

**CITY OF SOUTH AMBOY**  
**MIDDLESEX COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**CITY OF SOUTH AMBOY  
TABLE OF CONTENTS**

<u>Exhibits</u>		<u>Page</u>
 <b><u>PART I</u></b>		
	Independent Auditor's Report	1-3
A	Comparative Balance Sheets – Regulatory Basis - Current Fund	4-5
A-1	Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis - Current Fund	6
A-2	Statement of Revenues – Regulatory Basis – Current Fund	7-9
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	10-14
B	Comparative Balance Sheets – Regulatory Basis - Trust Funds	15-16
C	Comparative Balance Sheets – Regulatory Basis - General Capital Fund	17
D	Comparative Balance Sheets – Regulatory Basis - General Fixed Assets Account Group	18
	Notes to Financial Statements	19-45
 <b><u>Current Fund</u></b>		
A-4	Statement of Cash - Treasurer	46
A-5	Statement of Change Fund	46
A-6	Statement of Petty Cash	47
A-7	Statement of Grants Receivable	48
A-8	Statement of Due from State of New Jersey - Veterans' and Senior Citizens' Deductions	48
A-9	Statement of Taxes Receivable and Analysis of Property Tax Levy	49
A-10	Statement of Tax Title Liens	50
A-11	Statement of Revenue Accounts Receivable	51
A-12	Statement of Deferred Charges	52
A-13	Statement of Appropriation Reserves	53-54
A-14	Statement of Encumbrances Payable	55
A-15	Statement of Miscellaneous Reserves	55
A-16	Statement of County Taxes Payable	55
A-17	Statement of Local District School Taxes Payable	56
A-18	Statement of Sewer Overpayments	56
A-19	Statement of Tax Overpayments	56
A-20	Statement of Reserve for Grants Appropriated	57
A-21	Statement of Prepaid Taxes	57
A-22	Statement of Accounts Payable	58
A-23	Statement of Tax Anticipation Notes Payable	58
A-24	Statement of Notes Payable	58
A-25	Statement of Unappropriated Reserve for Grants	59
A-26	Statement of Reserve for Hurricane Sandy	59
A-27	Statement of Reserve for Tax Appeals	59

**CITY OF SOUTH AMBOY  
TABLE OF CONTENTS**

<u>Exhibits</u>		<u>Page</u>
 <b><u>PART I</u></b>		
 <b><u>Trust Fund</u></b>		
B-1	Statement of Cash	60
B-2	Statement of Reserve for Animal Control Expenditures – Animal Control Trust Fund	61
B-3	Statement of Due to State of New Jersey – Animal Control Trust Fund	61
B-4	Statement of Due from Current Fund – Other Trust Fund	62
B-5	Statement of Reserve for Third Party Lienholders – Other Trust Fund	62
B-6	Statement of Reserve for Escrow Deposits – Other Trust Fund	63
B-7	Statement of Reserve for Payroll – Other Trust Fund	63
B-8	Statement of Reserve for Payroll Deductions Payable – Other Trust Fund	63
B-9	Statement of Reserve for Miscellaneous Reserves – Other Trust Fund	64
B-10	Statement of Reserve for Unemployment Compensation Insurance – Unemployment Insurance Trust Fund	64
B-11	Statement of Due to State of New Jersey Fund – Unemployment Insurance Trust Fund	65
B-12	Statement of Community Development Block Grants Receivable - Community Development Block Grant Trust Fund	66
B-13	Statement of Reserve for Community Development Programs – Community Development Block Grant Trust Fund	67
B-14	Statement of Due from Other Trust Fund – Unemployment Insurance Trust Fund	67
 <b><u>General Capital Fund</u></b>		
C-2	Statement of Cash – General Capital Fund	68
C-3	Analysis of General Capital Cash	69
C-4	Statement of Due from Current Fund – General Capital Fund	70
C-5	Statement of Deferred Charges to Future Taxation - Funded	70
C-6	Statement of Deferred Charges to Future Taxation - Unfunded	71
C-7	Statement of Capital Improvement Fund	72
C-8	Statement of Due from State Department of Transportation	72
C-9	Statement of Accounts Payable	72
C-10	Statement of Improvement Authorizations	73
C-11	Statement of Encumbrances Payable	74
C-12	Statement of Bond Anticipation Notes	75
C-13	Statement of General Serial Bonds	76
C-14	Statement of Middlesex County Improvement Authority Loans Payable	77
C-15	Statement of Bonds and Notes Authorized But Not Issued	78

**CITY OF SOUTH AMBOY  
TABLE OF CONTENTS**

**Exhibits**

**Page**

**Part II**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards – Independent Auditor’s Report	79-80
Schedule of Expenditures of Federal Awards	81
Schedule of Expenditures of State Financial Assistance	82
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	83

**Part III**

Statement of Operations and Changes in Fund Balance - Current Fund	84
Comparative Schedule of Calendar Year Tax Rate Information	85
Comparison of Tax Levies and Collections	85
Delinquent Taxes and Tax Title Liens	85
Property Acquired by Tax Title Lien Liquidation	86
Comparative Schedule of Fund Balances	86
Officials in Office and Surety Bonds	87
Schedule of Findings and Responses	88-89
General Comments	90-91
Recommendations	92

**CITY OF SOUTH AMBOY**  
**MIDDLESEX COUNTY, NEW JERSEY**

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

# LERCH, VINCI & HIGGINS, LLP

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the City Council  
City of South Amboy  
South Amboy, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of South Amboy, as of December 31, 2012 and 2011, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2012, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the City of South Amboy on the basis of financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities.

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the requirement that the City of South Amboy prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of South Amboy as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As discussed in Note 15 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the City’s financial statements as of and for the years ended December 31, 2012 and 2011. The LOSAP Trust Fund financial activities are included in the City’s Trust Funds, and represent 28 percent and 21 percent of the assets and liabilities, respectively, of the City’s Trust Funds as of December 31, 2012 and 2011.

In addition, the footnotes to the City of South Amboy’s financial statements do not disclose the other post employment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents as required by Government Accounting Standards Board Statement Number 45 and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In our opinion, disclosure of that information is required to conform with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited and by the omission of the footnote disclosure regarding other post employment benefit obligations as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the City of South Amboy as of December 31, 2012 and 2011, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2012 in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

**Other Matters**

**Required Supplementary Information**

The City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

**Other Information**

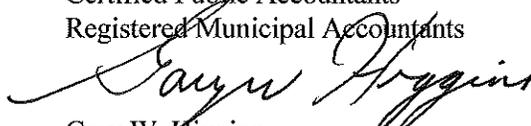
Our audit was conducted for the purpose of forming an opinion on the financial statements of the City of South Amboy as a whole. The supplementary schedules listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the City of South Amboy.

The supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 supplementary schedules listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated July 16, 2013 on our consideration of the City of South Amboy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of South Amboy's internal control over financial reporting and compliance.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants  
  
Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
July 16, 2013

**CITY OF SOUTH AMBOY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND  
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
Cash	A-4	\$ 3,789,924	\$ 3,467,676
Change Fund	A-5	475	475
Grants Receivable	A-7	6,785,688	6,830,668
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	A-8	<u>1,250</u>	<u>4,500</u>
		<u>10,577,337</u>	<u>10,303,319</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-9	624	65,265
Tax Title Liens	A-10	190,268	145,284
Revenue Accounts Receivable	A-11	<u>20,114</u>	<u>17,848</u>
		<u>211,006</u>	<u>228,397</u>
Deferred Charges			
Emergency Authorizations	A-12	340,000	433,050
Special Emergency Authorizations	A-12	515,000	
Operating Deficit	A-12	<u>82,685</u>	<u>43,039</u>
		<u>937,685</u>	<u>476,089</u>
 Total Assets		 <u>\$ 11,726,028</u>	 <u>\$ 11,007,805</u>

**CITY OF SOUTH AMBOY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND  
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Appropriation Reserves	A-3,A-13	\$ 630,144	\$ 234,746
Encumbrances Payable	A-14	3,475,990	2,617,289
Tax Anticipation Note Payable	A-23	3,000,000	3,000,000
Due to Other Trust Fund	B-4		47,600
Prepaid Taxes	A-21	112,984	113,357
Grants Appropriated	A-20	3,121,453	4,275,639
Grants Unappropriated	A-25	16,752	
Accounts Payable	A-22	89,965	19,253
Tax Overpayments	A-19	16,123	18,042
Sewer Overpayments	A-18	4,286	
Emergency Notes Payable	A-24	340,000	350,000
Special Emergency Notes Payable	A-24	515,000	
Reserve for Tax Appeals	A-27	50,000	
Miscellaneous Reserves	A-15	400	16,204
Reserve for Hurricane Sandy	A-26	<u>54,647</u>	<u>-</u>
		11,427,744	10,692,130
Reserve for Receivables and Other Assets	A	211,006	228,397
Fund Balance	A-1	<u>87,278</u>	<u>87,278</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 11,726,028</u>	<u>\$ 11,007,805</u>

**CITY OF SOUTH AMBOY  
COMPARATIVE STATEMENTS OF OPERATIONS AND  
CHANGES IN FUND BALANCE - REGULATORY BASIS - CURRENT FUND  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Miscellaneous Revenue Anticipated	A-2	\$ 6,185,175	\$ 13,131,458
Receipts from Delinquent Taxes	A-2	142,835	3,138
Receipts from Current Taxes	A-2	20,080,068	19,835,713
Non-Budget Revenues	A-2	151,832	118,776
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	A-13	91,423	96,466
Prior Year Interfund Returned	A-1		24,087
Cancellation of Appropriated Grant Reserves - Net	A-1	-	343
		<u>26,651,333</u>	<u>33,209,981</u>
<b>EXPENDITURES</b>			
Budget Appropriations:			
Operations			
Salaries and Wages	A-3	5,765,363	5,557,989
Other Expenses	A-3	6,541,919	12,914,087
Capital Improvements	A-3	75,000	75,000
Municipal Debt Service	A-3	1,683,055	1,623,214
Deferred Charges and Regulatory Expenditures	A-3	1,628,774	1,619,941
County Taxes	A-16	2,883,022	2,969,159
County Open Space Taxes	A-16	263,576	290,807
Due County for Added Taxes	A-16	5,666	11,430
Local District School Taxes	A-17	8,638,957	8,573,622
Refund of Prior Year Revenue	A-4	86,778	67,771
Prior Year Senior Citizens and Veterans Disallowed	A-8	5,250	
Account Payable Adjustment	A-22	11,658	-
		<u>27,589,018</u>	<u>33,703,020</u>
Deficit in Revenue		(937,685)	(493,039)
Adjustments to Income before Surplus			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-12	<u>855,000</u>	<u>450,000</u>
Deficit in Operations to be Raised in Budget of Succeeding Year	A-12	<u>\$ (82,685)</u>	<u>\$ (43,039)</u>
Statutory Excess Fund Balance			
Fund Balance, Beginning of Year	A	<u>\$ 87,278</u>	<u>\$ 87,278</u>
Fund Balance, End of Year	A	<u>\$ 87,278</u>	<u>\$ 87,278</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverage	A-11	\$ 27,771	\$ 27,071	\$ (700)
Other	A-2	20,000	11,661	(8,339)
Fees and Permits	A-2	45,000	29,136	(15,864)
Fines and Costs:				
Municipal Court	A-11	248,000	255,809	7,809
Interest and Costs on Taxes	A-11	47,000	41,247	(5,753)
Interest on Investments and Deposits	A-2	27,000	11,076	(15,924)
Sewer User Fees	A-11	1,150,000	1,067,187	(82,813)
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)	A-11	3,872,278	3,872,278	-
Uniform Construction Code Fees	A-11	60,500	132,640	72,140
Clean Communities Program	A-7	12,042	12,042	-
Municipal Alliance	A-7	9,099	9,099	-
Parking Fees	A-11	269,000	243,054	(25,946)
Payment in Lieu of Taxes - Shoregate	A-11	186,500	199,609	13,109
Cable Television Fees	A-11	33,000	39,185	6,185
Dish Rental	A-11	60,000	35,000	(25,000)
Sewer Connection Fees	A-11	270,000	97,911	(172,089)
FEMA Reimbursement	A-11	50,570	50,570	-
Housing Inspection Program	A-11	43,050	50,600	7,550
		<hr/>	<hr/>	<hr/>
Total Miscellaneous Revenues	A-1	6,430,810	6,185,175	(245,635)
		<hr/>	<hr/>	<hr/>
Receipts from Delinquent Taxes	A-2		142,835	142,835
		<hr/>	<hr/>	<hr/>
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes Including Reserve for				
Uncollected Taxes	A-2	8,199,493	8,079,844	(119,649)
Minimum Library Tax	A-2	309,003	309,003	-
		<hr/>	<hr/>	<hr/>
		8,508,496	8,388,847	(119,649)
		<hr/>	<hr/>	<hr/>
		\$ 14,939,306	14,716,857	\$ (222,449)
		<hr/>	<hr/>	<hr/>
Non-Budget Revenues	A-2		151,832	
			<hr/>	
			\$ 14,868,689	
			<hr/>	

The Accompanying Notes are an Integral Part of these Financial Statements.

**CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(Continued)**

	<u>Reference</u>	
<b>ANALYSIS OF REALIZED REVENUES</b>		
Allocation of Current Tax Collections		
Revenues from Collections	A-9	\$ 20,130,068
Less:		
Allocated School and County Taxes	A-16,A-17	11,791,221
Transfer to Reserve for Tax Appeals	A-27	<u>50,000</u>
Balance for Support of Municipal Budget Appropriations		8,288,847
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>100,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$ 8,388,847</u></u>
Delinquent Taxes		
Delinquent Tax Collections	A-9	\$ 70,934
Tax Title Liens Collections	A-10	<u>71,901</u>
	A-2	<u><u>\$ 142,835</u></u>
Other Licenses		
Bingo Licenses		\$ 1,430
Food Licenses		1,050
Mercantile Licenses		7,070
Outdoor Café Licenses		325
Cat Licenses		254
Taxi License		182
Video License		<u>1,350</u>
	A-2, A-11	<u><u>\$ 11,661</u></u>
Fees and Permits - Other		
Photo Copies		\$ 2,890
Planning Bd. Of Adj.		2,800
Road Opening Permits		4,646
Sidewalk and Curbs		490
Marriage/Local		4,549
Copy of Birth Cert.		2,870
Copy of Death Cert.		8,110
Copy of Marriage Lic.		1,570
Tax Collector Fees		<u>1,211</u>
	A-2, A-11	<u><u>\$ 29,136</u></u>
Interest on Investments		
Due from Other Trust Fund	B-4	\$ 567
Cash Receipts	A-11	<u>10,509</u>
	A-2	<u><u>\$ 11,076</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

**CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(Continued)**

	<u>Reference</u>	
Non-Budget Revenues		
2% Administration Fee - Senior Citizen and Veterans	\$	1,769
Marriage Fees		3,250
Tidelands Escrow		62,370
FEMA - Hurricane Irene		18,432
In Lieu - Robert Noble Manor		3,036
Miscellaneous		<u>62,975</u>
	A-2,A-4	<u>\$ 151,832</u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
General Administration					
Salaries and Wages	\$ 192,151	\$ 192,151	\$ 192,056	\$ 95	
Other Expenses	60,500	60,500	55,440	5,060	
Mayor and Council					
Salaries and Wages	43,212	42,612	42,573	39	
Other Expenses	5,050	5,050	4,451	599	
Municipal Clerk					
Salaries and Wages	117,112	117,112	112,825	4,287	
Other Expenses	18,600	18,600	10,088	8,512	
Financial Administration					
Salaries and Wages	155,083	130,083	121,927	8,156	
Other Expenses	15,950	15,950	13,038	2,912	
Audit Services					
Other Expenses	49,500	47,500	45,000	2,500	
Revenue Administration					
Salaries and Wages	85,764	85,764	81,604	4,160	
Other Expenses	8,275	10,275	8,780	1,495	
Tax Assessment Administration					
Salaries and Wages	32,683	32,683	32,683	-	
Other expenses	7,500	7,500	5,699	1,801	
Legal Services					
Other Expenses	250,000	250,000	171,282	78,718	
Department of Engineering					
Other Expenses	130,000	140,000	129,470	10,530	
Vital Statistics					
Salaries and Wages	9,298	9,298	9,298	-	
Other Expenses	1,000	1,000	747	253	
<b>LAND USE ADMINISTRATION</b>					
Planning Board					
Salaries and Wages	25,336	25,336	25,334	2	
Other Expenses	17,975	22,575	19,155	3,420	
<b>PUBLIC SAFETY</b>					
Police Department					
Salaries and Wages	3,245,000	3,525,000	3,505,223	19,777	
Other Expenses	65,350	70,350	70,319	31	
Office of Emergency Management					
Other Expenses	1,200	1,200	1,096	104	
Aid to Volunteer Fire Companies					
Other Expenses	85,000	70,000	70,000	-	
Aid to Volunteer Ambulance Squad					
Other Expenses	35,000	35,000	35,000	-	
Department of Fire					
Other Expenses	55,050	55,050	53,809	1,241	
Uniform Fire Official					
Other Expenses	1,500	1,500	1,500	-	
Municipal Prosecutor Office					
Salaries and Wages	15,000	14,500	13,643	857	

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC WORKS					
Streets and Roads Maintenance					
Salaries and Wages	\$ 318,637	\$ 336,637	\$ 330,663	\$ 5,974	
Other Expenses	46,000	46,000	40,325	5,675	
Other Public Works Functions					
Shade Tree					
Other Expenses	5,000	5,000	5,000	-	
Sewers					
Salaries and Wages	224,242	230,242	222,054	8,188	
Other Expenses	30,300	30,300	24,810	5,490	
Parking Lot					
Salaries and Wages	12,500	12,500	12,459	41	
Other Expenses	200,000	200,000	200,000	-	
Recycling Coordinator					
Salaries and Wages	9,181	9,181	9,180	1	
Other Expenses	100	100	-	100	
Solid Waste Collection					
Salaries and Wages	291,308	282,308	262,880	19,428	
Other Expenses	345,000	345,000	307,935	37,065	
Buildings and Grounds					
Salaries and Wages	226,326	228,326	195,608	32,718	
Other Expenses	89,500	94,500	94,329	171	
Other Expenses - Hurricane Sandy		515,000	324,625	190,375	
Vehicle Maintenance					
Salaries and Wages	50,000	62,500	59,522	2,978	
Other Expenses	83,000	83,000	83,000	-	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	5,000	5,100	4,233	867	
Other Expenses	57,000	57,000	56,577	423	
Animal Control Services					
Other Expenses	16,000	16,000	5,198	10,802	
Municipal Court					
Salaries and Wages	122,305	122,305	121,122	1,183	
Other Expenses	8,500	8,500	6,801	1,699	
Public Defender					
Salaries and Wages	6,500	6,500	6,249	251	
PARK AND RECREATION FUNCTIONS					
Department of Recreation					
Recreation Services and Programs					
Salaries and Wages	46,843	62,743	47,114	15,629	
Other Expenses	24,400	24,400	21,063	3,337	
Senior Citizen Activities					
Salaries and Wages	121,482	96,482	91,298	5,184	
Other Expenses	14,000	14,000	10,188	3,812	
OTHER COMMON OPERATING FUNCTIONS (Unclassified)					
Celebration of Public Events					
Other Expenses	17,000	17,000	17,000	-	

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
Insurance (N.J.S.A. 40A:4-45.3(00))					
General Liability	\$ 209,350	\$ 210,350	\$ 209,306	\$ 1,044	
Workers Compensation	340,000	340,000	340,000	-	
Employee Group Health	2,094,800	2,154,800	2,130,116	24,684	
Health Benefit Waivers	6,300	6,300	6,300		
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Division of Code Enforcement					
Salaries and Wages	136,000	136,000	133,369	2,631	
Other Expenses	5,200	5,200	2,587	2,613	
Unclassified					
Utilities	580,000	575,000	514,869	60,131	-
<b>Total Operations Within "CAPS"</b>	<b>10,469,863</b>	<b>11,324,863</b>	<b>10,727,820</b>	<b>597,043</b>	<b>-</b>
Detail:					
Salaries and Wages	5,490,963	5,765,363	5,632,917	132,446	-
Other Expenses	4,978,900	5,559,500	5,094,903	464,597	-
DEFERRED CHARGES AND REGULATORY EXPENDITURES -					
MUNICIPAL WITHIN "CAPS"					
Defined Contribution Retirement Program	3,000	3,000	3,000	-	
Regulatory Expenditures					
Social Security System (O.A.S.I.)	260,000	260,000	247,477	12,523	
Police and Firemen's Retirement System of NJ	592,258	592,258	592,258	-	
Public Employees' Retirement System	297,427	297,427	297,427	-	-
<b>Total Deferred Charges and Regulatory Expenditures - Municipal Within "CAPS"</b>	<b>1,152,685</b>	<b>1,152,685</b>	<b>1,140,162</b>	<b>12,523</b>	<b>-</b>
Cash Deficit of Preceding Year	43,039	43,039	43,039	-	-
<b>Total General Appropriations for Municipal Purposes Within "CAPS"</b>	<b>11,665,587</b>	<b>12,520,587</b>	<b>11,911,021</b>	<b>609,566</b>	<b>-</b>
OPERATIONS - EXCLUDED FROM "CAPS"					
Middlesex County Utilities Authority - Payment	590,000	590,000	569,422	20,578	
Maintenance of Free Public Library	309,003	309,003	309,003	-	
Length of Service Awards Program	60,000	60,000	60,000	-	-
<b>Total Other Operations Excluded from "CAPS"</b>	<b>959,003</b>	<b>959,003</b>	<b>938,425</b>	<b>20,578</b>	<b>-</b>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Public and Private Programs Offset by Revenues					
Municipal Alliance Against Drug & Alcohol Abuse	\$ 11,374	11,374	11,374		
Clean Communities	12,042	12,042	12,042	-	-
Total Public and Private Programs Offset by Revenues	23,416	23,416	23,416	-	-
Total Operations - Excluded from "CAPS"	982,419	982,419	961,841	\$ 20,578	-
Detail:					
Other Expenses	982,419	982,419	961,841	20,578	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	75,000	75,000	75,000	-	-
Total Capital Improvements Excluded from "CAPS"	75,000	75,000	75,000	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond & Loan Principal	1,052,310	1,052,310	1,052,306		\$ 4
Interest on Bonds	512,900	512,900	512,730		170
Interest on Notes	85,840	85,840	85,840		
Capital Lease Obligations					
Principal	29,000	29,000	29,000		
Interest	3,200	3,200	3,179	-	21
Total Municipal Debt Service - Excluded from "CAPS"	1,683,250	1,683,250	1,683,055	-	195
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorizations	433,050	433,050	433,050	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	433,050	433,050	433,050	-	-
Total General Appropriations - Excluded from "CAPS"	3,173,719	3,173,719	3,152,946	20,578	195
Subtotal General Appropriations	14,839,306	15,694,306	15,063,967	630,144	195
Reserve for Uncollected Taxes	100,000	100,000	100,000	-	-
Total General Appropriations	\$ 14,939,306	\$ 15,794,306	\$ 15,163,967	\$ 630,144	\$ 195

Reference A-2

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**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(Continued)**

	<u>Reference</u>	<u>Appropriations Budget After Modification</u>	<u>Expended Paid or Charged</u>
Original Budget	A-3	\$ 14,939,306	
Emergency Appropriations 40A:4-47	A-12	340,000	
Special Emergency Authorizations	A-12	<u>515,000</u>	
		<u>\$ 15,794,306</u>	
Cash Disbursements	A-4		\$ 14,331,800
Deferred Charges			
Emergency Authorizations	A-12		433,050
Operating Deficit	A-12		43,039
Encumbrances Payable	A-14		232,662
Reserve for Uncollected Taxes	A-2		100,000
Appropriated Grants	A-20		<u>23,416</u>
			<u>\$ 15,163,967</u>

**CITY OF SOUTH AMBOY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS  
AS OF DECEMBER 31, 2012 AND 2011**

<b>ASSETS</b>	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<b>ANIMAL CONTROL TRUST FUND</b>			
Cash	B-1	\$ 3,155	\$ 3,348
<b>OTHER TRUST FUND</b>			
Cash	B-1	626,198	485,215
Due from Current Fund	B-4	-	47,600
		<u>626,198</u>	<u>532,815</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
Cash	B-1	118,473	119,371
Due from Other Trust Fund	B-14	-	14,647
		<u>118,473</u>	<u>134,018</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND</b>			
Community Development Block Grants Receivable	B-12	39,185	137,007
<b>LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)</b>			
Investments	B	319,842	180,602
Contribution Receivable	B	-	36,000
		<u>319,842</u>	<u>216,602</u>
Total Assets		<u>\$ 1,106,853</u>	<u>\$ 1,023,790</u>

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS**  
**AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<b>LIABILITIES AND RESERVES</b>			
<b>ANIMAL CONTROL TRUST FUND</b>			
Reserve for Animal Control Expenditures	B-2	\$ 3,137	\$ 3,341
Due to State of New Jersey	B-3	<u>18</u>	<u>7</u>
		<u>3,155</u>	<u>3,348</u>
<b>OTHER TRUST FUND</b>			
Reserve for			
Third Party Lienholders	B-5	52,142	9,182
Escrow Deposits	B-6	309,045	175,371
Miscellaneous Reserves	B-9	190,739	262,946
Payroll	B-7	8,066	8,067
Payroll Deductions Payable	B-8	66,206	62,602
Due to Unemployment Trust Fund	B-14	<u>-</u>	<u>14,647</u>
		<u>626,198</u>	<u>532,815</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
Due to State of New Jersey	B-11	820	141
Reserve for Unemployment Compensation Insurance	B-10	<u>117,653</u>	<u>133,877</u>
		<u>118,473</u>	<u>134,018</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND</b>			
Reserve for Community Development Programs	B-13	<u>39,185</u>	<u>137,007</u>
		<u>39,185</u>	<u>137,007</u>
<b>LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)</b>			
Reserve for LOSAP	B	<u>319,842</u>	<u>216,602</u>
Total Liabilities and Reserves		<u>\$ 1,106,853</u>	<u>\$ 1,023,790</u>

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 672,653	\$ 1,032,293
Due from State Department of Transportation	C-8	25,000	25,000
Deferred Charges to Future Taxation:			
Funded	C-5	12,674,447	13,477,843
Unfunded	C-6	<u>3,181,000</u>	<u>2,325,000</u>
 Total Assets		 <u>\$ 16,553,100</u>	 <u>\$ 16,860,136</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
General Serial Bonds	C-13	\$ 12,060,000	\$ 13,028,000
Middlesex County Improvement Authority Loans Payable	C-14	614,447	449,843
Bond Anticipation Notes Payable	C-12	2,325,000	1,850,000
Encumbrances Payable	C-11	748,896	460,292
Accounts Payable	C-9	19,470	19,470
Capital Improvement Fund	C-7	61,330	30,330
Improvement Authorizations			
Funded	C-10	208,336	208,579
Unfunded	C-10	<u>515,621</u>	<u>813,622</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 16,553,100</u>	 <u>\$ 16,860,136</u>

There were bonds and notes authorized but not issued on December 31, 2012 and 2011 in the amount of \$856,000 and \$475,000, respectively (Exhibit C-15).

**CITY OF SOUTH AMBOY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Buildings and Land	\$ 9,625,300	\$ 9,625,300
Machinery and Equipment	<u>6,665,515</u>	<u>6,333,666</u>
	<u>\$ 16,290,815</u>	<u>\$ 15,958,966</u>
<b>FUND BALANCE</b>		
Investment in General Fixed Assets	<u>\$ 16,290,815</u>	<u>\$ 15,958,966</u>

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Regulatory Basis of Accounting**

The financial statements of the City of South Amboy have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

**B. Reporting Entity**

The City of South Amboy (the "City") was incorporated in 1808 and operates under an elected Mayor/Council form of government. The City's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. 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. The City is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the City do not include the municipal library, volunteer fire department, volunteer ambulance squad, the South Amboy Redevelopment Agency or Port Authority, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The City uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain City functions or activities. The City also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The City has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the City as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Trust Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the City as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the City as collateral.

Unemployment Insurance Trust Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

Community Development Block Grant Trust Fund - This fund is used to account for grant proceeds and related expenditures for Block grant entitlements.

Length of Service Award Program Trust Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the City.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the City, The City's infrastructure is not reported in the account group.

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The City of South Amboy follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division (“regulatory basis of accounting”) differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

**Property Tax Revenues** - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the City. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The City also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The City may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

**Miscellaneous Revenues** - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the City's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

**Grant and Similar Award Revenues** - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the City's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

**Sewer User Fees** - Sewer User charges are levied quarterly based upon water consumption usage. Revenues from these sources are recognized on a cash basis in the Current Fund. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the City's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

**Budgets and Budgetary Accounting** - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the City and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

The City is not required to adopt budgets for the following funds:

Trust Funds  
General Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2012 and 2011 the City Council increased the original budget by \$855,000 and \$5,895,771, respectively. The 2012 increase was attributable to emergency and special emergency resolutions. The 2011 increase was attributable to an emergency resolution totaling \$450,000 and additional grants and state aid totaling \$5,445,771. In addition, the governing body approved several budget transfers during 2012 and 2011.

**Expenditures** – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

**Encumbrances** - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

**Appropriation Reserves** – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

**Operating Deficits** – Deficits resulting from expenditures and other debits which exceed cash revenues, other realized revenues and credits to income in such fiscal year are recorded as deferred charges on the balance sheet of the respective operating fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of operating deficits at year end.

**Compensated Absences** - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

**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. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

**Inventories** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

**Cash and Investments** - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

**Tax Appeals and Other Contingent Losses** - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

**General Fixed Assets** - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the City of South Amboy has developed a fixed assets accounting and reporting system. Fixed assets are defined by the City as assets with an initial, individual cost of \$300 and an estimated useful life in excess of two years.

CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

General Fixed Assets (Continued)

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 sewerage and drainage systems are not capitalized.

Fixed Assets purchased after June 30, 1998 are stated as cost.

Fixed Assets purchased prior to June 30, 1998 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the City to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain reclassifications may have been made to the December 31, 2011 balances to conform to the December 31, 2012 presentation.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

D. Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The City presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

**CITY OF SOUTH AMBOY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 2 DEPOSITS AND INVESTMENTS**

**Deposits**

The City considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

The City's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The City is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2012 and 2011, the book value of the City's deposits were \$5,210,878 and \$5,108,378 and bank and brokerage firm balances of the City's deposits amounted to \$5,279,705 and \$5,510,499, respectively. The City's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2012</u>	<u>2011</u>
Insured	\$ 5,279,705	\$ 5,510,499

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 City does not have a formal policy for custodial credit risk. As of December 31, 2012 and 2011, the City had no bank balances exposed to custodial credit.

**Investments**

The City is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the City or bonds or other obligations of the school districts which are a part of the City or school districts located within the City, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the City is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2012 and 2011, the City had the following investments:

Investment:	<u>Fair Value (Unaudited)</u>	
	<u>2012</u>	<u>2011</u>
Length of Service Award Program	\$ 319,842	\$ 180,602

**CITY OF SOUTH AMBOY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 2 DEPOSITS AND INVESTMENTS**

**Investments (Continued)**

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by an outside party. The City does not have a policy for custodial risk. As of December 31, 2012 and 2011, \$319,842 and \$180,602 of the City’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value (Unaudited)</u>	
	<u>2012</u>	<u>2011</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the City's name	\$ 319,842	\$ 180,602

Interest Rate Risk – The City 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.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The City does not have an investment policy that would further limit its investment choices. As of December 31, 2012 and 2011, the City’s investment in Lincoln Financial a subsidiary of Lincoln National Corporation was rated Baa2 by Moody’s Investors Service

Concentration of Credit Risk – The City places no limit in the amount the City may invest in any one issuer. More than five (5) percent of the City’s investments are in Lincoln Financial. These investments are 100% of the City’s total investments.

The fair value of the above-listed investments were based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

**NOTE 3 TAXES RECEIVABLE**

Receivables at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
<u>Current</u>		
Property Taxes	\$ 624	\$ 65,265
Tax Title Liens	<u>190,268</u>	<u>145,284</u>
	<u>\$190,892</u>	<u>\$210,549</u>

In 2012 and 2011, the City collected \$142,835 and \$3,138 from delinquent taxes, which represented 68% and 2.5% of the prior year delinquent taxes receivable balance.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 MUNICIPAL DEBT**

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for the general capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The City's debt is summarized as follows:

	<u>2012</u>	<u>2011</u>
Issued		
General		
Bonds, Notes and Loans	\$ 14,999,447	\$ 15,327,843
Net Debt Issued	<u>14,999,447</u>	<u>15,327,843</u>
Authorized But Not Issued		
General		
Bonds and Notes	<u>856,000</u>	<u>475,000</u>
Net Bonds, Notes and Loans Issued and Authorized But Not Issued	<u>\$ 15,855,447</u>	<u>\$ 15,802,843</u>

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the City's Annual Debt Statement and indicates a statutory net debt of 1.71% and 1.63% at December 31, 2012 and 2011, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2012</u></b>			
General Debt	\$ 20,575,447	\$ 4,720,000	\$ 15,855,447
School Debt	<u>9,400,526</u>	<u>9,400,526</u>	<u>-</u>
Total	<u>\$ 29,975,973</u>	<u>\$ 14,120,526</u>	<u>\$ 15,855,447</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2011</u></b>			
General Debt	\$ 20,617,843	\$ 4,815,000	\$ 15,802,843
School Debt	<u>1,104,000</u>	<u>1,104,000</u>	<u>-</u>
Total	<u>\$ 21,721,843</u>	<u>\$ 5,919,000</u>	<u>\$ 15,802,843</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Statutory Borrowing Power**

The City's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2012</u>	<u>2011</u>
3 1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 32,373,350 <u>15,885,447</u>	\$ 33,862,168 <u>15,802,843</u>
Remaining Borrowing Power	<u>\$ 16,487,903</u>	<u>\$ 18,059,325</u>

**Long-Term Debt**

The City's long-term debt consisted of the following at December 31:

**General Obligation Bonds**

The City levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
\$2,998,000, 2002 Bonds, due in annual installments of \$318,000 through December 15, 2012, interest at 3.90%		\$ 318,000
\$5,290,000, 2006 Bonds, due in annual installments of \$200,000 to \$450,000 through August 1, 2023, interest at 4.375% to 4.500%	\$ 4,690,000	4,890,000
\$7,920,000, 2010 Bonds, due in annual installments of \$750,000 to \$770,000 through May 1, 2025, interest at 3.0% to 4.0%	<u>7,370,000</u>	<u>7,820,000</u>
	<u>\$ 12,060,000</u>	<u>\$ 13,028,000</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Long-Term Debt (Continued)**

**General Intergovernmental Loans Payable**

The City has entered into a loan agreements with the Middlesex County Improvement Authority for the financing relating to certain equipment of the City. The City levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
\$49,985, 2008 Loan, due in annual installments of \$4,885 to \$5,833 through September 15, 2018, interest at 3.50% to 4.20%	\$ 32,087	\$ 36,802
\$452,063, 2009 Loan, due in annual installments of \$64,884 to \$61,888 through July 15, 2019, interest at 1.00% to 3.00%	264,813	328,115
\$84,926, 2011 Loan, due in annual installments of \$16,406 to \$17,927 through July 15, 2016, interest at 1.25% to 3.00%	68,636	84,926
\$248,911, 2012 Loans, due in annual installments of \$31,989 to \$21,235 through September 15, 2022, interest at 1.25% to 3.00%	<u>248,911</u>	<u>-</u>
	<u>\$ 614,447</u>	<u>\$ 449,843</u>

The City's principal and interest for long-term debt issued and outstanding as of December 31, 2012 is as follows:

<u>Calendar Year</u>	<u>General</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 950,000	\$ 460,300	\$ 118,164	\$ 18,752	\$ 1,547,216
2014	940,000	432,800	116,913	16,322	1,506,035
2015	950,000	398,550	74,632	13,039	1,436,221
2016	950,000	363,863	82,802	10,485	1,407,150
2017	950,000	328,551	60,805	8,023	1,347,379
2018-2022	4,775,000	1,071,687	161,131	14,641	6,022,459
2023-2025	<u>2,545,000</u>	<u>154,750</u>	<u>-</u>	<u>-</u>	<u>2,699,750</u>
	<u>\$ 12,060,000</u>	<u>\$ 3,210,501</u>	<u>\$ 614,447</u>	<u>\$ 81,262</u>	<u>\$ 15,966,210</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Changes in Long-Term Municipal Debt**

The City's long-term capital debt activity for the years ended December 31, 2012 and 2011 were as follows:

	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<b><u>2012</u></b>					
General Capital Fund					
Bonds Payable	\$ 13,028,000		\$ 968,000	\$ 12,060,000	\$ 950,000
Intergovernmental					
Loans Payable	<u>449,843</u>	<u>\$ 248,911</u>	<u>84,307</u>	<u>614,447</u>	<u>118,164</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 13,477,843</u>	<u>\$ 248,911</u>	<u>\$ 1,052,307</u>	<u>\$ 12,674,447</u>	<u>\$ 1,068,164</u>
	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<b><u>2011</u></b>					
General Capital Fund					
Bonds Payable	\$ 13,801,000		\$ 773,000	\$ 13,028,000	\$ 968,000
Intergovernmental					
Loans Payable	<u>431,529</u>	<u>\$ 84,926</u>	<u>66,612</u>	<u>449,843</u>	<u>84,307</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 14,232,529</u>	<u>\$ 84,926</u>	<u>\$ 839,612</u>	<u>\$ 13,477,843</u>	<u>\$ 1,052,307</u>

**Debt Guarantees**

**South Amboy Redevelopment Agency – Lease Revenue Bonds Recreation and Community Center**

On August 15, 2008, the South Amboy Redevelopment Agency (the "Agency") issued \$5,000,000 of Lease Revenue Bonds, Series 2008 ("2008 Revenue Bonds") to: (i) finance the construction of a recreation and community center, (ii) refund the Agency's \$1,000,000 Project Note, Series 2008 maturing September 12, 2008 and (iii) pay certain costs of issuance. The 2008 Revenue Bonds bear an interest rate of 4.25% per annum with principal payments due on August 15<sup>th</sup> for the years 2010 through 2038.

In conjunction with the issuance of the Lease Revenue Bonds the City and the Agency entered into a subsidy agreement dated February 15, 2007. Pursuant to the agreement the City shall pay the Agency upon 15 days' notice, any amount needed to pay principal and redemption premium of and/or interest on the 2008 Revenue Bonds to the extent such funds are not otherwise available from the Agency.

The outstanding balance at December 31, 2012 and 2011 is \$4,720,000 and \$4,815,000, respectively.



**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

In addition to the debt shown in the above schedule, municipalities may issue debt to finance emergency or special emergency appropriations or to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt which is not included in the City's statutory debt limit calculation is reported in the Current Fund for the years 2012 and 2011 as follows:

**Emergency Notes Payable**

Any local unit may borrow money and issue its negotiable notes to meet an emergency appropriation. All emergency notes, and any renewals thereof, shall mature not later than the last day of the fiscal year following the fiscal year in which the notes were issued and the emergency appropriation authorized.

	Rate (%)	Maturity Date	Balance, December 31, <u>2011</u>	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, <u>2012</u>
<b><u>2012</u></b>						
<u>Purpose</u>						
2012-Budget Appropriations-						
Employee Group Health	1.25	11/15/2013		\$ 60,000		\$ 60,000
Police-Salaries and Wages	1.25	11/15/2013		280,000		280,000
2011-Budget Appropriations-						
Employee Group Health	1.25	11/15/2013	\$ 350,000	-	\$ 350,000	-
Total Emergency Notes			<u>\$ 350,000</u>	<u>\$ 340,000</u>	<u>\$ 350,000</u>	<u>\$ 340,000</u>

	Rate (%)	Maturity Date	Balance, December 31, <u>2010</u>	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, <u>2011</u>
<b><u>2011</u></b>						
<u>Emergency Notes</u>						
<u>Purpose</u>						
2011-Budget Appropriations-						
Employee Group Health	1.25	4/27/2012	-	\$ 350,000	-	\$ 350,000
Total Emergency Notes			<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Short-Term Debt (Continued)**

**Special Emergency Notes**

Following the adoption of an ordinance or resolution for special emergency appropriations, the City may borrow money and issue special emergency notes which may be renewed from time to time, but at least 1/5 of all such notes and the renewal thereof, shall mature and be paid in each year so that all notes have been paid by the end of the fifth year following the date of the special emergency resolution.

	(%)	Date	2011	Issued	Redeemed	2012
<b><u>2012</u></b>						
<u>Purpose</u>						
Hurricane Sandy	1.25	11/15/2013	-	\$ 515,000	-	\$ 515,000
Total Special Emergency Notes			\$ -	\$ 515,000	\$ -	\$ 515,000

There were no special emergency notes issued as of December 31, 2011.

**Tax Anticipation Notes**

In any fiscal year in anticipation of the collection of taxes for such year, whether levied or to be levied in such year, or in anticipation of other revenues for such year, the City may borrow money in the form of tax anticipation notes. The amount of tax anticipation notes of any fiscal year outstanding at any one time shall not exceed an amount certified as the gross borrowing power. Tax anticipation notes may be renewed from time to time, but all such notes and any renewals shall mature within 120 days after the beginning of the succeeding fiscal year.

	Rate (%)	Maturity Date	Balance, December 31, 2011	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2012
<b><u>2012</u></b>						
<u>Purpose</u>						
Anticipated Tax Collections	1.75	4/25/2013	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Short-Term Debt (Continued)**

**Tax Anticipation Notes (Continued)**

	Rate (%)	Maturity Date	Balance, December 31, 2010	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2011
<b><u>2011</u></b>						
<u>Purpose</u>						
Anticipated Tax Collections	1.75	4/27/2012	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000

**NOTE 5 FIXED ASSETS**

**General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2012 and 2011.

	Balance December 31, 2011	Additions	Retirements	Balance, December 31, 2012
<b><u>2012</u></b>				
Buildings and Land	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	6,333,666	\$ 341,880	\$ 10,031	6,665,515
	<u>\$ 15,958,966</u>	<u>\$ 341,880</u>	<u>\$ 10,031</u>	<u>\$ 16,290,815</u>
	Balance, December 31, 2010	Additions	Retirements	Balance, December 31, 2011
<b><u>2011</u></b>				
Buildings and Land	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	5,981,624	\$ 371,275	\$ 19,233	6,333,666
	<u>\$ 15,606,924</u>	<u>\$ 371,275</u>	<u>\$ 19,233</u>	<u>\$ 15,958,966</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 6 DUE TO/FROM OTHER FUNDS**

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2011</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund		\$ 47,600
Trust Funds:		
Animal Control		
Unemployment	\$ 14,647	
Other Trust	47,600	14,647
Community Development Block Grant	-	-
	<u>          </u>	<u>          </u>
Total	<u>\$ 62,247</u>	<u>\$ 62,247</u>

There were no interfund receivables and payables as of December 31, 2012.

The above balances are the result of expenditures being paid by one fund on behalf of another.

The City expects all interfund balances to be liquidated within one year.

**NOTE 7 FUND BALANCES APPROPRIATED**

Under the regulatory basis of accounting, fund balances in the Current Fund is comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent Year's Budget <u>          </u>	Fund Balance December 31, <u>2011</u>	Utilized in Subsequent Year's Budget <u>          </u>
Current Fund				
Non-Cash Surplus	<u>\$ 87,278</u>	<u>\$ -</u>	<u>\$ 87,278</u>	<u>\$ -</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance, December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<b><u>2012</u></b>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$515,000	\$127,716	\$387,284
Emergency Authorizations	340,000	340,000	
Operating Deficit	<u>82,685</u>	<u>82,685</u>	<u>          </u>
	<u>\$937,685</u>	<u>\$550,401</u>	<u>\$387,284</u>
<b><u>2011</u></b>			
Current Fund			
Emergency Authorization	\$433,050	\$433,050	
Operating Deficit	<u>43,039</u>	<u>43,039</u>	<u>          </u>
	<u>\$476,089</u>	<u>\$476,089</u>	<u>\$          -</u>

**NOTE 9 COMPENSATED ABSENCES**

Under the existing policies and labor agreements of the City, employees are allowed to accumulate (with certain restrictions) unused vacation benefits and sick leave overtime over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$865,358 at December 31, 2012. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those City employees who are eligible for pension coverage.

**Police and Firemen's Retirement System (PFRS)** – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees' Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those City employees who are eligible for pension coverage.

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**Other Pension Funds**

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Significant Legislation**

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**Investment Valuation**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.5 percent and \$11.6 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included: (a) a revised investment rate of return for all the retirement systems from 8.25 percent to 7.95 percent; and (b) revised projected salary increases which vary by fund (6.32% for PFRS and 4.52% for PERS).

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Annual Pension Cost (APC) (Continued)**

During the years ended December 31, 2012, 2011 and 2010, the City, was required to contribute for normal cost pension contributions, accrued liability pension contributions, deferred pension obligation contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31,</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2012	\$ 592,258	\$ 297,427	\$ 3,000
2011	778,249	306,192	500
2010	586,979	269,873	500

During the year ended December 31, 2009 the City elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$344,668 and will be paid back with interest over 15 years beginning in the 2012 year. The City is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 8.25%) at December 31, 2012 and 2011 is \$411,089 and \$428,876, respectively.

**NOTE 11 POST-RETIREMENT MEDICAL BENEFITS**

**Plan Description**

The City provides a post employment healthcare plan for its eligible retirees and their spouses. The plan is a single-employer defined benefit healthcare plan administered by the City. In accordance with City contracts and personnel policies, the City provides post-retirement health coverage to its eligible retired employees and their dependents at the time of retirement at the same cost to the retiree as there would be; if any, if they remained an employee. Coverage for a retiree spouse and/or dependent ends upon the death of the retiree.

**Funding Policy**

The required contribution is funded on a pay-as-you-go basis with an additional amount to prefund benefits as determined annually by the City. The amount paid by the City for post-retirement health coverage premiums for eligible retirees and their dependents during the year ended December 31, 2012 and 2011 was not available.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 12 RISK MANAGEMENT**

The City is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The City has obtained commercial insurance coverage to guard against these events to minimize the exposure to the City should they occur.

The City of South Amboy is a member of the Middlesex County Municipal Joint Insurance Fund (MCMJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The MCMJIF and MELJIF coverage amounts are on file with the City.

The relationship between the City and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The City is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The City has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the City is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The City is billed quarterly for amounts due to the State. The following is a summary of City contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the City's unemployment compensation trust fund for the current and previous two years:

<u>Year Ended</u> <u>December 31</u>	<u>City</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2012	\$-0-	\$ 7,551	24,155	\$ 117,653
2011	75,000	7,444	34,154	133,877
2010	131,908	7,203	37,960	84,732

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 13 CONTINGENT LIABILITIES**

The City is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the City's Attorney, the potential claims against the City not covered by insurance policies would not materially affect the financial condition of the City.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2012 and 2011. Amounts claimed have not yet been determined. The City is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the City does not recognize a liability, if any, until these cases have been adjudicated. The City expects such amounts, if any, could be material. As of December 31, 2012 and 2011, the City reserved \$50,000 and \$0-, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**Other Matters** - The City has condemned certain properties in connection with the redevelopment of waterfront properties in the City to provide for a ferry site. Pursuant to filed Declarations of Taking for the above referenced condemnation cases, in June 2005, the City became the owner for the sum of \$652,300 plus an additional \$69,200 for the settlement with the State of New Jersey, Department of Environmental Protection, Tidelands Bureau, or a total of \$721,500. The sum of \$652,300 had been deposited with the Court and paid over to the owners of the properties. The additional sum of \$69,200 to the State of New Jersey is unpaid, to date. The property owners have presented appraisals for the property on October 29, 2009 claiming the property is worth \$11,240,000, a difference of \$10,518,500, and are contesting the amount paid by the City. This matter is proceeding to a jury trial pursuant to the State's eminent domain statute. The parties dismissed the case without prejudice and are working to conclude a global settlement with no additional payments by the City.

**Federal and State Awards** - The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2012 and 2011, significant amounts of grant expenditure have not been audited by the various grantor agencies but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the City.

**Deferred Liabilities** - As of December 31, 2011, the City had deferred the payment of its December 2011 health benefits bill in the amount of \$116,417. This policy was consistent with prior years. This amount was not recorded as an expenditure or liability in the City's financial statements. The bill was paid in the 2012 budget year. As of December 31, 2012 the City has paid the December 2012 health benefits bill, therefore, there is no more deferred payment.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 14 FEDERAL ARBITRAGE REGULATIONS**

The City is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2012 and 2011, the City had no estimated arbitrage earnings due to the IRS.

**NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED**

The City of South Amboy Length of Service Award Program (the Plan) was created by a City ordinance adopted on July 6, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the City of South Amboy approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2000. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the City on behalf of those volunteers who meet the criteria of a plan created by the governing body.

The City of South Amboy LOSAP operates on a fiscal year ended June 30.

As of December 31, 2012 and 2011, the City has established a reserve for LOSAP in the amount of \$67,240 and \$132,666. The City anticipates the reserve will be sufficient to fund the outstanding liability based upon the eligibility records provided.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The City of South Amboy has contributed \$126,667 in 2012 for eligible volunteer fire department and eligible volunteer first aid squad members into the Plan. The contribution included amounts earned from the 2011-2012, 2010-2011 and 2009-2010 fiscal years.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the City has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial Group is the administrator of the plan. The City's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

**CITY OF SOUTH AMBOY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED**

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

**Reporting Requirements**

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the City perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the City's Trust Funds.

**NOTE 16 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of December 31, the City had the following commitments with respect to unfinished capital projects and acquisitions:

<u>Capital Project/Acquisitions</u>	<u>Construction/ Acquisition Commitment</u>	<u>Estimated Date of Completion</u>
<b>2012</b>		
<u>Current Fund</u>		
Intermodal RFR II	\$ 3,241,704	2013
<u>General Capital Fund</u>		
Broadway Improvements	125,162	2013
Improvements to Various Roadways	162,234	2013
Improvements to Buildings and Grounds	175,719	2013
Police & Admin Technology	53,155	2013
Sewer Cleaner Truck	222,456	2013
<b>2011</b>		
<u>Current Fund</u>		
Intermodal RFR II	\$ 2,449,834	2012
<u>General Capital Fund</u>		
Broadway Improvements	93,552	2012
Acquisitions of Vehicles	180,399	2012
Improvements to Building and Grounds	144,314	2012

**CITY OF SOUTH AMBOY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 17 CAPITAL LEASE AGREEMENT**

The Middlesex County Improvement Authority (MCIA) issues Revenue Bonds for the purpose of financing the acquisition of capital equipment. The MCIA then leases that equipment to various local governments located in Middlesex County based upon formal requests by the respective entity.

The City of South Amboy has entered into several lease agreements with the MCIA over the years. Lease agreements outstanding at December 31, 2012 for which the City is still making payments are for the years 2004, 2008 and 2011 lease programs. Payments for these lease agreements continue through 2016 and are summarized as follows:

<u>Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>MCIA Fee</u>	<u>Trustee Fee</u>	<u>Total</u>
2013	\$ 29,359	\$ 2,059	\$ 62	\$ 211	\$ 31,691
2014	13,266	1,147	32	128	14,573
2015	12,482	760	32	128	13,402
2016	12,857	386	-	-	13,243
	<u>\$ 67,964</u>	<u>\$ 4,352</u>	<u>\$ 126</u>	<u>\$ 467</u>	<u>\$ 72,909</u>

**NOTE 18 HURRICANE SANDY**

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The City has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the City has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2012. As of December 31, 2012, the City has received \$105,218 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

**NOTE 19 SUBSEQUENT EVENTS**

**Tax Anticipation Notes**

On April 17, 2013 the City authorized the Chief Financial Officer to issue \$3,000,000 of Tax Anticipation Notes to temporarily finance the City's operating expenditures. As of the date of this report, the Chief Financial Officer has not issued nor awarded the sale of said notes.

**Emergency Appropriations**

On June 19, 2003 the City Council approved two emergency appropriations to pay certain expenses for a judgement and a supplemental insurance assessment in the amounts of \$575,000 and \$171,264, respectively. The City Council intends on seeking approval from the Local Finance Board of the State of New Jersey to fund these emergencies with a refunding bond ordinance pursuant to NJSA 40A:2-51 and fund the bond ordinance over future years.

**SUPPLEMENTARY SCHEDULES**

**CURRENT FUND**

**CITY OF SOUTH AMBOY  
STATEMENT OF CASH - TREASURER**

Balance, December 31, 2011		\$ 3,467,676
Increased by Receipts:		
Taxes Receivable	\$ 20,001,460	
Non-Budget Revenue	151,832	
Due from State of NJ - Senior Citizens' and Veterans' Deductions	84,185	
Tax Title Liens	71,901	
Revenue Accounts Receivable	6,163,467	
Miscellaneous Payables and Reserves	1,205	
Notes Payable	855,000	
Prepaid Taxes	112,984	
Tax Anticipation Notes Payable	3,000,000	
Tax and Sewer Overpayments	26,552	
Reimbursed - Appropriation Reserves	868	
Accounts Payable - Restitution	3,615	
Grants Receivable	66,121	
Reserve for Hurricane Sandy	54,647	
Petty Cash Received	1,050	
Unappropriated Grants	16,752	
Receipts from Other Trust Fund	567	
	<u>30,612,206</u>	
		34,079,882
Decreased by Disbursements:		
Budget Appropriations	14,331,800	
Tax Anticipation Notes Payable	3,000,000	
Miscellaneous Reserves	930	
Grants Appropriated	386,632	
Appropriation Reserves	269,762	
County Taxes Payable	3,152,264	
Local District School Tax Payable	8,638,957	
Refund of Prior Year Revenue	86,778	
Tax Overpayments	24,185	
Interfund - Other Trust	47,600	
Petty Cash Paid	1,050	
Emergency Note	350,000	
	<u>30,289,958</u>	
		\$ 3,789,924
Balance, December 31, 2012		<u>\$ 3,789,924</u>

EXHIBIT A-5

**STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance December 31, <u>2011</u>	Balance December 31, <u>2012</u>
Municipal Court	\$ 100	\$ 100
Registrar/Vital Statistics	45	45
Sewer Collector	145	145
Tax Collector	85	85
City Clerk	50	50
Construction Code Official	50	50
	<u>\$ 475</u>	<u>\$ 475</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF PETTY CASH**

<u>Office</u>	Balance, December 31, <u>2011</u>	<u>Increased by</u> Petty Cash <u>Issued</u>	<u>Decreased by</u> Petty Cash <u>Returned</u>	Balance, December 31, <u>2012</u>
City Administrator		\$ 200	\$ 200	
Police Department		500	500	
Department of Public Works	-	350	350	-
	<u>\$ -</u>	<u>\$ 1,050</u>	<u>\$ 1,050</u>	<u>\$ -</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2011</u>	<u>Accrued</u>	<u>Received</u>	Balance, December 31, <u>2012</u>
HDSRF - Broadway Redevelopment	\$ 21,114			\$ 21,114
HDSRF - Wishey Property	65,705			65,705
Municipal Alliance on Alcoholism & Drug Abuse	21,676	\$ 9,099	\$ 7,615	23,160
Clean Communities		12,042	12,042	
NJDOT : TTF Transit Village	111,304		41,464	69,840
Main St. - Engineering	399,990			399,990
Radford Ferry Road (Phase II)	955,879			955,879
NJ TTF Pine Ave & Portia	250,000			250,000
Intermodal RFR II	5,000,000			5,000,000
Middlesex County Law Enf. Grant	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
	<u>\$ 6,830,668</u>	<u>\$ 21,141</u>	<u>\$ 66,121</u>	<u>\$ 6,785,688</u>

EXHIBIT A-8

**STATEMENT OF DUE FROM STATE OF NEW JERSEY -  
VETERANS' AND SENIOR CITIZENS' DEDUCTIONS**

Balance, December 31, 2011	\$ 4,500
Increased by:	
Senior Citizens and Veteran Deductions Per Tax Billings	\$ 23,000
Senior Citizens' and Veterans' Deductions Allowed Per Tax Collector	1,750
Veteran's Deductions Allowed Per Tax Collector	<u>64,250</u>
	<u>89,000</u>
	93,500
Decreased by:	
Received in Cash from State	84,185
Senior Citizens Deductions Disallowed	2,815
Adjustment Due to State	<u>5,250</u>
	<u>92,250</u>
Balance, December 31, 2012	<u>\$ 1,250</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance, Dec. 31, 2011	2012 Levy	Added Taxes	Senior Citizens and Veterans Deductions Disallowed	Collected		Senior Citizens and Veterans' Deductions Allowed	Transferred to Tax Title Liens	Cancelled	Balance, Dec. 31, 2012
					2011	2012				
2008	\$ 52,365		\$ 3,635			\$ 56,000				
2011	12,900	-	2,315	-	-	14,934	-	-	-	\$ 281
	65,265	-	5,950	-	-	70,934	-	-	-	281
2012	-	\$ 20,377,394	-	\$ 2,815	\$ 113,357	19,930,526	\$ 89,000	\$ 107,501	\$ 139,482	343
	<u>\$ 65,265</u>	<u>\$ 20,377,394</u>	<u>\$ 5,950</u>	<u>\$ 2,815</u>	<u>\$ 113,357</u>	<u>\$ 20,001,460</u>	<u>\$ 89,000</u>	<u>\$ 107,501</u>	<u>\$ 139,482</u>	<u>\$ 624</u>

Analysis of Calendar Year December 31, 2012 Property Tax Levy

Tax Levy:	
General Purpose Tax	\$ 20,329,130
Added Tax	48,264
	<u>\$ 20,377,394</u>
Local District School Tax Levy	\$ 8,638,957
County Taxes:	
County Tax	\$ 3,146,598
Due County for Added Taxes	5,666
	3,152,264
Local Tax for Municipal Purposes	8,199,493
Minimum Library Tax	309,003
Add: Excess in Tax Levied	77,677
	<u>8,586,173</u>
	<u>\$ 20,377,394</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF TAX TITLE LIENS**

Balance, December 31, 2011	\$ 145,284
Increased by:	
Transferred from Taxes Receivable	\$ 107,501
Fees and Costs	<u>9,384</u>
	<u>116,885</u>
	262,169
Decreased By:	
Collections	<u>71,901</u>
Balance, December 31, 2012	<u>\$ 190,268</u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, December 31, <u>2011</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2012</u>
Licenses:				
Alcoholic Beverage		\$ 27,071	\$ 27,071	
Other		11,661	11,661	
Fees and Permits		29,136	29,136	
Fines and Costs:				
Municipal Court	\$ 17,848	258,075	255,809	\$ 20,114
Interest and Costs on Taxes		41,247	41,247	
Interest on Investments and Deposits		10,509	10,509	
Sewer User Fees		1,067,187	1,067,187	
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)		3,872,278	3,872,278	
Uniform Construction Code Fees		132,640	132,640	
Parking Fees		243,054	243,054	
Payment in Lieu of Taxes - Shoregate		199,609	199,609	
Cable Television Fees		39,185	39,185	
Dish Rental		35,000	35,000	
Sewer Connection Fees		97,911	97,911	
FEMA Reimbursement		50,570	50,570	
Housing Inspection Program	-	50,600	50,600	-
	<u>\$ 17,848</u>	<u>\$ 6,165,733</u>	<u>\$ 6,163,467</u>	<u>\$ 20,114</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF DEFERRED CHARGES**

	Balance, December 31, <u>2011</u>	Added in <u>2012</u>	Raised in 2012 <u>Budget</u>	Balance, December 31, <u>2012</u>
Emergency Authorizations (40A:4-47)	\$ 433,050	\$ 340,000	\$ 433,050	\$ 340,000
Special Emergency Authorizations		515,000		515,000
Operating Deficit	<u>43,039</u>	<u>82,685</u>	<u>43,039</u>	<u>82,685</u>
	<u>\$ 476,089</u>	<u>\$ 937,685</u>	<u>\$ 476,089</u>	<u>\$ 937,685</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF APPROPRIATION RESERVES**

	Balance December, <u>2011</u>	Balance After Transfers and Encumbrances <u>Cancelled</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
General Administration				
Salaries and Wages	\$ 89	\$ 89		\$ 89
Other Expenses	5,396	7,633	\$ 2,224	5,409
Mayor and Council				
Salaries and Wages	126	126		126
Other Expenses	23	23	22	1
Municipal Clerk				
Salaries and Wages	106	106		106
Other Expenses	1,224	1,824	735	1,089
Financial Administration				
Salaries and Wages	101	101		101
Other Expenses	4,571	4,571	130	4,441
Audit		19,500	19,500	
Revenue Administration				
Salaries and Wages	4,228	4,228		4,228
Other Expenses	33	1,782	1,782	-
Tax Assessment Administration				
Salaries and Wages	51	51		51
Other Expenses	168	168	168	-
Legal Services				
Other Expenses	1,067	80,989	65,610	15,379
Department of Engineering				
Other Expenses	14,925	18,700	18,700	-
Vital Statistics				
Other Expenses	63	63	-	63
Planning Board				
Other Expenses	2,549	2,549	2,549	-
Police Department				
Salaries and Wages	36,608	2,476	-	2,476
Other Expenses	1,011	10,020	9,933	87
Emergency Management				
Other Expenses	24	159	136	23
Aid to Volunteer Fire Companies				
Other Expenses	6,703	6,703	6,072	631
Department of Fire				
Other Expenses	1,668	12,151	11,576	575
Municipal Prosecutor Office				
Salaries and Wages	55	55	-	55
Streets and Roads				
Salaries and Wages	24	24	-	24
Other Expenses	12,854	21,597	16,978	4,619
Shade Tree				
Other Expenses	96	96		96
Parking Lot				
Salaries and Wages	3	3		3
Sewers				
Salaries and Wages	1,123	1,122	-	1,122
Other Expenses	3,112	4,738	3,730	1,008

CITY OF SOUTH AMBOY  
STATEMENT OF APPROPRIATION RESERVES

	Balance December, 2011	Balance After Transfers and Encumbrances Cancelled	Paid or Charged	Balance Lapsed
Recycling Coordinator				
Salaries and Wages	\$ 1	1		1
Solid Waste				
Other Expenses	42,687	\$ 51,472	\$ 44,136	7,336
Buildings and Grounds				
Salaries and Wages	2,998	2,998	-	2,998
Other Expenses	6,379	13,045	13,045	-
Vehicle Maintenance				
Salaries and Wages	3	3	-	3
Other Expenses	11	10,149	6,611	3,538
Board of Health				
Salaries and Wages	6	6	-	6
Other Expenses	1,532	1,532	-	1,532
Animal Control Services				
Other Expenses	71	71	-	71
Municipal Court				
Salaries and Wages	368	368	-	368
Other Expenses	4,490	4,710	254	4,456
Public Defender				
Salaries and Wages	2	2	-	2
Recreation Services and Programs				
Salaries and Wages	1,832	1,832	-	1,832
Other Expenses	3,597	3,974	2,463	1,511
Senior Citizens				
Salaries and Wages	217	217	-	217
Other Expenses	1,146	1,471	325	1,146
Celebration of Public Events				
Other Expenses	3,791	4,418	927	3,491
Division of Code Enforcement				
Salaries and Wages	1,565	1,565		1,565
Other Expenses	1,815	1,989	174	1,815
Utilities	2,258	37,100	32,246	4,854
Insurance				
General Liability	1,948	1,948	-	1,948
Workers Compensation	34	34	-	34
Employee Group Health	46,914	46,913	46,884	29
Deferred Charges and Regulatory Expenditures				
Social Security Systems (O.A.S.I.)	10,868	10,868		10,868
Middlesex County Utilities Authority - Payment	2,212	2,212	2,212	-
<b>Grand Total</b>	<b>\$ 234,746</b>	<b>\$ 400,545</b>	<b>\$ 309,122</b>	<b>\$ 91,423</b>
Appropriation Reserves		\$ 234,746		
Encumbrances Reappropriated		164,931		
Reimbursement		868		
		<u>\$ 400,545</u>		
Cash Disbursements			\$ 269,762	
Transferred to Accounts Payable			<u>39,360</u>	
			<u>\$ 309,122</u>	

**CITY OF SOUTH AMBOY  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2011		\$ 2,617,289
Increased by:		
Charges to Budget Appropriations	\$ 232,662	
Charges to Reserves for Grants Appropriated	<u>3,243,327</u>	
		3,475,989
		6,093,278
Decreased by:		
Transferred to Appropriated Grants	2,452,357	
Transferred to Appropriation Reserves	<u>164,931</u>	
		<u>2,617,288</u>
Balance, December 31, 2012		<u>\$ 3,475,990</u>

EXHIBIT A-15

**STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, 2011	Increases	Decreases	Balance, December 31, 2012
Vital Statistics	\$ 125	\$ 1,205	\$ 930	\$ 400
Garnishees	<u>16,079</u>	<u>-</u>	<u>16,079</u>	<u>-</u>
	<u>\$ 16,204</u>	<u>\$ 1,205</u>	<u>\$ 17,009</u>	<u>\$ 400</u>
			Cash Disbursements \$ 930	
			Transferred to Accounts Payable <u>16,079</u>	
			<u>\$ 17,009</u>	

EXHIBIT A-16

**STATEMENT OF COUNTY TAXES PAYABLE**

Increased by:		
Tax Levy:		
General Taxes	\$ 2,883,022	
Added and Omitted Taxes	5,666	
Open Space Taxes	<u>263,576</u>	
		\$ 3,152,264
Decreased by:		
Payments		<u>\$ 3,152,264</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE**

Increased by:	
Tax Levy	<u>\$ 8,638,957</u>
Decreased by:	
Payments	<u>\$ 8,638,957</u>

**STATEMENT OF SEWER OVERPAYMENTS**

Increased by:	
Cash Receipts	<u>\$ 4,286</u>
Balance, December 31, 2012	<u>\$ 4,286</u>

**STATEMENT OF TAX OVERPAYMENTS**

	<u>Taxes</u>
Balance, December 31, 2011	\$ 18,042
Increased by:	
Cash Receipts	<u>22,266</u>
	40,308
Decreased By:	
Cash Disbursements	<u>24,185</u>
Balance, December 31, 2012	<u>\$ 16,123</u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF RESERVE FOR GRANTS APPROPRIATED**

	Balance December 31, <u>2011</u>	Budget Appropriation	Prior Year Encumbrances Reappropriated	Paid or Charged	Balance December 31, <u>2012</u>
Body Armor Replacement Fund	\$ 2,260			\$ 1,565	\$ 695
Body Armor Replacement Fund - 2008	6,135				6,135
Body Armor Replacement Fund - 2011	6,728				6,728
HDSRF - Broadway Redevelopment	39,337				39,337
HDSRF - Wishey Property	65,705				65,705
Municipal Alliance					
2012		\$ 11,374			11,374
2011	11,124				11,124
2010	11,124				11,124
2009	11,124			9,680	1,444
2008	810			810	
TTF Transit Village	99,929			300	99,629
Clean Communities		12,042			12,042
Recycling Tonnage Grant	25,911				25,911
Main St. Engineering Svcs			\$ 252,833	252,833	
Radford Ferry Road	943,762			915,247	28,515
NJTTF Pine Ave & Portia	250,000			250,000	
Intermodal RFR II	2,801,663		2,197,001	2,197,001	2,801,663
Middlesex County Law Enf. Grant	27	-	2,523	2,523	27
	<u>\$ 4,275,639</u>	<u>\$ 23,416</u>	<u>\$ 2,452,357</u>	<u>\$ 3,629,959</u>	<u>\$ 3,121,453</u>
Transfer to Encumbrances Payable				\$ 3,243,327	
Cash Disbursements				<u>386,632</u>	
				<u>\$ 3,629,959</u>	

EXHIBIT A-21

**STATEMENT OF PREPAID TAXES**

Balance, December 31, 2011	\$ 113,357
Increased by:	
2013 Taxes Received	<u>112,984</u>
	226,341
Decreased by:	
Applied to Taxes Receivable	<u>113,357</u>
Balance, December 31, 2012	<u>\$ 112,984</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2011		\$ 19,253
Increased by:		
Charged to Appropriation Reserves	\$ 39,360	
Transferred from Miscellaneous Reserves	16,079	
Result of Operations - Set up Old PO'S	11,658	
Cash Receipt - Restitution	<u>3,615</u>	
		<u>70,712</u>
Balance, December 31, 2012		<u><u>\$ 89,965</u></u>

**STATEMENT OF TAX ANTICIPATION NOTES PAYABLE**

Balance, December 31, 2011		\$ 3,000,000
Increased by:		
Cash Receipts		<u>3,000,000</u>
		6,000,000
Decreased by:		
Cash Disbursements		<u>3,000,000</u>
Balance, December 31, 2012		<u><u>\$ 3,000,000</u></u>

**STATEMENT OF NOTES PAYABLE**

Balance, December 31, 2011		\$ 350,000
Increased by:		
Cash Receipts		<u>855,000</u>
		1,205,000
Decreased by:		
Cash Disbursements		<u>350,000</u>
Balance, December 31, 2012		<u><u>\$ 855,000</u></u>
Emergency Notes Payable		\$ 340,000
Special Emergency Notes Payable		<u>515,000</u>
		<u><u>\$ 855,000</u></u>

**CITY OF SOUTH AMBOY  
STATEMENT OF UNAPPROPRIATED RESERVE FOR GRANTS**

Increased by:		
Cash Receipts	\$	<u>16,752</u>
Balance, December 31, 2012	\$	<u><u>16,752</u></u>
	Body Armor \$	2,689
	Recycling Tonnage	<u>14,063</u>
	\$	<u><u>16,752</u></u>

EXHIBIT A-26

**STATEMENT OF RESERVE FOR HURRICANE SANDY**

Increased by:		
Cash Receipts	\$	<u>54,647</u>
Balance, December 31, 2012	\$	<u><u>54,647</u></u>

EXHIBIT A-27

**STATEMENT OF RESERVE FOR TAX APPEALS**

Increased by:		
Transfer from Tax Collections	\$	<u>50,000</u>
Balance, December 31, 2012	\$	<u><u>50,000</u></u>

**TRUST FUND**

**CITY OF SOUTH AMBOY  
STATEMENT OF CASH**

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>
Balance, December 31, 2011	\$ 3,348	\$ 485,215	\$ 119,371
Increased by Receipts:			
Reserve for Payroll		\$ 3,844,940	
Reserve for Payroll Deductions Payable		3,465,518	
Reserve for Miscellaneous Reserves		93,954	
Reserve for Escrow Deposits		195,358	
Reserve for Third Party Lienholders		624,707	
License Fees Collected	\$ 2,326		
Late Fees Collected	60		
Due to State of NJ - State Registration Fees	635		
Due from Community Development Block Grant Fund			
Receipts from Current Fund		47,600	
Due from Payroll Agency			\$ 14,647
Employee Contributions			7,551
Interest on Deposits	-	567	380
	<u>3,021</u>	<u>8,272,644</u>	<u>22,578</u>
	6,369	8,757,859	141,949
Decreased by Disbursements:			
Expenditures	2,590		
Due to Payroll Agency		14,647	
Due to State of NJ - Unemployment Claims			23,476
Due to State of NJ - State Registration Fees	624		
Payments to Current Fund		567	
Reserve for Escrow Deposits		61,684	
Reserve for Payroll		3,844,941	
Reserve for Payroll Deductions Payable		3,461,914	
Reserve for Third Party Lienholders			
Reserve for Third Party Lienholders		581,747	
Reserve for Miscellaneous Reserves	-	166,161	-
	<u>3,214</u>	<u>8,131,661</u>	<u>23,476</u>
Balance, December 31, 2012	<u>\$ 3,155</u>	<u>\$ 626,198</u>	<u>\$ 118,473</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES  
ANIMAL CONTROL TRUST FUND**

Balance, December 31, 2011		\$	3,341
Increased by:			
License Fees Collected	\$	2,326	
Late Fees Collected		<u>60</u>	
			<u>2,386</u>
			5,727
Decreased by:			
Cash Disbursements			<u>2,590</u>
Balance, December 31, 2012		\$	<u><u>3,137</u></u>

**STATEMENT OF DUE TO STATE OF NEW JERSEY  
ANIMAL CONTROL TRUST FUND**

Balance, December 31, 2011		\$	7
Increased By:			
State Fees Collected			<u>635</u>
			642
Decreased by			
Payments			<u>624</u>
Balance, December 31, 2012		\$	<u><u>18</u></u>

**CITY OF SOUTH AMBOY  
STATEMENT OF DUE FROM CURRENT FUND  
OTHER TRUST FUND**

Balance, December 31, 2011		\$ 47,600
Increased By		
Payments to Current Fund		<u>567</u>
		48,167
Decreased by:		
Receipts from Current Fund	\$ 47,600	
Interest Earned	<u>567</u>	
		<u>48,167</u>
Balance, December 31, 2012		<u>\$ -</u>

**STATEMENT OF RESERVE FOR THIRD PARTY LIENHOLDERS  
OTHER TRUST FUND**

Balance, December 31, 2011		\$ 9,182
Increased by		
Cash Receipts		<u>624,707</u>
		633,889
Decreased by		
Cash Disbursements		<u>581,747</u>
Balance, December 31, 2012		<u>\$ 52,142</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF RESERVE FOR ESCROW DEPOSITS  
OTHER TRUST FUND**

Balance, December 31, 2011	\$	175,371
Increased by		
Deposits Collected		195,358
		370,729
Decreased by:		
Deposits Refunded		61,684
Balance, December 31, 2012	\$	309,045

EXHIBIT B-7

**STATEMENT OF RESERVE FOR PAYROLL  
OTHER TRUST FUND**

Balance, December 31, 2011	\$	8,067
Increased by:		
Cash Receipts		3,844,940
		3,853,007
Decreased by:		
Cash Disbursements		3,844,941
Balance, December 31, 2012	\$	8,066

EXHIBIT B-8

**STATEMENT OF RESERVE FOR PAYROLL DEDUCTIONS PAYABLE  
OTHER TRUST FUND**

Balance, December 31, 2011	\$	62,602
Increased by:		
Cash Receipts		3,465,518
		3,528,120
Decreased by:		
Cash Disbursements		3,461,914
Balance, December 31, 2012	\$	66,206

**CITY OF SOUTH AMBOY  
STATEMENT OF RESERVE FOR MISCELLANEOUS RESERVES  
OTHER TRUST FUND**

	Balance December 31, <u>2011</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance December 31, <u>2012</u>
Recycling Program	\$ 22,046	\$ 2,409		\$ 24,455
Senior Citizen Transportation	4,370	1,050		5,420
Forfeited Funds	29,735		\$ 1,595	28,140
Recreation Trust	4,893			4,893
Parking Offense Adjudication Act	1,922	586		2,508
Raritan Bay Seafood Festival	8,885	2,725	599	11,011
Tax Sale Premium	48,900	24,100	35,900	37,100
Off Duty Police	124			124
Charter Celebration	4,586			4,586
Dedicated Penalties - Fire	4,819	1,843	1,400	5,262
LOSAP	<u>132,666</u>	<u>61,241</u>	<u>126,667</u>	<u>67,240</u>
	<u>\$ 262,946</u>	<u>\$ 93,954</u>	<u>\$ 166,161</u>	<u>\$ 190,739</u>

EXHIBIT B-10

**STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE  
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2011	\$ 133,877
Increased by:	
Employee Contribution	\$ 7,551
Interest on Deposits	<u>380</u>
	<u>7,931</u>
	141,808
Decreased by:	
Unemployment Claims	<u>24,155</u>
Balance, December 31, 2012	<u>\$ 117,653</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF DUE TO STATE OF NEW JERSEY FUND  
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2011	\$ 141
Increased By:	
Claims	<u>24,155</u>
	24,296
Decreased by:	
Payments made to the State of NJ	<u>23,476</u>
Balance, December 31, 2012	<u>\$ 820</u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF COMMUNITY DEVELOPMENT BLOCK GRANTS RECEIVABLE**  
**COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND**

Balance, December 31, 2011	\$	137,007
Increased by:		
Grant Allocations		40,652
		177,659
Decreased by:		
Credits Applied		138,474
Balance, December 31, 2012	\$	39,185

Analysis of Balance

2008 Façade Program	\$	38,515
2009 Senior Center Improvements		670
	\$	39,185

**STATEMENT OF RESERVE FOR COMMUNITY DEVELOPMENT PROGRAMS  
COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND**

	2012 Façade <u>Improvements</u>
Balance, December 31, 2011	\$ 137,007
Increased by:	
Grant Awards	
Senior Area/Community Center	40,652
	177,659
Decreased by:	
Credits Applied	138,474
Balance, December 31, 2012	\$ 39,185

EXHIBIT B-14

**STATEMENT OF DUE FROM OTHER TRUST FUND  
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2011	\$ 14,647
Decreased by:	
Cash Receipts from Payroll Agency	14,647
Balance, December 31, 2012	\$ -

**GENERAL CAPITAL FUND**

**CITY OF SOUTH AMBOY  
STATEMENT OF CASH - GENERAL CAPITAL FUND**

Balance, December 31, 2011		\$ 1,032,293
Increased by Receipts:		
Cash Received from Current Fund	\$ 380,360	
Proceeds from MCIA Loan Issued	248,911	
Premium Received on MCIA Loan	<u>11,089</u>	
		<u>640,360</u>
		1,672,653
Decreased by Disbursements:		
Cash Paid to Current Fund		<u>1,000,000</u>
		-
Balance, December 31, 2012		<u>\$ 672,653</u>

**CITY OF SOUTH AMBOY  
ANALYSIS OF GENERAL CAPITAL CASH**

			Balance, December 31, <u>2012</u>
Grants Receivable		\$	(25,000)
Accounts Payable			19,470
Encumbrances Payable			748,896
Capital Improvement Fund			61,330
<u>Ord. No.</u>	<u>Improvement Description</u>		
8-02	Augusta St. - Phase III		16,098
12-03	Acquisition of Land		21,741
7-07	Improvements to Sewer System on Cedar Street		10,674
9-08.1	Acquisition of Fire Apparatus		21,228
9-08.2	Acquisition of Vehicles		30,814
18-09	Purchase of Bucket Truck		4,526
18-09	Purchase of Truck with Spreader		33,090
11-10	Environmental Remediation		3,514
14-11	Various Equipment		6,651
20-11	Tax Appeals (Refunding Bonds)		118,312
7-12	Various Capital Improvements		(458,691)
10-12	Various Capital Improvements & Equipment		60,000
			<u>672,653</u>
		\$	<u>672,653</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF DUE FROM CURRENT FUND  
GENERAL CAPITAL FUND**

Increased By:		
Cash Receipts Deposited in Current Fund		
Proceeds from Bond Anticipation Notes Issued	\$ 475,000	
Cash Paid to Current Fund	<u>1,000,000</u>	
		\$ 1,475,000
Budget Appropriation		
Capital Improvement Fund		<u>75,000</u>
		<u>1,550,000</u>
Decreased by:		
Cash Disbursements made by Current Fund:		
Improvement Authorizations	\$ 712,862	
Encumbrances Payable	<u>456,778</u>	
		1,169,640
Cash Received from Current Fund	<u>380,360</u>	
		<u>1,550,000</u>
Balance, December 31, 2012		<u><u>\$ -</u></u>

**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance, December 31, 2011		\$ 13,477,843
Increased by:		
Issuance of Loans		<u>248,911</u>
		13,726,754
Decreased by:		
Budget Appropriation to Pay:		
Bond Principal	\$ 968,000	
Loan Principal	<u>84,307</u>	
		<u>1,052,307</u>
Balance, December 31, 2012		<u><u>\$ 12,674,447</u></u>

**CITY OF SOUTH AMBOY  
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ord. No.	<u>Improvement Description</u>	<u>Increased by</u>		<u>Decreased by</u>		Balance, December 31, <u>2012</u>	Bond Anticipation Notes	<u>Analysis of Balance</u>	
		Balance, December 31, <u>2011</u>	<u>Authori- zations</u>	<u>Loans Issued</u>	<u>Premium on Loan</u>			<u>Expenditures</u>	<u>Unexpended Improvement Authorization</u>
10-10	Improvements to Various Streets	\$ 427,500				\$ 427,500	\$ 427,500		
11-10	Environmental Remediation	47,500				47,500	47,500		
28-10	Improvements to Various Streets	425,000				425,000	425,000		
2-11	Various Capital Improvements	950,000				950,000	950,000		
20-11	Tax Appeals (Refunding Bonds)	475,000				475,000	475,000		
7-12	Various Capital Improvements		\$ 856,000			856,000		\$ 458,691	\$ 397,309
10-12	Various Capital Improvements & Equipment	-	260,000	\$ 248,911	\$ 11,089	-	-	-	-
		<u>\$ 2,325,000</u>	<u>\$ 1,116,000</u>	<u>\$ 248,911</u>	<u>\$ 11,089</u>	<u>\$ 3,181,000</u>	<u>\$ 2,325,000</u>	<u>\$ 458,691</u>	<u>\$ 397,309</u>
									\$ 515,621
									Less: Unexpended Proceeds of Bond
									Anticipation Notes Issued:
									Ord, 20-11
									<u>118,312</u>
									<u>\$ 397,309</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2011	\$ 30,330
Increased by:	
Current Fund Budget Appropriation	75,000
	105,330
Decreased by:	
Appropriated to Finance Improvement Authorizations	44,000
Balance, December 31, 2012	\$ 61,330

**STATEMENT OF DUE FROM STATE DEPARTMENT  
OF TRANSPORTATION**

Balance, December 31, 2011	\$ 25,000
Balance, December 31, 2012	\$ 25,000

Analysis of Balance

Ord. 5-02/1-03/18-05	\$ 25,000
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**STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2011	\$ 19,470
Balance, December 31, 2012	\$ 19,470

**CITY OF SOUTH AMBOY  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Amount Appropriated	Balance, December 31, 2011		Improvement Authorizations	Paid or Charged	Encumbrances Canceled	Balance, December 31, 2012	
			Funded	Unfunded				Funded	Unfunded
8-02	Augusta St. - Phase III	\$ 377,000	\$ 16,098					\$ 16,098	
12-03	Acquisition of Land	1,500,000	21,741					21,741	
25-06	Broadway Street Enhancement Improvements	650,000	32,032			\$ 32,032		-	
7-07	Improvements to Sewer System on Cedar Street	65,000	10,674					10,674	
9-08.1	Acquisition of Fire Apparatus	475,000	21,228					21,228	
9-08.2	Acquisition of Vehicles	300,000	38,469			7,655		30,814	
18-09	Purchase of Bucket Truck	100,000	26,982			22,456		4,526	
18-09	Purchase of Truck with Spreader	175,000	33,090					33,090	
02-11	Various Capital Improvements	1,000,000		\$ 365,532		365,532		-	
11-10	Environmental Remediation	50,000					\$ 3,514	3,514	
14-11	Various Equipment	86,452	8,265			1,614		6,651	
20-11	Refunding Bonds (Tax Appeals)	475,000		\$ 448,090		329,778			\$ 118,312
7-12	Various Capital Improvements	900,000			\$ 900,000	502,691			397,309
10-12	Various Capital Improvements & Equipment	260,000	-	-	260,000	200,000	-	60,000	-
			<u>\$ 208,579</u>	<u>\$ 813,622</u>	<u>\$ 1,160,000</u>	<u>\$ 1,461,758</u>	<u>\$ 3,514</u>	<u>\$ 208,336</u>	<u>\$ 515,621</u>
					\$ 1,116,000				
					44,000				
					<u>\$ 1,160,000</u>				
						\$ 712,862			
						748,896			
						<u>\$ 1,461,758</u>			

**CITY OF SOUTH AMBOY  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2011		\$ 460,292
Increased by:		
Commitments		<u>748,896</u>
		1,209,188
Decreased by:		
Disbursements Paid by Current Fund	\$ 456,778	
Cancelled Encumbrances	<u>3,514</u>	
		<u>460,292</u>
Balance, December 31, 2012		<u>\$ 748,896</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	Improvement Description	Original Issue	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2011	Increased	Decreased	Balance, December 31, 2012	
10-10	Improvements to Various Streets	\$ 427,500	4/29/2011	4/29/2011 4/26/2012	4/27/2012 4/25/2013	1.75 % 1.75	\$ 427,500	\$ 427,500	\$ 427,500	\$ 427,500	
11-10	Environmental Remediation	47,500	4/29/2011	4/29/2011 4/26/2012	4/27/2012 4/25/2013	1.75 1.75	47,500	47,500	47,500	47,500	
28-10	Improvements to Various Streets	425,000	4/29/2011	4/29/2011 4/26/2012	4/27/2012 4/25/2013	1.75 1.75	425,000	425,000	425,000	425,000	
2-11	Various Capital Improvements	950,000	4/29/2011	4/29/2011 4/26/2012	4/27/2012 4/25/2013	1.75 1.75	950,000	950,000	950,000	950,000	
20-11	Tax Appeals (Refunding Bonds)	475,000	4/26/2012	4/26/2012	4/25/2013	1.75	-	475,000	-	475,000	
							<u>\$ 1,850,000</u>	<u>\$ 2,325,000</u>	<u>\$ 1,850,000</u>	<u>\$ 2,325,000</u>	
							Issued for Cash	\$ 475,000			
							Renewals	<u>1,850,000</u>	<u>\$ 1,850,000</u>		
								<u>\$ 2,325,000</u>	<u>\$ 1,850,000</u>		

**CITY OF SOUTH AMBOY  
STATEMENT OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturity of Bonds Outstanding at		Interest Rate	Balance, December 31, 2011	Decreased	Balance, December 31, 2012
			Date	Amount				
General Obligation Bonds	12/15/2002	\$ 2,998,000				\$ 318,000	\$ 318,000	
General Obligation Bonds	8/1/2006	5,290,000	8/1/13	\$ 200,000	4.375 %			
			8/1/14	440,000	4.375			
			8/1/15-18	450,000	4.375			
			8/1/19-23	450,000	4.500	4,890,000	200,000	\$ 4,690,000
General Improvement Bonds	5/1/2010	7,920,000	5/1/2013	750,000	3.000			
			5/1/2014-21	500,000	3.00-4.00			
			5/1/2022	525,000	4.000			
			5/1/2023	550,000	4.000			
			5/1/2024	775,000	4.000			
			5/1/2025	770,000	4.000	7,820,000	450,000	7,370,000
						<u>\$ 13,028,000</u>	<u>\$ 968,000</u>	<u>\$ 12,060,000</u>
Paid by Budget Appropriation							<u>\$ 968,000</u>	

**CITY OF SOUTH AMBOY  
STATEMENT OF MIDDLESEX COUNTY  
IMPROVEMENT AUTHORITY LOANS PAYABLE**

Balance, December 31, 2011	\$ 449,843
Increased by:	
Loans Issued - Net of Premium	<u>248,911</u>
	698,754
Decreased by:	
Paid by Budget Appropriation	<u>84,307</u>
Balance, December 31, 2012	<u>\$ 614,447</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. No.	Purpose	Balance, December 31, 2011	Authorized in 2012	Decreased by:			Balance, December 31, 2012
				Bond Anticipation Notes Issued	Loans Issued	Premium on Loan	
20-11	Tax Appeals (Refunding Bonds)	\$ 475,000		\$ 475,000			
7-12	Various Capital Improvements		\$ 856,000				\$ 856,000
10-12	Various Capital Equipment	-	260,000	-	\$ 248,911	\$ 11,089	-
		<u>\$ 475,000</u>	<u>\$ 1,116,000</u>	<u>\$ 475,000</u>	<u>\$ 248,911</u>	<u>\$ 11,089</u>	<u>\$ 856,000</u>

**CITY OF SOUTH AMBOY  
MIDDLESEX COUNTY, NEW JERSEY**

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**PART II**

**GOVERNMENT AUDITING STANDARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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DEBRA GOLLE, CPA  
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LORI T. MANUKIAN, CPA, PSA  
MARK SACO, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members  
of the City Council  
City of South Amboy  
South Amboy, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the City of South Amboy, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated July 16, 2013. Our report on the financial statements – regulatory basis indicated that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. . In addition, our report on the financial statements – regulatory basis was qualified because of the presentation of the unaudited LOSAP Fund financial statements. Also, the City’s footnotes to the financial statements do not disclose the other post-employment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents as required by Government Accounting Standards Board Statement 45 and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### Internal Control over Financial Reporting

Management of the City of South Amboy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the City of South Amboy’s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of South Amboy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of South Amboy’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of South Amboy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and responses as item 2012-1.

We also noted certain matters that we reported to management of the City of South Amboy in Part III of this report of audit entitled; "Letter of Comments and Recommendations"

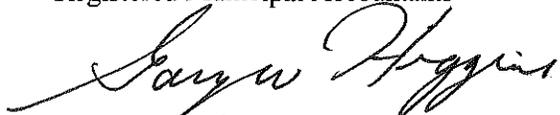
### **City of South Amboy's Responses to Findings**

The City of South Amboy's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of South Amboy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of South Amboy's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of South Amboy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants

  
Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

**CITY OF SOUTH AMBOY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Federal CFDA <u>No.</u>	Grant Award <u>Received</u>	Balance, December 31, <u>2011</u>	Revenue <u>Realized</u>	<u>Expenditures</u>	<u>Adjustments</u>	Balance, December 31, <u>2012</u>	Memo Cumulative Total <u>Expenditures</u>
Pass Through New Jersey Department of Transportation Trust Fund								
Department of Transportation								
Highway Planning and Construction								
Radford Ferry Road - Phase II	20.205		\$ 943,762		\$ 6,122		\$ 937,640	\$ 18,239
Department of Housing and Urban Development								
Community Development Block Grant								
2008 Program Year								
Façade Improvements	14.219		76,215			\$ 37,700	38,515	135,785
Senior Area/Community Center	14.219		60,792	\$ 40,652	-	100,774	670	159,300
Federal Emergency Administration								
FEMA - Hurricane Sandy	1200-100-A70	\$ 54,647		54,647	54,647			54,647
FEMA - Hurricane Irene	1200-100-A70	18,432	-	18,432	18,432	-	-	18,432
			<u>\$ 1,080,769</u>	<u>\$ 113,731</u>	<u>\$ 79,201</u>	<u>\$ 138,474</u>	<u>\$ 976,825</u>	

Note - This schedule was not subject to an audit in accordance with U.S. OMB Circular A-133.

**CITY OF SOUTH AMBOY**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>State Grant Program</u>	<u>Account Numbers</u>	<u>Grant Year</u>	<u>Grant Award Received</u>	<u>Balance, December 31, 2011</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Balance, December 31, 2012</u>	<u>Memo Cumulative Total Expenditures</u>
Department of Transportation Trust Fund August St. - Phase III	63204800786320AFGTCAP6010	2002		\$ 19,536			\$ 19,536	\$ 175,464
TTF Transit Village	N/A	2010	\$ 41,464	99,929		\$ 300	99,629	252,882
TTF Pine Ave & Portia	N/A	2011		250,000		250,000	-	250,000
Body Armor Replacement Fund	066-1020-718-001-04	2007		2,260		1,565	695	1,565
		2008		6,135			6,135	
		2011		6,728			6,728	
Clean Communities Program	4900-765-178900	2012	12,042		\$ 12,042		12,042	
Recycling Tonnage Grant	N/A	2011		25,911			25,911	
HDSRF - Broadway Redevelopment	N/A	2005		39,337			39,337	78,605
HDSRF - Wishey Property	N/A	2005		65,705			65,705	
Intermodal Transportation Center - RFRII	N/A	2011		4,998,664		62,718	4,935,946	64,054
Intermodal RFRII - Engineering	N/A	2011		252,833		54,537	198,296	201,694
Municipal Drug & Alcohol Alliance Pgm.	N/A	2008		810		810	-	11,124
		2009		8,899		8,057	842	8,057
		2010		11,124			11,124	781
		2011	7,615	11,124			11,124	
		2012		-	11,374	-	11,374	
				<u>\$ 5,798,995</u>	<u>\$ 23,416</u>	<u>\$ 377,987</u>	<u>\$ 5,444,424</u>	

Note - This schedule was not subject to an audit in accordance with New Jersey OMB 04-04

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE**

**CITY OF SOUTH AMBOY  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 GENERAL**

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the City of South Amboy. The City is defined in Note 1(A) to the City's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the City's financial statements.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the City's financial statements. Financial assistance revenues are reported in the City's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 73,079	\$ 23,416	\$ 96,495
Community Development Trust Fund	<u>40,652</u>	<u>-</u>	<u>40,652</u>
	<u>\$ 113,731</u>	<u>\$ 23,416</u>	<u>\$ 137,147</u>

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the City's fiscal year and grant program year.

**CITY OF SOUTH AMBOY  
MIDDLESEX COUNTY, NEW JERSEY**

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**PART III  
SUPPORTING DATA  
LETTER OF COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -  
CURRENT FUND FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Appropriated				
Miscellaneous - From Other Than Local				
Property Tax Levies	\$ 6,337,007	23.78%	\$ 13,250,234	39.90%
Collection of Delinquent Taxes and Tax Title Liens	142,835	0.54%	3,138	0.01%
Collection of Current Tax Levy	20,080,068	75.34%	19,835,713	59.73%
Other Credits to Income	<u>91,423</u>	<u>0.34%</u>	<u>120,896</u>	<u>0.36%</u>
Total Income	<u>26,651,333</u>	<u>100.00%</u>	<u>33,209,981</u>	<u>100.00%</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	15,694,111	56.89%	21,790,231	64.65%
County Taxes	3,152,264	11.43%	3,271,396	9.71%
Local School Taxes	8,638,957	31.31%	8,573,622	25.44%
Other Expenditures	<u>103,686</u>	<u>0.38%</u>	<u>67,771</u>	<u>0.20%</u>
Total Expenditures	<u>27,589,018</u>	<u>100.00%</u>	<u>33,703,020</u>	<u>100.00%</u>
Deficit in Revenue	(937,685)		(493,039)	
Adjustments to Income before Surplus				
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	<u>855,000</u>		<u>450,000</u>	
Deficit in Operations to be Raised in Budget of Succeeding Year	<u>\$ (82,685)</u>		<u>\$ (43,039)</u>	
Statutory Excess to Fund Balance				
Fund Balance, Beginning of Year	<u>\$ 87,278</u>		<u>\$ 87,278</u>	
Fund Balance, End of Year	<u>\$ 87,278</u>		<u>\$ 87,278</u>	

**COMPARATIVE SCHEDULE OF CALENDAR YEAR TAX RATE INFORMATION**

	<u>Calendar Year Tax Rate</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	<u>\$2.336</u>	<u>\$2.247</u>	<u>\$2.167</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	.978	.917	.881
County	.363	.367	.341
Local School	.995	.963	.945
 <u>Assessed Valuation</u>			
2012	<u>\$868,817,000</u>		
2011	<u>\$890,577,300</u>		
2010	<u>\$891,469,430</u>		

**COMPARISON OF TAX LEVIES AND COLLECTIONS**

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a possible increase in future tax levies.

<u>December 31,</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2012	\$ 20,377,394	\$ 20,130,068	98.79%
2011	20,093,951	19,835,713	98.71%
2010	19,344,842	19,248,473	99.50%

**DELINQUENT TAXES AND TAX TITLE LIENS**

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the years ended December 31, 2012, 2010 and 2009.

<u>December 31,</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$ 190,268	\$ 624	\$ 190,892	0.93%
2011	145,284	65,265	210,549	1.05%
2010	69,346	53,787	123,133	0.64%

**PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

The City has not acquired by liquidation of tax title liens any properties as of December 31, 2012.

**COMPARATIVE SCHEDULE OF FUND BALANCES**

	<u>December 31,</u>	<u>Balance</u>	<u>Utilized In Budget of Succeeding Year</u>
<u>Current Fund</u>	2012	\$87,278	\$ -0-
	2011	87,278	-0-
	2010	87,278	-0-
	2009	83,436	-0-
	2008	83,436	-0-

## OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>
Fred A. Henry	Mayor
Joseph E. Connors	Council President
William Schwarick	Councilman
Donald Applegate	Councilman
Christine Noble	Councilwoman
Michael Gross	Councilman
Kathleen Vigilante	Municipal Clerk
Camille Tooker	Business Administrator
Terance O'Neill	Chief Financial Officer
James P. Hoebich	Municipal Court Judge
Mary Kate Vacca	Court Administrator
Joanne Katko	Tax Collector/Registrar
John E. Kawczynski	Municipal Prosecutor
Mark Rasimowicz	City Engineer
Mary Lou DeBlis	Superintendent of Recreation
John R. Lanza	Director of Law
Tom Kelly	Construction Code Official/Building Inspector
Brian Enright	Tax Assessor
Mary Sue Felice	Purchasing Agent/QPA
Darren LaVigne	Chief of Police
Kathleen O'Grady	Payroll Clerk/Bookkeeper
Ann Mazanec	Sewer Cashier/Deputy Registrar
Angelo Valetutto	Zoning Officer
City of Sayreville	Fire Official

All employees were insured for employee theft in the amount of \$1,000,000 with the New Jersey Intergovernmental Insurance Fund.

**CITY OF SOUTH AMBOY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Finding 2012-1:**

Our audit revealed that the City's notes to the financial statements did not disclose the other post employment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents.

**Criteria or specific requirement:**

Financial reporting requirements promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Condition:**

Notes to the Financial Statements did not contain disclosures required by Government Accounting Standards Board Statement Number 45 and the Division of Local Government Services.

**Context:**

See Finding 2012-1.

**Effect:**

Qualified auditor's opinion due to the omission of the note disclosure.

**Cause:**

Unknown.

**Recommendation:**

The City obtain the actuarial report for valuations of Other Post-Employment Benefit (OPEB) obligations for disclosures required to be made in the notes to the financial statements.

**Management's Response:**

Management agrees with finding and indicated that procedures have been implemented to obtain the required actuary report.

**CITY OF SOUTH AMBOY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

This section identifies the status of prior-year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2011-1**

Our audit revealed that the City's notes to the financial statements did not disclose the other post employment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents.

**Status of Finding**

See Finding 2012-1.

## GENERAL COMMENTS

### Current Year

The audit of payroll indicated that the Governing Body did not approve an update to the City's salary ordinances for the 2012 calendar pursuant to NJSA 40A:9-10. It is recommended that the Governing Body approve an update to the City's salary ordinances to reflect all salary and wage revisions.

### Prior Year Findings – Unresolved

Our audit revealed that the administrative fee being charged for Police Outside Duty pay does not agree to the ordinance. Also, Police Outside Duty is not being accounted for in the Other Trust Fund and police pay is not paid in the payroll subsequent to service. It is recommended that the fee ordinance be updated to reflect the current administrative fee for Police Outside Duty being billed, that Police Outside Duty transactions be accounted for in the Other Trust Fund and police pay be paid in the payroll subsequent to services being rendered.

### Contracts and Agreements Required to be Advertised for NJS 40A:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$21,000, except by contract or agreement."

If the City's purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c. 198 (c.40A:11-9), the City may establish the bid threshold up to \$36,000 as of July 1, 2010. The City's purchasing agent is qualified and the City, by resolution effective July 1, 2010, has increased the bid threshold to \$36,000.

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the City Counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

Sewer Cleaner and Industrial Catch	Police Department Network and Office
Basin Cleaner Mounted on Heavy	Technology Installation
Duty Chassis	Road Improvements
South Broadway Force Main Project	

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJS 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

**GENERAL COMMENTS (Continued)**

Contracts and Agreements Required to be Advertised for NJS 40A:11-4 (Continued)

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work, or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-4.

Collection of Interest on Delinquent Taxes and Assessments

N.J.S. 54:4-67, as amended, the statute provides the method for authorizing interest and the maximum rates to be charged for the non-payment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body on January 4, 2012 adopted the following resolution authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED, by the Mayor and Council of the City of South Amboy, County of Middlesex, State of New Jersey, that the penalty upon delinquent taxes and assessments be fixed at the rate of eight (8%) per centum per annum on the first \$1,500.00 of the delinquency and eighteen (18%) per centum per annum on any amount in excess of \$1,500.00 and that no penalty be imposed if payment upon taxes or assessments becomes due and payable and the Collector is hereby authorized and empowered to waive any penalty for interest, provided said taxes and assessments are paid before the expiration of ten (10) days after each quarterly payment of taxes and assessments become due.

It appears from an examination of the Collector's record that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

An accelerated tax sale was held on December 19, 2012.

The following comparison is made of the number of tax title liens receivable outstanding at December 31, 2012, 2011 and 2010.

<u>December 31</u>	<u>Number of Liens</u>
2012	35
2011	23
2010	11

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis.

## RECOMMENDATIONS

It is recommended that:

- \* 1) The City obtain the actuarial report for valuations of Other Post-Employment Benefits (OPEB) obligations for disclosures required to be made in the notes to the financial statements.
- \* 2) The fee ordinance be updated to reflect the current administrative fee for Police Outside Duty being billed, that Police Outside Duty transactions be accounted for in the Other Trust Fund and police pay be paid in the payroll subsequent to services being rendered.
- 3) The Governing Body approve an update to the City's salary ordinances to reflect all salary and wage revisions.

### Status of Prior Year's Audit Findings/Recommendations

A review was performed on all prior year's recommendations. The recommendations denoted with an asterisk (\*) have not been corrected.

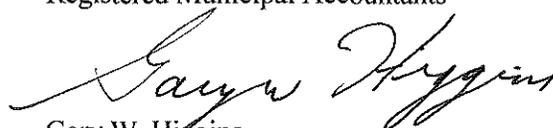
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The problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405