time of the City Council's adoption of the 2012 fiscal year's budget and were required to meet the pressing need for public expenditures to protect and promote the public health, safety, morals and welfare of the citizens of the City.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of Bonds of each series maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$1,000 each or any integral multiple thereof, with a minimum purchase of \$5,000. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the City as Paying Agent (or a Paying Agent duly appointed by the City) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Tax-Exempt Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the first day of May and November (each an "Interest Payment Date") in each year until maturity or prior redemption, commencing May 1, 2013. The Tax-Exempt Bonds shall mature on November 1 in each of the years and in the principal amounts as follows:

<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2016	\$7,000,000	4.000%	2025	\$5,790,000	4.000%
2017	4,740,000	4.000	2026	5,590,000	4.000
2018	4,840,000	4.000	2027	5,610,000	4.000
2019	6,425,000	5.000	2028	5,630,000	3.000
2020	5,035,000	5.000	2029	5,140,000	3.000
2021	4,680,000	5.000	2030	5,095,000	3.000
2022	4,155,000	5.000	2031	4,600,000	3.125
2023	5,730,000	4.000	2032	4,560,000	3.125
2024	5,760,000	4.000			

The Taxable Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the Interest Payment Dates in each year until maturity, commencing May 1, 2013. The Taxable Bonds shall mature on November 1 in each of the years and in the principal amounts as follows:

<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2013	\$750,000	1.388%	2015	\$555,000	2.261%
2014	750,000	1.838	2016	565,000	2.703

The Tax-Exempt Bonds are subject to redemption prior to their stated maturities in accordance with their terms. The Taxable Bonds are not subject to redemption prior to their stated maturities.

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

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the New Jersey Statutes, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the City enforceable in accordance with their terms, (iii) the City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, all the taxable property within the City is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds, (iv) the tax liabilities are extraordinary non-recurring legal judgments and expenses, and (v) payment of the tax liabilities is required to meet the pressing need for public expenditures to protect and promote the public health, safety, morals and welfare of the citizens of the City.

The Internal Revenue Code of 1986, as amended and supplemented (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the Tax-Exempt Bonds for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Tax-Exempt Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Tax-Exempt Bonds. The City has covenanted to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the City with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Tax-Exempt Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Tax-Exempt Bonds pursuant to Section 103 of the Code. The Tax-Exempt Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, the interest on the Tax-Exempt Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax imposed on individuals by Section 55 of the Code. However, a portion of the interest on the Tax-Exempt Bonds owned by corporations may be subject to the Federal alternative minimum tax, which is based in part on adjusted current earnings.

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

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

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

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

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer