

CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2013

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CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2013



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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MARK SACO, CPA

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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Award 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, 2013 and 2012. The LOSAP Trust Fund financial activities are included in the City’s Trust Funds, and represent 26 percent and 29 percent of the assets and liabilities, respectively, of the City’s Trust Funds as of December 31, 2013 and 2012.

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 possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited and except for the omission of the note disclosure regarding the 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, 2013 and 2012, 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, 2013 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, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, schedule of expenditures of state financial assistance and the supplementary data and 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, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance 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, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance 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 supplementary data and 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 June 5, 2014 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

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

Gary W. Higgins

Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Cash	A-4	\$ 4,632,873	\$ 3,789,924
Change Fund	A-5	430	475
Petty Cash Fund	A-6	1,050	
Grants Receivable	A-7	5,901,434	6,785,688
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	A-8	<u>750</u>	<u>1,250</u>
		<u>10,536,537</u>	<u>10,577,337</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-9		624
Tax Title Liens	A-10	187,683	190,268
Revenue Accounts Receivable	A-11	<u>18,687</u>	<u>20,114</u>
		<u>206,370</u>	<u>211,006</u>
Deferred Charges			
Emergency Authorizations	A-12	325,000	340,000
Special Emergency Authorizations	A-12	190,000	515,000
Operating Deficit	A-12	<u>-</u>	<u>82,685</u>
		<u>515,000</u>	<u>937,685</u>
 Total Assets		 <u>\$ 11,257,907</u>	 <u>\$ 11,726,028</u>

CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-13	\$ 491,399	\$ 630,144
Encumbrances Payable	A-14	2,529,470	3,475,990
Tax Anticipation Note Payable	A-23	3,000,000	3,000,000
Due to Other Trust Fund	B-4	299,800	
Due to General Capital Fund	C-4	226,479	
Prepaid Taxes	A-21	162,202	112,984
Grants Appropriated	A-20	3,086,763	3,121,453
Grants Unappropriated	A-25	15,736	16,752
Accounts Payable	A-22	27,734	89,965
Tax Overpayments	A-19	2,835	16,123
Sewer Overpayments	A-18	6,708	4,286
Emergency Notes Payable	A-24	325,000	340,000
Special Emergency Notes Payable	A-24	190,000	515,000
Reserve for Tax Appeals	A-27	50,000	50,000
Miscellaneous Reserves	A-15	400	400
Reserve for Hurricane Sandy	A-26	111,830	54,647
		<u>10,526,356</u>	<u>11,427,744</u>
Reserve for Receivables and Other Assets	A	206,370	211,006
Fund Balance	A-1	<u>525,181</u>	<u>87,278</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 11,257,907</u>	<u>\$ 11,726,028</u>

CITY OF SOUTH AMBOY
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
REVENUE AND OTHER INCOME REALIZED			
Miscellaneous Revenue Anticipated	A-2	\$ 6,263,676	\$ 6,185,175
Receipts from Delinquent Taxes	A-2	65,922	142,835
Receipts from Current Taxes	A-2	21,412,335	20,080,068
Non-Budget Revenues	A-2	241,118	151,832
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	A-13	260,428	91,423
Cancellation of Accounts Payable	A-22	<u>69,428</u>	<u>-</u>
 Total Income		 <u>28,312,907</u>	 <u>26,651,333</u>
EXPENDITURES			
Budget Appropriations:			
Operations			
Salaries and Wages	A-3	5,811,511	5,765,363
Other Expenses	A-3	6,311,072	6,541,919
Capital Improvements	A-3	50,000	75,000
Municipal Debt Service	A-3	2,036,802	1,683,055
Deferred Charges and Regulatory Expenditures	A-3	1,839,643	1,628,774
County Taxes	A-16	3,065,041	2,883,022
County Open Space Taxes	A-16	260,398	263,576
Due County for Added Taxes	A-16	3,079	5,666
Local District School Taxes	A-17	8,792,664	8,638,957
Refund of Prior Year Revenue	A-4	26,703	86,778
Prior Year Senior Citizens and Veterans Disallowed	A-8	3,091	5,250
Account Payable Adjustment	A-1	<u>-</u>	<u>11,658</u>
 Total Expenditures		 <u>28,200,004</u>	 <u>27,589,018</u>
 Deficit in Revenue		 112,903	 (937,685)
 Adjustments to Income before Surplus			
Expenditures included above which are by Statute Deferred Charges to			
Budget of Succeeding Year	A-12	<u>325,000</u>	<u>855,000</u>
 Deficit in Operations to be Raised in Budget of Succeeding Year	A-1		 <u>\$ (82,685)</u>
 Statutory Excess Fund Balance		 437,903	
 Fund Balance, Beginning of Year	A	 <u>87,278</u>	 <u>\$ 87,278</u>
 Fund Balance, End of Year	A	 <u>\$ 525,181</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, 2013

	<u>Reference</u>	<u>Budget</u>	Added by N.J.S.A. <u>40A:4-87</u>	<u>Realized</u>	Excess (<u>Deficit</u>)
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverage	A-11	\$ 27,000		\$ 25,960	\$ (1,040)
Other	A-2	11,600		12,410	810
Fees and Permits	A-2	29,000		42,632	13,632
Fines and Costs:					
Municipal Court	A-11	255,000		249,172	(5,828)
Interest and Costs on Taxes	A-11	41,200		36,886	(4,314)
Interest on Investments and Deposits	A-2	11,000		7,644	(3,356)
Sewer User Fees	A-11	1,067,000		1,052,886	(14,114)
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)	A-11	3,872,278		3,872,278	
Uniform Construction Code Fees	A-11	130,000		95,947	(34,053)
Clean Communities Program	A-7		\$ 14,139	14,139	
Municipal Alliance	A-7	9,099		9,099	
Recycling Tonnage Grant	A-25		14,063	14,063	
Body Armor	A-25		2,689	2,689	
Parking Fees	A-11	243,000		210,522	(32,478)
Payment in Lieu of Taxes	A-11	199,000		203,123	4,123
Cable Television Fees	A-11	39,000		39,594	594
Dish Rental	A-11				-
Sewer Connection Fees	A-11	95,000		532	(94,468)
FEMA Reimbursement	A-11	264,892	60,108	325,000	-
Housing Inspection Program	A-11	50,000		49,100	(900)
Total Miscellaneous Revenues	A-1	6,344,069	90,999	6,263,676	(171,392)
Receipts from Delinquent Taxes	A-2	50,000		65,922	15,922
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes Including Reserve for					
Uncollected Taxes	A-2	9,098,825		9,148,681	49,856
Minimum Library Tax	A-2	292,472		292,472	-
		<u>9,391,297</u>	<u>-</u>	<u>9,441,153</u>	<u>49,856</u>
		<u>\$ 15,785,366</u>	<u>\$ 90,999</u>	<u>15,770,751</u>	<u>\$ (105,614)</u>
Non-Budget Revenues	A-2			241,118	
				<u>\$ 16,011,869</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, 2013
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenues from Collections	A-9	\$ 21,412,335
Less:		
Allocated School and County Taxes	A-16,A-17	<u>12,121,182</u>
Balance for Support of Municipal Budget Appropriations		9,291,153
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>150,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$ 9,441,153</u></u>
Delinquent Taxes		
Delinquent Tax Collections	A-9	\$ 3,715
Tax Title Liens Collections	A-10	<u>62,207</u>
	A-2	<u><u>\$ 65,922</u></u>
Other Licenses		
Bingo Licenses		\$ 1,020
Food Licenses		2,200
Mercantile Licenses		6,475
Outdoor Café Licenses		325
Cat Licenses		254
Taxi License		186
Video License		<u>1,950</u>
	A-2, A-11	<u><u>\$ 12,410</u></u>
Fees and Permits - Other		
Photo Copies		\$ 1,589
Planning Bd. Of Adj.		9,700
Road Opening Permits		5,387
Sidewalk and Curbs		1,383
Marriage/Local		3,469
Copy of Birth Cert.		3,155
Copy of Death Cert.		9,080
Copy of Marriage Lic.		1,940
Tax Collector Fees		<u>6,929</u>
	A-2, A-11	<u><u>\$ 42,632</u></u>
Interest on Investments		
Due from Other Trust Fund	B-4	\$ 281
Cash Receipts	A-11	<u>7,363</u>
	A-2	<u><u>\$ 7,644</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, 2013
(Continued)

	<u>Reference</u>	
Non-Budget Revenues		
2% Administration Fee - Senior Citizen and Veterans	\$	1,583
Marriage Fees		3,651
MCIA Refund		45,154
Motor Vehicle Inspection Fees		450
County Sustainable Growth Reimbursement		100,000
Tax Office Fees		8,326
Restitution		9,513
RMR*IV		23,579
Drug Subsidy		28,270
In Lieu - Robert Noble Manor		6,869
Miscellaneous		<u>13,723</u>
	A-2,A-4	<u>\$ 241,118</u>

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 197,057	\$ 203,657	\$ 196,295	\$ 7,362	
Other Expenses	67,000	67,000	49,326	17,674	
Mayor and Council					
Salaries and Wages	43,092	44,792	43,086	1,706	
Other Expenses	5,000	5,000	3,402	1,598	
Municipal Clerk					
Salaries and Wages	116,792	120,992	116,281	4,711	
Other Expenses	14,600	14,600	9,881	4,719	
Financial Administration					
Salaries and Wages	155,016	147,216	141,307	5,909	
Other Expenses	16,000	16,000	13,213	2,787	
Audit Services					
Other Expenses	49,500	49,500	49,500		
Revenue Administration					
Salaries and Wages	88,845	92,545	89,083	3,462	
Other Expenses	13,000	13,000	11,290	1,710	
Tax Assessment Administration					
Salaries and Wages	33,337	34,637	33,336	1,301	
Other expenses	7,500	5,500	5,062	438	
Legal Services					
Other Expenses	200,000	250,000	226,401	23,599	
Department of Engineering					
Other Expenses	140,000	140,000	129,558	10,442	
Vital Statistics					
Salaries and Wages	9,669	10,069	9,668	401	
Other Expenses	1,000	1,000	965	35	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	15,548	16,148	15,548	600	
Other Expenses	41,500	64,500	53,988	10,512	
PUBLIC SAFETY					
Police Department					
Salaries and Wages	3,354,078	3,529,078	3,470,762	58,316	
Other Expenses	65,550	73,800	71,601	2,199	
Office of Emergency Management					
Other Expenses	6,000	2,000	1,416	584	
Aid to Volunteer Fire Companies					
Other Expenses	70,000	70,000	70,000		
Aid to Volunteer Ambulance Squad					
Other Expenses	35,000	35,000	35,000		
Department of Fire					
Other Expenses	50,050	50,050	48,130	1,920	
Uniform Fire Official					
Other Expenses					
Municipal Prosecutor Office					
Salaries and Wages	15,000	15,600	15,000	600	

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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	\$ 322,463	\$ 334,463	\$ 315,659	\$ 18,804	
Other Expenses	46,000	46,000	40,887	5,113	
Other Public Works Functions					
Shade Tree					
Other Expenses	8,000	1,700	1,665	35	
Sewers					
Salaries and Wages	234,364	249,864	244,657	5,207	
Other Expenses	30,300	30,300	23,748	6,552	
Parking Lot					
Salaries and Wages	12,500	12,950	12,459	491	
Other Expenses	200,000	200,000	200,000		
Recycling Coordinator					
Salaries and Wages	9,181	7,181	6,355	826	
Other Expenses	100	100	40	60	
Solid Waste Collection					
Salaries and Wages	324,218	302,218	284,247	17,971	
Other Expenses	339,700	352,700	272,479	80,221	
Buildings and Grounds					
Salaries and Wages	233,524	217,524	206,599	10,925	
Other Expenses	89,500	99,500	99,417	83	
Other Expenses - Hurricane Sandy					
Vehicle Maintenance					
Salaries and Wages	59,523	52,523	50,331	2,192	
Other Expenses	87,000	87,000	86,569	431	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	4,234	4,434	4,233	201	
Other Expenses	57,000	57,000	56,577	423	
Animal Control Services					
Other Expenses	15,000	15,000	11,519	3,481	
Municipal Court					
Salaries and Wages	124,751	130,551	125,436	5,115	
Other Expenses	8,500	8,500	5,659	2,841	
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	50,932	27,932	27,107	825	
Other Expenses	24,400	16,400	15,911	489	
Senior Citizen Activities					
Salaries and Wages	114,211	107,211	101,957	5,254	
Other Expenses	12,500	10,500	10,465	35	
OTHER COMMON OPERATING FUNCTIONS (Unclassified)					
Celebration of Public Events					
Other Expenses	20,000	14,000	13,090	910	

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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	\$ 205,000	\$ 208,000	\$ 207,831	\$ 169	
Workers Compensation	320,000	320,000	320,000		
Employee Group Health	2,229,700	2,329,700	2,252,783	76,917	
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	139,126	143,426	138,033	5,393	
Other Expenses	4,000	4,000	2,528	1,472	
Unclassified					
Utilities	<u>560,000</u>	<u>560,000</u>	<u>534,176</u>	<u>25,824</u>	<u>-</u>
Total Operations Within "CAPS"	<u>10,708,661</u>	<u>11,035,161</u>	<u>10,594,065</u>	<u>441,096</u>	<u>-</u>
Detail:					
Salaries and Wages	5,663,961	5,811,511	5,653,688	157,823	-
Other Expenses	<u>5,044,700</u>	<u>5,223,650</u>	<u>4,940,377</u>	<u>283,273</u>	<u>-</u>
DEFERRED CHARGES AND REGULATORY EXPENDITURES -					
MUNICIPAL WITHIN "CAPS"					
Regulatory Expenditures					
Social Security System (O.A.S.I.)	262,000	260,500	248,803	11,697	
Police and Firemen's Retirement System of NJ	618,215	618,215	618,215		
Public Employees' Retirement System	289,928	289,928	289,928		
Defined Contribution Retirement Program	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Regulatory Expenditures - Municipal Within "CAPS"	<u>1,176,143</u>	<u>1,174,643</u>	<u>1,162,946</u>	<u>11,697</u>	<u>-</u>
Cash Deficit of Preceding Year	<u>83,685</u>	<u>83,685</u>	<u>82,685</u>	<u>-</u>	<u>1,000</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,968,489</u>	<u>12,293,489</u>	<u>11,839,696</u>	<u>452,793</u>	<u>1,000</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Middlesex County Utilities Authority - Payment	602,000	602,000	563,394	38,606	
Maintenance of Free Public Library	300,472	300,472	300,472		
Length of Service Awards Program	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>962,472</u>	<u>962,472</u>	<u>923,866</u>	<u>38,606</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</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		
Recycling Tonnage Grant		14,063	14,063		
Clean Communities		14,139	14,139		
Body Armor	-	2,689	2,689	-	-
Total Public and Private Programs Offset by Revenues	11,374	42,265	42,265	-	-
Total Operations - Excluded from "CAPS"	973,846	1,004,737	966,131	\$ 38,606	-
Detail:					
Other Expenses	973,846	1,004,737	966,131	38,606	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	50,000	50,000	50,000	-	-
Total Capital Improvements Excluded from "CAPS"	50,000	50,000	50,000	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond & Loan Principal	1,068,165	1,068,165	1,068,164		\$ 1
Payment of Bond Anticipation Notes and Capital Notes	155,000	155,000	155,000		
Interest on Bonds	479,056	479,056	479,052		4
Interest on Notes	103,618	103,618	102,547		1,071
Capital Lease Obligations					
Principal	29,500	29,500	29,359		141
Interest	2,500	2,500	2,380		120
South Amboy Redevelopment Agency Obligations					
Principal	100,000	100,000	100,000		
Interest	100,300	100,300	100,300		
Total Municipal Debt Service - Excluded from "CAPS"	2,038,139	2,038,139	2,036,802	-	1,337
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorizations	340,000	340,000	340,000		
Special Emergency Authorizations	264,892	325,000	325,000		
Total Deferred Charges - Municipal - Excluded from "CAPS"	604,892	665,000	665,000	-	-
Total General Appropriations - Excluded from "CAPS"	3,666,877	3,757,876	3,717,933	38,606	1,337
Subtotal General Appropriations	15,635,366	16,051,365	15,557,629	491,399	2,337
Reserve for Uncollected Taxes	150,000	150,000	150,000	-	-
Total General Appropriations	\$ 15,785,366	\$ 16,201,365	\$ 15,707,629	\$ 491,399	\$ 2,337

Reference

A-2

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The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Reference</u>	<u>Appropriations Budget After Modification</u>	<u>Expended Paid or Charged</u>
Original Budget	A-3	\$ 15,785,366	
Appropriations Added by N.J.S.A. 40A:4-87 (Chap. 159)	A-2	90,999	
Emergency Appropriations 40A:4-47	A-12	<u>325,000</u>	
		<u>\$ 16,201,365</u>	
Cash Disbursements	A-4		\$ 14,537,075
Deferred Charges			
Emergency Authorizations	A-12		340,000
Special Emergency Authorizations	A-12		325,000
Operating Deficit	A-12		82,685
Due to General Capital - Capital Improvement Fund	C-4		50,000
Encumbrances Payable	A-14		175,604
Accounts Payable	A-22		5,000
Reserve for Uncollected Taxes	A-2		150,000
Appropriated Grants	A-20		<u>42,265</u>
			<u>\$ 15,707,629</u>

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2013 AND 2012**

ASSETS	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ANIMAL CONTROL TRUST FUND			
Cash	B-1	\$ 2,673	\$ 3,155
OTHER TRUST FUND			
Cash	B-1	555,465	626,198
Due from Current Fund	B-4	<u>299,800</u>	<u>-</u>
		<u>855,265</u>	<u>626,198</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	<u>101,650</u>	<u>118,473</u>
COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND			
Community Development Block Grants Receivable	B-12	<u>65,523</u>	<u>39,185</u>
LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)			
Investments	B	<u>355,890</u>	<u>319,842</u>
Total Assets		<u>\$ 1,381,001</u>	<u>\$ 1,106,853</u>

CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES AND RESERVES			
ANIMAL CONTROL TRUST FUND			
Reserve for Animal Control Expenditures	B-2	\$ 2,673	\$ 3,137
Due to State of New Jersey	B-3	-	18
		<u>2,673</u>	<u>3,155</u>
OTHER TRUST FUND			
Reserve for			
Third Party Lienholders	B-5	61,524	52,142
Escrow Deposits	B-6	233,310	309,045
Miscellaneous Reserves	B-9	483,540	190,739
Payroll	B-7	10,127	8,066
Payroll Deductions Payable	B-8	<u>66,764</u>	<u>66,206</u>
		<u>855,265</u>	<u>626,198</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to State of New Jersey	B-11	818	820
Reserve for Unemployment Compensation Insurance	B-10	<u>100,832</u>	<u>117,653</u>
		<u>101,650</u>	<u>118,473</u>
COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND			
Reserve for Community Development Programs	B-13	<u>65,523</u>	<u>39,185</u>
LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)			
Reserve for LOSAP	B	<u>355,890</u>	<u>319,842</u>
Total Liabilities and Reserves		<u>\$ 1,381,001</u>	<u>\$ 1,106,853</u>

CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2013 AND 2012

ASSETS	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Cash	C-2,C-3	\$ 22,653	\$ 672,653
Due from Current Fund	C-4	226,479	
Due from State Department of Transportation	C-8	230,000	25,000
Due from FEMA Grant Receivable	C-9	1,764,000	
Deferred Charges to Future Taxation:			
Funded	C-5	11,606,283	12,674,447
Unfunded	C-6	<u>7,746,500</u>	<u>3,181,000</u>
 Total Assets		 <u>\$ 21,595,915</u>	 <u>\$ 16,553,100</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-14	\$ 11,110,000	\$ 12,060,000
Middlesex County Improvement Authority Loans Payable	C-15	496,283	614,447
Bond Anticipation Notes Payable	C-13	3,811,000	2,325,000
Encumbrances Payable	C-12	406,076	748,896
Accounts Payable	C-10		19,470
Capital Improvement Fund	C-7	1,830	61,330
Improvement Authorizations			
Funded	C-11	125,689	208,336
Unfunded	C-11	3,861,567	515,621
Reserve for FEMA Grant Receivable	C-16	1,764,000	
Fund Balance	C-1	<u>19,470</u>	<u>-</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 21,595,915</u>	 <u>\$ 16,553,100</u>

There were bonds and notes authorized but not issued on December 31, 2013 and 2012 in the amount of \$3,935,500 and \$856,000, respectively (Exhibit C-17).

CITY OF SOUTH AMBOY
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1	C	\$ -	\$ -
Increased by:			
Accounts Payable Cancelled	C-10	<u>19,470</u>	<u>-</u>
Balance, December 31	C	<u>\$ 19,470</u>	<u>\$ -</u>

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Buildings and Land	\$ 9,625,300	\$ 9,625,300
Machinery and Equipment	<u>7,113,803</u>	<u>6,665,515</u>
	<u>\$ 16,739,103</u>	<u>\$ 16,290,815</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 16,739,103</u>	<u>\$ 16,290,815</u>

The Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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, 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.

B. 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.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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.

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 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.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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.

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.

D. Measurement Focus and Basis of Accounting

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:

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.

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.

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - 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. 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 11th 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/Receivables - 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).

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.

Grant and Similar Award Revenues/Receivables - 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.

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.

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Deferred Charges – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

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.

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.

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.

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.

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.

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

Fixed Assets purchased after June 30, 1998 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

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, 2012 balances to conform to the December 31, 2013 presentation.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

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 2013 and 2012 the City Council increased the original budget by \$1,162,263 and \$855,000. The 2013 increase was attributable to emergency appropriations totaling \$1,071,264 and additional grants and state aid totaling \$90,999. The 2012 increase was attributable to emergency appropriations of \$340,000 and special emergency appropriations of \$515,000. In addition, the governing body approved several budget transfers during 2013 and 2012.

B. Deficit Fund Balances

The City has an accumulated deficit of \$82,685 in the Current Fund. The Fund anticipated funding this deficit through a budget contribution in 2013.

NOTE 3 DEPOSITS AND INVESTMENTS

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.

A. Deposits

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, 2013 and 2012, the book value of the City's deposits were \$5,316,794 and \$5,210,878 and bank and brokerage firm balances of the City's deposits amounted to \$5,267,401 and \$5,279,705, 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>2013</u>	<u>2012</u>
Insured	<u>\$ 5,267,401</u>	<u>\$ 5,279,705</u>

**CITY OF SOUTH AMBOY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits (Continued)

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, 2013 and 2012, the City had no bank balances exposed to custodial credit.

B. 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, 2013 and 2012, the City had the following investments:

	<u>Fair Value (Unaudited)</u>	
	<u>2013</u>	<u>2012</u>
Investment:		
Length of Service Award Program	\$ 355,890	\$ 319,842

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, 2013 and 2012, \$355,890 and \$319,842 of the City’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value (Unaudited)</u>	
	<u>2013</u>	<u>2012</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the City's name	\$ 355,890	\$ 319,842

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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, 2013 and 2012, the City’s investment in Lincoln Financial a subsidiary of Lincoln National Corporation was rated Baa1 and Baa2, respectively 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 investment was 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 4 TAXES RECEIVABLE

Receivables at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Property Taxes		\$ 624
Tax Title Liens	<u>\$ 187,683</u>	<u>190,268</u>
	<u>\$ 187,683</u>	<u>\$ 190,892</u>

In 2013 and 2012, the City collected \$65,922 and \$142,835 from delinquent taxes, which represented 34% and 68% of the prior year delinquent taxes receivable balance.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2013</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund		\$ 526,279
Trust Funds:		
Other Trust	\$ 299,800	
General Capital Fund	<u>226,479</u>	<u>-</u>
Total	<u>\$ 526,279</u>	<u>\$ 526,279</u>

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.

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

NOTE 6 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>
<u>2013</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 190,000	\$ 106,000	\$ 84,000
Emergency Authorization (40A:4-47)	<u>325,000</u>	<u>325,000</u>	<u>-</u>
	<u>\$ 515,000</u>	<u>\$ 431,000</u>	<u>\$ 84,000</u>
<u>2012</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 515,000	\$ 325,000	\$ 190,000
Emergency Authorization (40A:4-47)	340,000	340,000	
Operating Deficit	<u>82,685</u>	<u>82,685</u>	<u>-</u>
	<u>\$ 937,685</u>	<u>\$ 747,685</u>	<u>\$ 190,000</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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>2013</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent Year's Budget
Current Fund				
Non-Cash Surplus	\$ 525,181	\$ 270,000	\$ 87,278	\$ -
	<u>\$ 525,181</u>	<u>\$ 270,000</u>	<u>\$ 87,278</u>	<u>\$ -</u>

The above fund balance amount appropriated represents the surplus anticipated in the 2014 introduced municipal budget. The 2014 municipal budget has not been legally adopted as of the date of audit.

NOTE 8 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, 2013 and 2012.

	Balance December 31, <u>2012</u>	Additions	Retirements	Balance, December 31, <u>2013</u>
<u>2013</u>				
Buildings and Land	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	6,665,515	\$ 504,288	\$ 56,000	7,113,803
	<u>\$ 16,290,815</u>	<u>\$ 504,288</u>	<u>\$ 56,000</u>	<u>\$ 16,739,103</u>
	Balance December 31, <u>2011</u>	Additions	Retirements	Balance, December 31, <u>2012</u>
<u>2012</u>				
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>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 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.

	<u>2013</u>	<u>2012</u>
Issued		
General		
Bonds, Notes and Loans	\$ 15,417,283	\$ 14,999,447
Net Debt Issued	<u>15,417,283</u>	<u>14,999,447</u>
Authorized But Not Issued		
General		
Bonds and Notes	<u>3,935,500</u>	<u>856,000</u>
Net Bonds, Notes and Loans Issued and Authorized But Not Issued	<u>\$ 19,352,783</u>	<u>\$ 15,855,447</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 2.196% and 1.714% at December 31, 2013 and 2012, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2013</u>			
General Debt	\$ 23,972,783	\$ 4,620,000	\$ 19,352,783
School Debt	<u>8,625,000</u>	<u>8,625,000</u>	<u>-</u>
Total	<u>\$ 32,597,783</u>	<u>\$ 13,245,000</u>	<u>\$ 19,352,783</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2012</u>			
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>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 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>2013</u>	<u>2012</u>
3 1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 30,838,916 <u>19,352,783</u>	\$ 32,373,350 <u>15,885,447</u>
Remaining Borrowing Power	<u>\$ 11,486,133</u>	<u>\$ 16,487,903</u>

A. 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>2013</u>	<u>2012</u>
\$5,290,000, 2006 Bonds, due in annual installments of \$440,000 to \$450,000 through August 1, 2023, interest at 4.375% to 4.500%	\$ 4,490,000	\$ 4,690,000
\$7,920,000, 2010 Bonds, due in annual installments of \$500,000 to \$770,000 through May 1, 2025, interest at 3.0% to 4.0%	<u>6,620,000</u>	<u>7,370,000</u>
	<u>\$ 11,110,000</u>	<u>\$ 12,060,000</u>

**CITY OF SOUTH AMBOY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

A. 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>2013</u>	<u>2012</u>
\$49,985, 2008 Loan, due in annual installments of \$5,062 to \$5,833 through September 15, 2018, interest at 3.25% to 4.20%	\$ 27,202	\$ 32,087
\$452,063, 2009 Loan, due in annual installments of \$25,131 to \$66,506 through July 15, 2019, interest at 2.50% to 3.00%	199,929	264,813
\$84,926, 2011 Loan, due in annual installments of \$16,898 to \$17,927 through July 15, 2016, interest at 3.00%	52,230	68,636
\$248,911, 2012 Loans, due in annual installments of \$17,271 to \$33,557 through September 15, 2022, interest at 3.00% to 4.00%	<u>216,922</u>	<u>248,911</u>
	<u>\$ 496,283</u>	<u>\$ 614,447</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The City's principal and interest for long-term debt issued and outstanding as of December 31, 2013 is as follows:

Calendar Year	General		Loans		Total
	Principal	Interest	Principal	Interest	
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	950,000	291,988	50,565	5,874	1,298,427
2019-2023	4,825,000	872,749	110,566	8,767	5,817,082
2024-2025	1,545,000	61,700	-	-	1,606,700
	<u>\$ 11,110,000</u>	<u>\$ 2,750,201</u>	<u>\$ 496,283</u>	<u>\$ 62,510</u>	<u>\$ 14,418,994</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 15th 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, 2013 and 2012 is \$4,620,000 and \$4,720,000, respectively.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The City's long-term capital debt activity for the years ended December 31, 2013 and 2012 were as follows:

	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>2013</u>					
General Capital Fund					
Bonds Payable	\$ 12,060,000		\$ 950,000	\$ 11,110,000	\$ 940,000
Intergovernmental					
Loans Payable	<u>614,447</u>	<u>\$ -</u>	<u>118,164</u>	<u>496,283</u>	<u>116,913</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 12,674,447</u>	<u>\$ -</u>	<u>\$ 1,068,164</u>	<u>\$ 11,606,283</u>	<u>\$ 1,056,913</u>
	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>2012</u>					
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>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The City's short-term debt activity for the years ended December 31, 2013 and 2012 was as follows:

Bond Anticipation Notes

	Rate (%)	Maturity Date	Balance, December 31, 2012	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2013
<u>2013</u>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Improvements to Various Streets	1.25	4/23/2014	\$ 852,500	\$ 852,500	\$ 852,500	\$ 852,500
Environmental Remediation	1.25	4/23/2014	47,500	47,500	47,500	47,500
Various Capital Improvements	1.25	4/23/2014	950,000	1,806,000	950,000	1,806,000
Refunding Bonds - Tax Appeals	1.25	4/23/2014	475,000	320,000	475,000	320,000
Refunding Bonds - Judgments and Insurance Assessments	1.00	12/29/2014	-	785,000	-	785,000
Total Bond Anticipation Notes Payable			<u>\$ 2,325,000</u>	<u>\$ 3,811,000</u>	<u>\$ 2,325,000</u>	<u>\$ 3,811,000</u>

	Rate (%)	Maturity Date	Balance, December 31, 2011	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2012
<u>2012</u>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Improvements to Various Streets	1.75	4/25/2013	\$ 852,500	\$ 852,500	\$ 852,500	\$ 852,500
Environmental Remediation	1.75	4/25/2013	47,500	47,500	47,500	47,500
Various Capital Improvements	1.75	4/25/2013	950,000	950,000	950,000	950,000
Refunding Bonds - Tax Appeals	1.75	4/25/2013	-	475,000	-	475,000
Total Bond Anticipation Notes Payable			<u>\$ 1,850,000</u>	<u>\$ 2,325,000</u>	<u>\$ 1,850,000</u>	<u>\$ 2,325,000</u>

The purpose of these short-time borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

B. 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 2013 and 2012 as follows:

Emergency Notes

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, 2012	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2013
<u>2013</u>						
<u>Purpose</u>						
2013-Budget Appropriations-						
Legal Costs	1.05	11/14/2014		\$ 50,000		\$ 50,000
Employee Group Health	1.05	11/14/2014		100,000		100,000
Police-Salaries and Wages	1.05	11/14/2014		175,000		175,000
Judgments	1.10	10/22/2013		575,000	575,000	
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	-
Total Emergency Notes			<u>\$ 340,000</u>	<u>\$ 900,000</u>	<u>\$ 915,000</u>	<u>\$ 325,000</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Emergency Notes (Continued)

	Rate (%)	Maturity Date	Balance, December 31, 2011	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2012
<u>2012</u>						
<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			\$ 350,000	\$ 340,000	\$ 350,000	\$ 340,000

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.

	Rate (%)	Maturity Date	Balance, December 31, 2012	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2013
<u>2013</u>						
<u>Purpose</u>						
Hurricane Sandy	1.05	11/14/2014	515,000	\$ 190,000	515,000	\$ 190,000
Total Special Emergency Notes			\$ 515,000	\$ 190,000	\$ 515,000	\$ 190,000

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Special Emergency Notes (Continued)

	Rate (%)	Maturity Date	Balance, December 31, 2011	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2012
<u>2012</u>						
<u>Purpose</u>						
Hurricane Sandy	1.25	11/15/2013	-	\$ 515,000	-	\$ 515,000
Total Special Emergency Notes			\$ -	\$ 515,000	\$ -	\$ 515,000

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, 2012	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2013
<u>2013</u>						
<u>Purpose</u>						
Anticipated Tax Collections	1.25	4/23/2014	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000

	Rate (%)	Maturity Date	Balance, December 31, 2011	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2012
<u>2012</u>						
<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, 2013 AND 2012**

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project/Acquisitions</u>	<u>Construction/ Acquisition Commitment</u>	<u>Estimated Date of Completion</u>
2013		
<u>Current Fund</u>		
Radford Ferry Road - Phase II	\$ 136,273	2014
Intermodal RFR II	2,215,688	2014
<u>General Capital Fund</u>		
Improvements to Various Roadways	173,833	2014
Broadway Improvements	93,537	2014
Improvements to Buildings and Grounds	110,280	2014
2012		
<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

**CITY OF SOUTH AMBOY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 11 OTHER LONG-TERM LIABILITIES

A. 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 in lieu of 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 \$918,634 and \$865,358 at December 31, 2013 and 2012, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

B. 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, 2013 for which the City is still making payments are for the years 2004 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>
2014	\$ 13,266	\$ 1,147	\$ 32	\$ 128	\$ 14,573
2015	12,482	760	32	128	13,402
2016	12,857	386	-	-	13,243
	<u>\$ 38,605</u>	<u>\$ 2,293</u>	<u>\$ 64</u>	<u>\$ 256</u>	<u>\$ 41,218</u>

C. Deferred Pension Obligation

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, 2013 and 2012 is \$391,356 and \$411,089, respectively.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

The City's changes in other long-term liabilities for the years ended December 31, 2013 and 2012 were as follows:

	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>2013</u>					
Capital Leases	\$ 67,694		\$ 29,089	\$ 38,605	\$ 13,266
Deferred Pension Obligation	<u>411,089</u>	<u>\$ 29,826</u>	<u>49,559</u>	<u>391,356</u>	<u>50,927</u>
Other Long-Term Liabilities	<u>\$ 478,783</u>	<u>\$ 29,826</u>	<u>\$ 78,648</u>	<u>\$ 429,961</u>	<u>\$ 64,193</u>
	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>2012</u>					
Capital Leases	\$ 96,922		\$ 29,228	\$ 67,694	\$ 29,089
Deferred Pension Obligation	<u>428,876</u>	<u>\$ 31,330</u>	<u>49,117</u>	<u>411,089</u>	<u>49,559</u>
Other Long-Term Liabilities	<u>\$ 525,798</u>	<u>\$ 31,330</u>	<u>\$ 78,345</u>	<u>\$ 478,783</u>	<u>\$ 78,648</u>

NOTE 12 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.

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.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employers who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP.

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.

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 and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

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.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation (Continued)

- 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 2013, the PERS member contribution rate was 6.64%. 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. The financial report 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, or at www.state.nj/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 76.1 percent and \$12.8 billion, respectively.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

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, 2012 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems and (b) changes to projected salary increases, which vary by fund.

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% plus an additional 1% phased-in over 7 years beginning in July 2012 for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2013 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, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the years ended December 31, 2013, 2012 and 2011, the City, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program 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>
2013	\$ 618,215	\$ 289,928	\$ 6,000
2012	592,258	297,427	3,000
2011	778,249	306,192	500

NOTE 13 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-retirements health coverage premiums for eligible retirees and their dependents during the year ended December 31, 2013 and 2012 was not available.

NOTE 14 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.

**CITY OF SOUTH AMBOY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 14 RISK MANAGEMENT (Continued)

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 MEL 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 December 31</u>	<u>City Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013		\$ 7,739	24,738	\$ 100,832
2012		7,551	24,155	117,653
2011	\$ 75,000	7,444	34,154	133,877

NOTE 15 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.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2013 and 2012. 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, 2013 and 2012, the City reserved \$50,000 and \$50,000, 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.

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, 2013 and 2012, 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.

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.

NOTE 16 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, 2013 and 2012, the City has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 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.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

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. Effective June 1, 2013, the City converted the LOSAP financial reporting to a calendar year.

As of December 31, 2013 and 2012, the City has established a reserve for LOSAP in the amount of \$98,387 and \$67,240. 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 \$29,433 and \$126,667 for 2013 and 2012, respectively, for eligible volunteer fire department and eligible volunteer first aid squad members in 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.

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 Fund.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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, 2013. The City has received \$344,769 and \$105,218 in FEMA reimbursements relating to Hurricane Sandy in the years ended December 31, 2013 and 2012, respectively, which have been reflected in the financial statements.

CURRENT FUND

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

Balance, December 31, 2012		\$ 3,789,924
Increased by Receipts:		
Taxes Receivable	\$ 21,221,316	
Non-Budget Revenue	241,118	
Due from State of NJ - Senior Citizens' and Veterans' Deductions	79,159	
Tax Title Liens	62,207	
Revenue Accounts Receivable	6,223,405	
Miscellaneous Payables and Reserves	5,723	
Notes Payable	1,090,000	
Prepaid Taxes	162,202	
Tax Anticipation Notes Payable	3,000,000	
Tax Overpayments	2,835	
Sewer Overpayments	2,460	
Accounts Payable - Restitution	3,040	
Grants Receivable	907,492	
Reserve for Hurricane Sandy	57,183	
Change Fund Received	45	
Unappropriated Grants	15,736	
Receipts for General Capital Fund	1,641,000	
Receipts from General Capital Fund	650,000	
Receipts for Other Trust Fund	299,800	
Receipts from Other Trust Fund	<u>281</u>	
		<u>35,665,002</u>
		39,454,926
Decreased by Disbursements:		
Budget Appropriations	14,537,075	
Accounts Payable	843	
Tax Anticipation Notes Payable	3,000,000	
Miscellaneous Reserves	5,723	
Grants Appropriated	966,417	
Appropriation Reserves	602,378	
County Taxes Payable	3,328,518	
Local District School Tax Payable	8,792,664	
Refund of Prior Year Revenue	26,703	
Tax Overpayments	16,123	
Sewer Overpayments	38	
Payments for General Capital Fund	2,114,521	
Petty Cash Paid	1,050	
Notes Payable	<u>1,430,000</u>	
		<u>34,822,053</u>
Balance, December 31, 2013		<u>\$ 4,632,873</u>

EXHIBIT A-5

STATEMENT OF CHANGE FUND

<u>Office</u>	Balance December 31, <u>2012</u>	<u>Decreased by</u> Change Fund <u>Returned</u>	Balance December 31, <u>2013</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	<u>50</u>	<u>-</u>	<u>50</u>
	<u>\$ 475</u>	<u>\$ 45</u>	<u>\$ 430</u>

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

<u>Office</u>	Balance, December 31, <u>2012</u>	<u>Increased by</u> Petty Cash <u>Issued</u>	Balance, December 31, <u>2013</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>	<u>\$ 1,050</u>	<u>\$ 1,050</u>

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

	Balance, December 31, <u>2012</u>	<u>Accrued</u>	<u>Received</u>	Balance, December 31, <u>2013</u>
HDSRF - Broadway Redevelopment	\$ 21,114			\$ 21,114
HDSRF - Wishey Property	65,705			65,705
Municipal Alliance on Alcoholism & Drug Abuse	23,160	\$ 9,099	\$ 8,622	23,637
NJDOT : TTF Transit Village	69,840			69,840
Main St. - Engineering	399,990			399,990
Radford Ferry Road (Phase II)	955,879		697,231	258,648
NJ TTF Pine Ave & Portia	250,000		187,500	62,500
Intermodal RFRH	5,000,000			5,000,000
Clean Communities Grant	-	14,139	14,139	-
	<u>\$ 6,785,688</u>	<u>\$ 23,238</u>	<u>\$ 907,492</u>	<u>\$ 5,901,434</u>

EXHIBIT A-8

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

Balance, December 31, 2012	\$ 1,250
Increased by:	
Senior Citizens and Veteran Deductions Per Tax Billings	\$ 80,500
Senior Citizens' and Veterans' Deductions Allowed Per Tax Collector	<u>1,500</u>
	<u>82,000</u>
	83,250
Decreased by:	
Received in Cash from State	79,159
Senior Citizens Deductions Disallowed	250
Prior Year Senior Citizens Deductions Disallowed	<u>3,091</u>
	<u>82,500</u>
Balance, December 31, 2013	<u>\$ 750</u>

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

Year	Balance, Dec. 31, 2012	2013 Levy	Senior	Collected		Senior Citizens	Transferred to Tax Title Liens	Cancelled	Balance, Dec. 31, 2013
			Citizens and Veterans Deductions Disallowed	2012	2013	and Veterans' Deductions Allowed			
2011	\$ 281			\$ 281					
2012	343	-	\$ 3,091	-	3,434	-	-	-	\$ -
	624	-	3,091	-	3,715	-	-	-	-
2013	-	\$ 21,532,563	\$ 250	\$ 112,984	21,217,601	\$ 82,000	\$ 39,038	\$ 81,190	-
	\$ 624	\$ 21,532,563	\$ 3,341	\$ 112,984	\$ 21,221,316	\$ 82,000	\$ 39,038	\$ 81,190	\$ -

Analysis of Calendar Year December 31, 2013 Property Tax Levy

Tax Levy:	
General Purpose Tax	\$ 21,512,720
Added Tax	19,843
	<u>\$ 21,532,563</u>
Local District School Tax Levy	\$ 8,792,664
County Taxes:	
County Tax	\$ 3,325,439
Due County for Added Taxes	3,079
	3,328,518
Local Tax for Municipal Purposes	9,098,825
Minimum Library Tax	292,472
Add: Excess in Tax Levied	20,084
	<u>9,411,381</u>
	<u>\$ 21,532,563</u>

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

Balance, December 31, 2012	\$ 190,268
Increased by:	
Transferred from Taxes Receivable	\$ 39,038
Fees and Costs	<u>20,584</u>
	<u>59,622</u>
	249,890
Decreased By:	
Collections	<u>62,207</u>
Balance, December 31, 2013	<u>\$ 187,683</u>

CITY OF SOUTH AMBOY
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31,			Balance, December 31,
	<u>2012</u>	<u>Accrued</u>	<u>Collected</u>	<u>2013</u>
Licenses:				
Alcoholic Beverage		\$ 25,960	\$ 25,960	
Other		12,410	12,410	
Fees and Permits		42,632	42,632	
Fines and Costs:				
Municipal Court	\$ 20,114	247,745	249,172	\$ 18,687
Interest and Costs on Taxes		36,886	36,886	
Interest on Investments and Deposits		7,363	7,363	
Sewer User Fees		1,052,886	1,052,886	
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)		3,872,278	3,872,278	
Uniform Construction Code Fees		95,947	95,947	
Parking Fees		210,522	210,522	
Payment in Lieu of Taxes		203,123	203,123	
Cable Television Fees		39,594	39,594	
Sewer Connection Fees		532	532	
FEMA Reimbursement		325,000	325,000	
Housing Inspection Program	-	49,100	49,100	-
	<u>\$ 20,114</u>	<u>\$ 6,221,978</u>	<u>\$ 6,223,405</u>	<u>\$ 18,687</u>

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

	Balance, December 31, <u>2012</u>	Added in 2013	Raised in 2013 <u>Budget</u>	Funded by <u>Capital Ordinance</u>	Balance, December 31, <u>2013</u>
Emergency Authorizations (40A:4-47)	\$ 340,000	\$ 1,071,264	\$ 340,000	\$ 746,264	\$ 325,000
Special Emergency Authorizations	515,000		325,000		190,000
Operating Deficit	<u>82,685</u>	<u>-</u>	<u>82,685</u>	<u>-</u>	<u>-</u>
	<u>\$ 937,685</u>	<u>\$ 1,071,264</u>	<u>\$ 747,685</u>	<u>\$ 746,264</u>	<u>\$ 515,000</u>

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

	Balance December, <u>2012</u>	Balance After Transfers and Encumbrances <u>Cancelled</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
General Administration				
Salaries and Wages	\$ 95			
Other Expenses	5,060	\$ 31,200	\$ 3,381	\$ 27,819
Mayor and Council				
Salaries and Wages	39			
Other Expenses	599	628	128	500
Municipal Clerk				
Salaries and Wages	4,287			
Other Expenses	8,512	3,512	467	3,045
Financial Administration				
Salaries and Wages	8,156			
Other Expenses	2,912	10,912	212	10,700
Audit	2,500	57,500	40,000	17,500
Revenue Administration				
Salaries and Wages	4,160			
Other Expenses	1,495	2,815	2,524	291
Tax Assessment Administration				
Other Expenses	1,801	2,111	311	1,800
Legal Services				
Other Expenses	78,718	80,307	64,253	16,054
Department of Engineering				
Other Expenses	10,530	40,753	14,429	26,324
Vital Statistics				
Other Expenses	253	378	125	253
Planning Board				
Salaries and Wages	2			
Other Expenses	3,420	9,979	9,821	158
Police Department				
Salaries and Wages	19,777	19,777		19,777
Other Expenses	31	7,122	5,934	1,188
Emergency Management				
Other Expenses	104	419	316	103
Department of Fire				
Other Expenses	1,241	8,998	6,133	2,865
Municipal Prosecutor Office				
Salaries and Wages	857			
Streets and Roads				
Salaries and Wages	5,974			
Other Expenses	5,675	14,274	8,700	5,574
Shade Tree				
Other Expenses		3,275	3,275	
Sewers				
Salaries and Wages	8,188			
Other Expenses	5,490	7,815	204	7,611
Parking Lot				
Salaries and Wages	41			

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

	Balance December, 2012	Balance After Transfers and Encumbrances Cancelled	Paid or Charged	Balance Lapsed
Recycling Coordinator				
Salaries and Wages	\$ 1			
Other Expenses	100	\$ 100		\$ 100
Solid Waste				
Salaries and Wages	19,428			
Other Expenses	37,065	70,990	\$ 67,819	3,171
Buildings and Grounds				
Salaries and Wages	32,718			
Other Expenses	171	23,191	5,507	17,684
Other Expenses - Hurricane Sandy	190,375	281,548	281,548	
Vehicle Maintenance				
Salaries and Wages	2,978			
Other Expenses		18,369	12,485	5,884
Board of Health				
Salaries and Wages	867			
Other Expenses	423	423		423
Animal Control Services				
Other Expenses	10,802	10,802	8,333	2,469
Municipal Court				
Salaries and Wages	1,183			
Other Expenses	1,699	1,699		1,699
Public Defender				
Salaries and Wages	251	251		251
Recreation Services and Programs				
Salaries and Wages	15,629			
Other Expenses	3,337	4,270	1,457	2,813
Senior Citizens				
Salaries and Wages	5,184			
Other Expenses	3,812	5,562	2,058	3,504
Insurance				
General Liability	1,044	1,044		1,044
Employee Group Health	24,684	24,684	9,632	15,052
Division of Code Enforcement				
Salaries and Wages	2,631			
Other Expenses	2,613	2,784	171	2,613
Utilities	60,131	84,735	47,307	37,428
Deferred Charges and Regulatory Expenditures				
Social Security Systems (O.A.S.I.)	12,523			
Middlesex County Utilities Authority - Payment	20,578	30,579	5,848	24,731
Grand Total	\$ 630,144	\$ 862,806	\$ 602,378	\$ 260,428
Appropriation Reserves		\$ 630,144		
Encumbrances Reappropriated		232,662		
		<u>\$ 862,806</u>		
Cash Disbursements			<u>\$ 602,378</u>	

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

Balance, December 31, 2012		\$ 3,475,990
Increased by:		
Charges to Budget Appropriations	\$ 175,604	
Charges to Reserves for Grants Appropriated	<u>2,353,865</u>	
		<u>2,529,469</u>
		6,005,459
Decreased by:		
Transferred to Appropriated Grants	3,243,327	
Transferred to Appropriation Reserves	<u>232,662</u>	
		<u>3,475,989</u>
Balance, December 31, 2013		<u>\$ 2,529,470</u>

EXHIBIT A-15

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, 2012	Increases	Decreases	Balance, December 31, 2013
Vital Statistics	\$ 400	\$ 1,305	\$ 1,305	\$ 400
Construction Code	-	<u>4,418</u>	<u>4,418</u>	-
	<u>\$ 400</u>	<u>\$ 5,723</u>	<u>\$ 5,723</u>	<u>\$ 400</u>

EXHIBIT A-16

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
Tax Levy:		
General Taxes	\$ 3,065,041	
Added and Omitted Taxes	3,079	
Open Space Taxes	<u>260,398</u>	
		<u>\$ 3,328,518</u>
Decreased by:		
Payments		<u>\$ 3,328,518</u>

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

Increased by:	
Tax Levy	<u>\$ 8,792,664</u>
Decreased by:	
Payments	<u>\$ 8,792,664</u>

STATEMENT OF SEWER OVERPAYMENTS

Balance, December 31, 2012	\$ 4,286
Increased by:	
Cash Receipts	<u>2,460</u>
	6,746
Decreased by:	
Cash Disbursements	<u>38</u>
Balance, December 31, 2013	<u>\$ 6,708</u>

STATEMENT OF TAX OVERPAYMENTS

	<u>Taxes</u>
Balance, December 31, 2012	\$ 16,123
Increased by:	
Cash Receipts	<u>2,835</u>
	18,958
Decreased By:	
Cash Disbursements	<u>16,123</u>
Balance, December 31, 2013	<u>\$ 2,835</u>

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

	Balance December 31, <u>2012</u>	Budget Appropriation	Prior Year Encumbrances Reappropriated	Paid or Charged	Balance December 31, <u>2013</u>
Body Armor Replacement Fund	\$ 695			\$ 695	
Body Armor Replacement Fund - 2008	6,135			1,429	\$ 4,706
Body Armor Replacement Fund - 2011	6,728				6,728
Body Armor Replacement Fund - 2013		\$ 2,689			2,689
HDSRF - Broadway Redevelopment	39,337				39,337
HDSRF - Wishey Property	65,705				65,705
Municipal Alliance					
2013		11,374			11,374
2012	11,374				11,374
2011	11,124				11,124
2010	11,124			6,055	5,069
2009	1,444		\$ 1,623	3,067	
TTF Transit Village	99,629				99,629
Clean Communities	12,042	14,139		26,181	
Recycling Tonnage Grant	25,911	14,063		39,974	
Main St. Engineering Svcs					
Radford Ferry Road	28,515		909,124	910,274	27,365
NJTTF Pine Ave & Portia					
Intermodal RFR II	2,801,663		2,332,580	2,332,580	2,801,663
Middlesex County Law Enf. Grant	27	-	-	27	-
	<u>\$ 3,121,453</u>	<u>\$ 42,265</u>	<u>\$ 3,243,327</u>	<u>\$ 3,320,282</u>	<u>\$ 3,086,763</u>
Transfer to Encumbrances Payable				\$ 2,353,865	
Cash Disbursements				<u>966,417</u>	
				<u>\$ 3,320,282</u>	

EXHIBIT A-21

STATEMENT OF PREPAID TAXES

Balance, December 31, 2012	\$ 112,984
Increased by:	
2014 Taxes Received	<u>162,202</u>
	275,186
Decreased by:	
Applied to Taxes Receivable	<u>112,984</u>
Balance, December 31, 2013	<u>\$ 162,202</u>

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

Balance, December 31, 2012		\$	89,965
Increased by:			
Transferred from 2013 Appropriations		\$	5,000
Cash Receipt - Restitution			<u>3,040</u>
			<u>8,040</u>
			98,005
Decreased by:			
Cash Disbursement			843
Cancellation to Operations			<u>69,428</u>
			<u>70,271</u>
Balance, December 31, 2013		\$	<u>27,734</u>

STATEMENT OF TAX ANTICIPATION NOTES PAYABLE

Balance, December 31, 2012		\$	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, 2013		\$	<u>3,000,000</u>

STATEMENT OF NOTES PAYABLE

Balance, December 31, 2012		\$	855,000
Increased by:			
Cash Receipts			<u>1,090,000</u>
			1,945,000
Decreased by:			
Cash Disbursements			<u>1,430,000</u>
Balance, December 31, 2013		\$	<u>515,000</u>
Emergency Notes Payable		\$	325,000
Special Emergency Notes Payable			<u>190,000</u>
		\$	<u>515,000</u>

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

Balance, December 31, 2012	\$	16,752
Increased by:		
Cash Receipts		<u>15,736</u>
		32,488
Decreased by:		
Transferred to 2013 Budget Appropriations		<u>16,752</u>
Balance, December 31, 2013	\$	<u>15,736</u>
	Body Armor \$	3,354
	Recycling Tonnage	<u>12,382</u>
	\$	<u>15,736</u>

EXHIBIT A-26

STATEMENT OF RESERVE FOR HURRICANE SANDY

Balance, December 31, 2012	\$	54,647
Increased by:		
Cash Receipts		<u>57,183</u>
Balance, December 31, 2013	\$	<u>111,830</u>

EXHIBIT A-27

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2012	\$	<u>50,000</u>
Balance, December 31, 2013	\$	<u>50,000</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, 2012	\$ 3,155	\$ 626,198	\$ 118,473
Increased by Receipts:			
Reserve for Payroll		\$ 3,883,816	
Reserve for Payroll Deductions Payable		3,625,106	
Reserve for Miscellaneous Reserves		35,909	
Reserve for Escrow Deposits		59,949	
Reserve for Third Party Lienholders		487,380	
License Fees Collected	\$ 1,952		
Late Fees Collected	84		
Due to State of NJ - State Registration Fees	545		
Due from Community Development Block Grant Fund			
Receipts from Current Fund			
Due from Payroll Agency			
Employee Contributions			\$ 7,739
Interest on Deposits	-	281	178
	<u>2,581</u>	<u>8,092,441</u>	<u>7,917</u>
	5,736	8,718,639	126,390
Decreased by Disbursements:			
Expenditures	2,500		
Due to Payroll Agency			
Due to State of NJ - Unemployment Claims			24,740
Due to State of NJ - State Registration Fees	563		
Payments to Current Fund		281	
Reserve for Escrow Deposits		135,684	
Reserve for Payroll		3,881,755	
Reserve for Payroll Deductions Payable		3,624,548	
Reserve for Third Party Lienholders			
Reserve for Third Party Lienholders		477,998	
Reserve for Miscellaneous Reserves	-	42,908	-
	<u>3,063</u>	<u>8,163,174</u>	<u>24,740</u>
Balance, December 31, 2013	<u>\$ 2,673</u>	<u>\$ 555,465</u>	<u>\$ 101,650</u>

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

Balance, December 31, 2012		\$ 3,137
Increased by:		
License Fees Collected	\$ 1,952	
Late Fees Collected	<u>84</u>	
		<u>2,036</u>
		5,173
Decreased by:		
Cash Disbursements		<u>2,500</u>
Balance, December 31, 2013		<u>\$ 2,673</u>

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

Balance, December 31, 2012		\$ 18
Increased By:		
State Fees Collected		<u>545</u>
		563
Decreased by		
Payments		<u>563</u>
Balance, December 31, 2013		<u>\$ -</u>

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

Increased By		
Payments to Current Fund	\$	281
Receipts in Current Fund Due To Other Trust		<u>299,800</u>
		\$ 300,081
Decreased by:		
Interest Earned		<u>281</u>
Balance, December 31, 2013		<u>\$ 299,800</u>

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

Balance, December 31, 2012		\$ 52,142
Increased by		
Cash Receipts		<u>487,380</u>
		539,522
Decreased by		
Cash Disbursements		<u>477,998</u>
Balance, December 31, 2013		<u>\$ 61,524</u>

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

Balance, December 31, 2012	\$ 309,045
Increased by	
Deposits Collected	59,949
	368,994
Decreased by:	
Deposits Refunded	135,684
Balance, December 31, 2013	\$ 233,310

EXHIBIT B-7

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

Balance, December 31, 2012	\$ 8,066
Increased by:	
Cash Receipts	3,883,816
	3,891,882
Decreased by:	
Cash Disbursements	3,881,755
Balance, December 31, 2013	\$ 10,127

EXHIBIT B-8

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

Balance, December 31, 2012	\$ 66,206
Increased by:	
Cash Receipts	3,625,106
	3,691,312
Decreased by:	
Cash Disbursements	3,624,548
Balance, December 31, 2013	\$ 66,764

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

	Balance December 31, <u>2012</u>	Cash Receipts	Cash Disbursements	Balance December 31, <u>2013</u>
Recycling Program	\$ 24,455	\$ 1,678		\$ 26,133
Senior Citizen Transportation	5,420	950		6,370
Forfeited Funds	28,140	269	\$ 2,440	25,969
Recreation Trust	4,893		4,893	-
Parking Offense Adjudication Act	2,508	456	1,132	1,832
Raritan Bay Seafood Festival	11,011	1,926	300	12,637
Tax Sale Premium	37,100	269,600		306,700
Off Duty Police	124		124	-
Charter Celebration	4,586		4,586	-
Dedicated Penalties - Fire	5,262	250		5,512
LOSAP	<u>67,240</u>	<u>60,580</u>	<u>29,433</u>	<u>98,387</u>
	<u>\$ 190,739</u>	<u>\$ 335,709</u>	<u>\$ 42,908</u>	<u>\$ 483,540</u>
		Cash Receipts \$ 35,909		
		Due from Current Fund <u>299,800</u>		
		<u>\$ 335,709</u>		

EXHIBIT B-10

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

Balance, December 31, 2012	\$ 117,653
Increased by:	
Employee Contribution	\$ 7,739
Interest on Deposits	<u>178</u>
	<u>7,917</u>
	125,570
Decreased by:	
Unemployment Claims	<u>24,738</u>
Balance, December 31, 2012	<u>\$ 100,832</u>

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

Balance, December 31, 2012	\$	820
Increased By:		
Claims		<u>24,738</u>
		25,558
Decreased by:		
Payments made to the State of NJ		<u>24,740</u>
Balance, December 31, 2013	<u>\$</u>	<u>818</u>

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

Balance, December 31, 2012	\$	39,185
Increased by:		
Grant Allocations		26,338
Balance, December 31, 2013	\$	65,523
<u>Analysis of Balance</u>		
2008 Façade Program	\$	38,515
2009 Senior Center Improvements		670
2013 Façade Program		26,338
	\$	65,523

CITY OF SOUTH AMBOY
STATEMENT OF RESERVE FOR COMMUNITY DEVELOPMENT PROGRAMS
COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND

Balance, December 31, 2012	\$ 39,185
Increased by:	
Grant Awards	
2013 Façade Program	<u>26,338</u>
Balance, December 31, 2013	<u>\$ 65,523</u>

GENERAL CAPITAL FUND

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

Balance, December 31, 2012	\$ 672,653
Decreased by Disbursements:	
Cash Paid to Current Fund	<u>650,000</u>
Balance, December 31, 2013	<u>\$ 22,653</u>

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

			Balance, December 31, <u>2013</u>
Due from Current Fund		\$	(226,479)
Grants Receivable			(230,000)
Encumbrances Payable			406,076
Capital Improvement Fund			1,830
Fund Balance			19,470
<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		5,174
9-08.1	Acquisition of Fire Apparatus		44
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
02-11	Various Capital Improvements		16,771
14-11	Various Equipment		6,651
20-11	Refunding Bonds (Tax Appeals)		114,812
7-12	Various Capital Improvements		95,726
10-12	Various Capital Improvements & Equipment		7,551
16-13	Reconstruction of the Waterfront Walkway and Seawall		(84,628)
17-13	Various Capital Improvements		(255,350)
15-13	Refunding Bonds - Judgment and Insurance Assessments		38,736
			<u>38,736</u>
		\$	<u>22,653</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	\$	1,641,000	
Cash Paid to Current Fund		<u>650,000</u>	
			\$ 2,291,000
Budget Appropriation			
Capital Improvement Fund			<u>50,000</u>
			<u>2,341,000</u>

Decreased by:

Cash Disbursements made by Current Fund:			
Improvement Authorizations	\$	1,382,396	
Encumbrances Payable		<u>732,125</u>	
			<u>2,114,521</u>
Balance, December 31, 2013			<u>\$ 226,479</u>

EXHIBIT C-5

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2012			\$ 12,674,447
Decreased by:			
Budget Appropriation to Pay:			
Bond Principal	\$	950,000	
Loan Principal		<u>118,164</u>	
			<u>1,068,164</u>
Balance, December 31, 2013			<u>\$ 11,606,283</u>

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

Balance, December 31, 2012	\$	61,330
Increased by:		
Current Fund Budget Appropriation		<u>50,000</u>
		111,330
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>109,500</u>
Balance, December 31, 2013	\$	<u>1,830</u>

EXHIBIT C-8

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

Balance, December 31, 2012	\$	25,000
Increased by:		
Grant Awards		<u>205,000</u>
Balance, December 31, 2013	\$	<u>230,000</u>

Analysis of Balance

Ord. 5-02/1-03/18-05	\$	25,000
Ord. 17-13		<u>205,000</u>
	\$	<u>230,000</u>

EXHIBIT C-9

STATEMENT OF DUE FROM FEMA GRANT RECEIVABLE

Increased by:		
Grant Awards		<u>\$ 1,764,000</u>
Balance, December 31, 2013	\$	<u>1,764,000</u>

Reserve for FEMA Grants Receivable

Ord. 16-13	\$	<u>1,764,000</u>
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**CITY OF SOUTH AMBOY
STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2012	\$ 19,470
Decreased by:	
Cancelled to Fund Balance	<u>19,470</u>
Balance, December 31, 2013	<u>\$ -</u>

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

Ord. No.	Improvement Description	Amount Appropriated	Balance, December 31, 2012		Improvement Authorizations	Paid or Charged	Encumbrances Canceled	Balance, December 31, 2013	
			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	
7-07	Improvements to Sewer System on Cedar Street	65,000	10,674			\$ 5,500		5,174	
9-08.1	Acquisition of Fire Apparatus	475,000	21,228			21,184		44	
9-08.2	Acquisition of Vehicles	300,000	30,814					30,814	
18-09	Purchase of Bucket Truck	100,000	4,526					4,526	
18-09	Purchase of Truck with Spreader	175,000	33,090					33,090	
02-11	Various Capital Improvements	1,000,000	-				\$ 16,771		\$ 16,771
11-10	Environmental Remediation	50,000	3,514			3,514			
14-11	Various Equipment	86,452	6,651					6,651	
20-11	Refunding Bonds - Tax Appeals	475,000		\$ 118,312		3,500			114,812
7-12	Various Capital Improvements	900,000		397,309		301,583			95,726
10-12	Various Capital Improvements & Equipment	260,000	60,000			52,449		7,551	
16-13	Reconstruction of the Waterfront Walkway and Seawall	2,000,000			\$ 2,000,000	96,628			1,903,372
17-13	Various Capital Improvements	2,250,000			2,250,000	557,850			1,692,150
15-13	Refunding Bonds - Judgment and Insurance Assessments	785,000	-	-	785,000	746,264		-	38,736
			<u>\$ 208,336</u>	<u>\$ 515,621</u>	<u>\$ 5,035,000</u>	<u>\$ 1,788,472</u>	<u>\$ 16,771</u>	<u>\$ 125,689</u>	<u>\$ 3,861,567</u>
					Deferred Charges - Unfunded	\$ 4,720,500			
					DOT Grant Award	205,000			
					Capital Improvement Fund	109,500			
						<u>\$ 5,035,000</u>			
					Paid by Current Fund	\$ 1,382,396			
					Transfer to Encumbrances Payable	<u>406,076</u>			
						<u>\$ 1,788,472</u>			

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

Balance, December 31, 2012		\$ 748,896
Increased by:		
Commitments		<u>406,076</u>
		1,154,972
Decreased by:		
Disbursements Paid by Current Fund	\$ 732,125	
Cancelled Encumbrances	<u>16,771</u>	
		<u>748,896</u>
Balance, December 31, 2013		<u>\$ 406,076</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, 2012	Increased	Decreased	Balance, December 31, 2013
10-10	Improvements to Various Streets	\$ 427,500	4/29/2011	4/26/2012 4/24/2013	4/25/2013 4/23/2014	1.75 % 1.25	\$	\$ 427,500	\$ 427,500		\$ 427,500
11-10	Environmental Remediation	47,500	4/29/2011	4/26/2012 4/24/2013	4/25/2013 4/23/2014	1.75 1.25		47,500	47,500	47,500	47,500
28-10	Improvements to Various Streets	425,000	4/29/2011	4/26/2012 4/24/2013	4/25/2013 4/23/2014	1.75 1.25		425,000	425,000	425,000	425,000
2-11	Various Capital Improvements	950,000	4/29/2011	4/26/2012 4/24/2013	4/25/2013 4/23/2014	1.75 1.25		950,000	950,000	950,000	950,000
20-11	Refunding Bonds - Tax Appeals	475,000	4/26/2012	4/26/2012 4/24/2013	4/25/2013 4/23/2014	1.75 1.25		475,000	320,000	475,000	320,000
7-12	Various Capital Improvements	856,000	4/24/2013	4/24/2013	4/23/2014	1.25			856,000		856,000
15-13	Refunding Bonds - Judgment and Insurance Assessments	785,000	12/30/2013	12/30/2013	12/29/2014	1.00		-	785,000	-	785,000
								<u>\$ 2,325,000</u>	<u>\$ 3,811,000</u>	<u>\$ 2,325,000</u>	<u>\$ 3,811,000</u>
								Issued for Cash	\$ 1,641,000		
								Paydown by Budget Appropriation		\$ 155,000	
								Renewals	<u>2,170,000</u>	<u>2,170,000</u>	
								<u>\$ 3,811,000</u>	<u>\$ 2,170,000</u>		

CITY OF SOUTH AMBOY
STATEMENT OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturity of Bonds Outstanding at December 31, 2013		Interest Rate	Balance, December 31, 2012	Decreased	Balance, December 31, 2013
			Date	Amount				
General Obligation Bonds	8/1/2006	5,290,000	8/1/14	440,000	4.375 %	\$ 4,690,000	\$ 200,000	\$ 4,490,000
			8/1/15-18	450,000	4.375			
			8/1/19-23	450,000	4.500			
General Improvement Bonds	5/1/2010	7,920,000	5/1/2014-21	500,000	3.00-4.00	<u>7,370,000</u>	<u>750,000</u>	<u>6,620,000</u>
			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			
						<u>\$ 12,060,000</u>	<u>\$ 950,000</u>	<u>\$ 11,110,000</u>
Paid by Budget Appropriation						<u>\$ 950,000</u>		

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

Balance, December 31, 2012	\$ 614,447
Decreased by:	
Paid by Budget Appropriation	118,164
Balance, December 31, 2013	\$ 496,283

EXHIBIT C-16

STATEMENT OF RESERVE FOR FEMA GRANT RECEIVABLE

Increased by:	
Grant Award	\$ 1,764,000
Balance, December 31, 2013	\$ 1,764,000

EXHIBIT C-17

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	Purpose	Balance, December 31, <u>2012</u>	Authorized in <u>2013</u>	<u>Decreased by:</u> Bond Anticipation Notes Issued	Balance, December 31, <u>2013</u>
7-12	Various Capital Improvements	\$ 856,000		\$ 856,000	
16-13	Reconstruction of the Waterfront Walkway and Seawall		\$ 1,988,000		\$ 1,988,000
17-13	Various Capital Improvements		1,947,500		1,947,500
15-13	Refunding Bonds - Judgement and Insurance Assessments	-	785,000	785,000	-
		\$ 856,000	\$ 4,720,500	\$ 1,641,000	\$ 3,935,500

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

**PART II
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**



LERCH, VINCI & HIGGINS, LLP

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REGISTERED MUNICIPAL ACCOUNTANTS

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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

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, 2013, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2014. Our report on the financial statements – regulatory basis was modified to indicate 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 modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

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 (internal control) 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

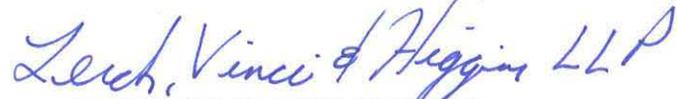
As part of obtaining reasonable assurance about whether the City of South Amboy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 matters 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 2013-001. 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 Response to Finding

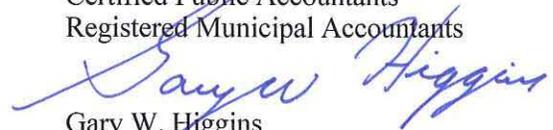
The City of South Amboy's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of South Amboy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express 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

Fair Lawn, New Jersey
June 5, 2014



LERCH, VINCI & HIGGINS, LLP

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
U.S. OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the City of South Amboy's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of South Amboy's major federal programs for the year ended December 31, 2013. The City of South Amboy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of South Amboy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of South Amboy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City of South Amboy's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of South Amboy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the City of South Amboy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of South Amboy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of South Amboy's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements - regulatory basis of the City of South Amboy as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated June 5, 2014, which contained a modified opinion on those financial statements because they were not prepared and presented in accordance with accounting principles generally accepted in the United States of America and also contained a modified opinion on those financial statements prepared and presented in accordance with the regulatory basis of accounting because of unaudited LOSAP Trust Fund financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by OMB Circular A-133 and schedule of expenditures of state financial assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

Leich, Vinci & Higgins LLP

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

Gary W. Higgins

Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 5, 2014

**CITY OF SOUTH AMBOY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Federal CFDA <u>No.</u>	Grant Award <u>Received</u>	Balance, December 31, <u>2012</u>	Revenue <u>Realized</u>	<u>Expenditures</u>	<u>Adjustments</u>	Balance, December 31, <u>2013</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	\$ 697,231	\$ 937,640		\$ 774,001		\$ 163,639	\$ 792,240
August St. - Phase III			19,536				19,536	175,464
TTF Transit Village			99,629				99,629	252,882
TTF Pine Ave Porta		187,500						250,000
Department of Housing and Urban Development								
Community Development Block Grant								
2008 Program Year								
Façade Improvements	14.219		38,515	\$ 26,338			64,853	135,785
Senior Area/Community Center	14.219		670				670	159,300
Federal Emergency Administration								
FEMA - Hurricane Sandy	97.036	344,769	-	344,769	344,769	-	-	344,769
			<u>\$ 1,095,990</u>	<u>\$ 371,107</u>	<u>\$ 1,118,770</u>	<u>\$ -</u>	<u>\$ 348,327</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, 2013**

<u>State Grant Program</u>	<u>Account Numbers</u>	<u>Grant Year</u>	<u>Grant Award Received</u>	<u>Balance, December 31, 2012</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>(1) Adjustment</u>	<u>Balance, December 31, 2013</u>	<u>Memo Cumulative Total Expenditures</u>
Body Armor Replacement Fund	066-1020-718-001-04	2007		\$ 695		\$ 695			\$ 2,260
		2008		6,135		1,429		\$ 4,706	1,429
		2011		6,728				6,728	
		2013			\$ 2,689			2,689	
Clean Communities Program	4900-765-178900	2012		12,042		12,042			12,042
		2013	\$ 14,139		14,139	14,139			14,139
Recycling Tonnage Grant	N/A	2011		25,911		25,911			25,911
		2013			14,063	14,063			14,063
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 - RFRIL	N/A	2011		4,935,946		87,948		4,847,998	152,002
Intermodal RFRIL - Engineering	N/A	2011		198,296		28,943		169,353	230,637
Municipal Drug & Alcohol Alliance Pgm.	N/A	2009		842		842		-	8,899
		2010		11,124		4,151	\$ 2,225	4,748	4,932
		2011		11,124			2,225	8,899	
		2012		11,374			2,275	9,099	
		2013	8,622		-	9,099	-	-	9,099
				<u>\$ 5,325,259</u>	<u>\$ 39,990</u>	<u>\$ 190,163</u>	<u>\$ 6,725</u>	<u>\$ 5,168,361</u>	

(1) - To adjust beginning balance at 12/31/12 for local share

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, 2013**

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	\$ 344,769	\$ 39,990	\$ 384,759
Community Development Trust Fund	<u>26,338</u>	<u>-</u>	<u>26,338</u>
	<u>\$ 371,107</u>	<u>\$ 39,990</u>	<u>\$ 411,097</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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

Finding 2013-001:

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 2013-001.

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 QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR FEDERAL AWARDS

There are none.

CURRENT YEAR STATE AWARDS

Not applicable

**CITY OF SOUTH AMBOY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

This section identified the status of prior-year findings related to the financial statements – regulatory basis 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 2012-001:

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 2013-001.

CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY

PART III
SUPPORTING DATA
LETTER OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Year 2013</u>		<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Appropriated				
Miscellaneous - From Other Than Local				
Property Tax Levies	\$ 6,504,794	22.97%	\$ 6,337,007	23.78%
Collection of Delinquent Taxes and Tax Title Liens	65,922	0.23%	142,835	0.54%
Collection of Current Tax Levy	21,412,335	75.63%	20,080,068	75.34%
Other Credits to Income	<u>329,856</u>	<u>1.17%</u>	<u>91,423</u>	<u>0.34%</u>
Total Income	<u>28,312,907</u>	<u>100.00%</u>	<u>26,651,333</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	16,795,292	58.02%	15,694,111	56.89%
County Taxes	3,328,518	11.50%	3,152,264	11.43%
Local School Taxes	8,792,664	30.38%	8,638,957	31.31%
Other Expenditures	<u>29,794</u>	<u>0.10%</u>	<u>103,686</u>	<u>0.38%</u>
Total Expenditures	<u>28,946,268</u>	<u>100.00%</u>	<u>27,589,018</u>	<u>100.00%</u>
Deficit in Revenue	(633,361)		(937,685)	
Adjustments to Income before Surplus				
Expenditures included above which are by Statute				
Deferred Charges to Budget of Succeeding Year	<u>1,071,264</u>		<u>855,000</u>	
Deficit in Operations to be Raised in Budget of Succeeding Year			<u>\$ (82,685)</u>	
Statutory Excess to Fund Balance	437,903			
Fund Balance, Beginning of Year	<u>87,278</u>		<u>\$ 87,278</u>	
Fund Balance, End of Year	<u>\$ 525,181</u>		<u>\$ 87,278</u>	

COMPARATIVE SCHEDULE OF CALENDAR YEAR TAX RATE INFORMATION

	<u>Calendar Year Tax Rate</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Tax Rate</u>	<u>\$2.495</u>	<u>\$2.336</u>	<u>\$2.247</u>
<u>Apportionment of Tax Rate</u>			
Municipal	1.088	.978	.917
County	.387	.363	.367
Local School	1.020	.995	.963

Assessed Valuation

2013	<u>\$862,233,000</u>
2012	<u>\$868,817,000</u>
2011	<u>\$890,577,300</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>
2013	\$ 21,532,563	\$ 21,412,335	99.44%
2012	20,377,394	20,130,068	98.79%
2011	20,093,951	19,835,713	98.71%

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, 2013, 2012 and 2011.

<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>
2013	\$ 187,683		\$ 187,683	0.86%
2012	190,268	\$ 624	190,892	0.93%
2011	145,284	65,265	210,549	1.05%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The City has not acquired by liquidation of tax title liens any properties as of December 31, 2013.

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>December 31,</u>	<u>Balance</u>	<u>Utilized In Budget of Succeeding Year</u>
<u>Current Fund</u>	2013	\$525,181	\$270,000
	2012	87,278	-0-
	2011	87,278	-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
Donald Applegate	Councilman
Michael Gross	Councilman
Christine Noble	Councilwoman
Zusette Dator	Councilwoman
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
Jason Valetutto	Zoning Officer
Borough 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.

GENERAL COMMENTS

Current Year

The audit disclosed that the Construction Code Official did not remit certain fees collected within 48 hours of receipt to the Treasurer. It is recommended that the Construction Code Official remit all fees collected to the Treasurer within 48 hours of receipt.

The audit of the Municipal Court revealed that tickets assigned to police officers which were not issued within six months were not returned to the Court Administrator. It is recommended that all outstanding assigned tickets in excess of six months from the issue date be returned by the respective police officer to the Court Administrator.

Prior Year Findings – Unresolved

The audit of payroll indicated that the Governing Body did not approve an update to the City's salary ordinances for the 2013 calendar pursuant to NJS 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.

Our audit revealed that the administrative fee being charged for Police Outside Duty pay was applied as a refund to the Police Salary and Wages budget. 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 administrative fee for Police Outside Duty be realized as a revenue, 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:

City Hall Stand-By Generator

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 2, 2013 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, 2013.

The following comparison is made of the number of tax title liens receivable outstanding at December 31, 2013, 2012 and 2011.

<u>December 31</u>	<u>Number of Liens</u>
2013	27
2012	35
2011	23

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 administrative fee for Police Outside Duty be realized as a revenue and 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.
- 4) The Construction Code Official remit all fees collected to the Treasurer within 48 hours of receipt.
- 5) All outstanding assigned tickets in excess of six months from the issue date be returned by the respective police officer to the Court Administrator.

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.

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