



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

June 27, 2014

The Honorable Mayor and
Members of City Commission
City of Margate
Margate, N.J. 08204

Dear Mayor and Commissioners:

We have audited the financial statements of the City of Margate (the "City") for the fiscal year ended December 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Margate are described in notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of Margate's financial statements was:

Management's estimate of the Compensated Absences liability is based on the termination payment method, whereby the liability is calculated based on the amount of vacation time which the employee has earned, sick leave and any compensatory time which was earned and is eligible for payment upon termination of any employee. The City estimates its accrued compensated absences liability based on the accumulated sick, vacation days, and compensatory time at the balance sheet date by those employees who are currently eligible to receive termination payments. The estimated value of compensated absences as of December 31, 2013 is \$2,320,461.60.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 27, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Information in Documents Containing Audited Financial Statements

This information is intended solely for the use of the Mayor and City Commissioners and management of the City of Margate and is not intended to be and should not be used by anyone other than these specified parties.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We would also like to present, to the Mayor and City Commissioners, the following comments and recommendations regarding the operations of the City. Our comments are not to be taken as criticisms of any particular individual(s), but to disclose matters that we believe could adversely affect the operations of the City, if not given specific attention.

Our comments and recommendations are as follows, but not necessarily listed in terms of importance:

1. Lease Agreements

The City periodically enters into contracts for the lease of public property. Some of these leases currently contain outstanding balances receivable. Procedures should be reviewed to assure that said lease arrangements are awarded by the governing body in accordance with the Local Public Contracts Law. In addition a responsible contract manager should be identified to assure that terms and conditions of the contract are adhered to and that the agreed upon payment schedule is filed with the Chief Financial Officer and the City Clerk. Every effort should be made to collect outstanding balances.

As stated earlier, our comments are not to be taken as criticisms of any particular individual(s) or department(s). We would like to extend our thanks to all the staff in the City of Margate for their full cooperation and amicable assistance. We would be pleased to discuss this letter at any time, and look forward to providing assistance with implementing our recommendations.

Respectfully submitted,

**FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS**

Leon P. Costello

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