

**CITY OF SOUTH AMBOY**  
**MIDDLESEX COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**CITY OF SOUTH AMBOY  
TABLE OF CONTENTS**

<u>Exhibits</u>		<u>Page</u>
 <b><u>PART I</u></b>		
	Independent Auditor's Report	1-3
A	Comparative Balance Sheets – Regulatory Basis - Current Fund	4-5
A-1	Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis - Current Fund	6
A-2	Statement of Revenues – Regulatory Basis – Current Fund	7-9
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	10-14
B	Comparative Balance Sheets – Regulatory Basis - Trust Funds	15-16
C	Comparative Balance Sheets – Regulatory Basis - General Capital Fund	17
C-1	Comparative Statements of Fund Balance – Regulatory Basis – General Capital Fund	18
D	Comparative Balance Sheets – Regulatory Basis - General Fixed Assets Account Group	19
	Notes to Financial Statements	20-53
 <b><u>Current Fund</u></b>		
A-4	Statement of Cash - Treasurer	54
A-5	Statement of Change Fund	54
A-6	Statement of Petty Cash	55
A-7	Statement of Grants Receivable	56
A-8	Statement of Due from State of New Jersey - Veterans' and Senior Citizens' Deductions	56
A-9	Statement of Taxes Receivable and Analysis of Property Tax Levy	57
A-10	Statement of Tax/Sewer Title Liens	58
A-11	Statement of Revenue Accounts Receivable	59
A-12	Statement of Due From Library	59
A-13	Statement of Deferred Charges	60
A-14	Statement of Appropriation Reserves	61-62
A-15	Statement of Encumbrances Payable	63
A-16	Statement of Miscellaneous Reserves	63
A-17	Statement of County Taxes Payable	63
A-18	Statement of Local District School Taxes Payable	64
A-19	Statement of Sewer Overpayments	64
A-20	Statement of Tax Overpayments	64
A-21	Statement of Reserve for Grants Appropriated	65
A-22	Statement of Prepaid Taxes	65
A-23	Statement of Accounts Payable	66
A-24	Statement of Tax Anticipation Notes Payable	66
A-25	Statement of Notes Payable	66
A-26	Statement of Unappropriated Reserve for Grants	67
A-27	Statement of Reserve for Hurricane Sandy	67
A-28	Statement of Reserve for Tax Appeals	67
A-29	Statement of Prepaid Pilot Payments	67

**CITY OF SOUTH AMBOY  
TABLE OF CONTENTS**

<u>Exhibits</u>		<u>Page</u>
 <b><u>PART I</u></b>		
<b><u>Trust Fund</u></b>		
B-1	Statement of Cash	68
B-2	Statement of Reserve for Animal Control Expenditures – Animal Control Trust Fund	69
B-3	Statement of Due to State of New Jersey – Animal Control Trust Fund	69
B-4	Statement of Due from Current Fund – Other Trust Fund	70
B-5	Statement of Reserve for Third Party Lienholders – Other Trust Fund	70
B-6	Statement of Reserve for Escrow Deposits – Other Trust Fund	71
B-7	Statement of Reserve for Payroll – Other Trust Fund	71
B-8	Statement of Reserve for Payroll Deductions Payable – Other Trust Fund	71
B-9	Statement of Reserve for Miscellaneous Reserves – Other Trust Fund	72
B-10	Statement of Reserve for Unemployment Compensation Insurance – Unemployment Insurance Trust Fund	72
B-11	Statement of Due to State of New Jersey Fund – Unemployment Insurance Trust Fund	73
B-12	Statement of Community Development Block Grants Receivable - Community Development Block Grant Trust Fund	74
B-13	Statement of Reserve for Community Development Programs – Community Development Block Grant Trust Fund	75
 <b><u>General Capital Fund</u></b>		
C-2	Statement of Cash – General Capital Fund	76
C-3	Analysis of General Capital Cash	77
C-4	Statement of Due from Current Fund – General Capital Fund	78
C-5	Statement of Deferred Charges to Future Taxation - Funded	78
C-6	Statement of Deferred Charges to Future Taxation - Unfunded	79
C-7	Statement of Due from State Department of Transportation	80
C-8	Statement of Due from FEMA Grant Receivable	80
C-9	Statement of Capital Improvement Fund	80
C-10	Statement of Improvement Authorizations	81
C-11	Statement of Encumbrances Payable	82
C-12	Statement of Bond Anticipation Notes	83
C-13	Statement of General Serial Bonds	84
C-14	Statement of Middlesex County Improvement Authority Loans Payable	85
C-15	Statement of Reserve for FEMA Grant Receivable	85
C-16	Statement of Bonds and Notes Authorized But Not Issued	85

**CITY OF SOUTH AMBOY  
TABLE OF CONTENTS**

**Exhibits**

**Page**

**Part II**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards – Independent Auditor’s Report	86-87
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	88-90
Schedule of Expenditures of Federal Awards	91
Schedule of Expenditures of State Financial Assistance	92
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	93
Schedule of Findings and Questioned Costs	94-97

**Part III**

Statement of Operations and Changes in Fund Balance - Current Fund	98
Comparative Schedule of Calendar Year Tax Rate Information	99
Comparison of Tax Levies and Collections	99
Delinquent Taxes and Tax Title Liens	99
Comparative Schedule of Fund Balances	100
Officials in Office and Surety Bonds	101
General Comments	102-103
Recommendations	104

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

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of South Amboy, as of December 31, 2014 and 2013, 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, 2014, 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 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, 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, 2014 and 2013, 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, 2014 and 2013. The LOSAP Trust Fund financial activities are included in the City's Trust Funds, and represent 24 percent and 28 percent of the assets and liabilities, respectively, of the City's Trust Funds as of December 31, 2014 and 2013.

***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 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, 2014 and 2013, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2014 in accordance with the 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*

*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 U.S. Office of Management and Budget (OMB) 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.

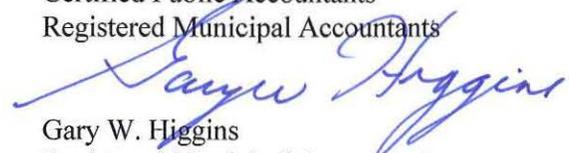
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2015 on our consideration of the City of South Amboy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of South Amboy's internal control over financial reporting and compliance.



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



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
June 24, 2015

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
Cash	A-4	\$ 4,165,771	\$ 4,632,873
Change Fund	A-5	285	430
Petty Cash Fund	A-6		1,050
Grants Receivable	A-7	5,370,648	5,901,434
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	A-8	<u>2,500</u>	<u>750</u>
		<u>9,539,204</u>	<u>10,536,537</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-9	14,324	
Tax/Sewer Title Liens	A-10	205,343	187,683
Due from Library	A-12	632	
Revenue Accounts Receivable	A-11	<u>13,103</u>	<u>18,687</u>
		<u>233,402</u>	<u>206,370</u>
Deferred Charges			
Emergency Authorizations	A-13	168,000	325,000
Special Emergency Authorizations	A-13	84,000	190,000
Overexpenditure of Appropriations	A-13	<u>23,501</u>	<u>-</u>
		<u>275,501</u>	<u>515,000</u>
Total Assets		<u>\$ 10,048,107</u>	<u>\$ 11,257,907</u>

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Appropriation Reserves	A-3,A-14	\$ 346,042	\$ 491,399
Encumbrances Payable	A-15	2,336,032	2,529,470
Tax Anticipation Note Payable	A-24	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-22	116,378	162,202
Prepaid Pilot Payments	A-29	2,790	
Grants Appropriated	A-21	2,916,575	3,086,763
Grants Unappropriated	A-26	11,763	15,736
Accounts Payable	A-23	30,260	27,734
Tax Overpayments	A-20	2,770	2,835
Sewer Overpayments	A-19	4,486	6,708
Emergency Notes Payable	A-25	168,000	325,000
Special Emergency Notes Payable	A-25	84,000	190,000
Reserve for Tax Appeals	A-28	100,000	50,000
Miscellaneous Reserves	A-16	275	400
Reserve for Hurricane Sandy	A-27	<u>54,706</u>	<u>111,830</u>
		9,174,077	10,526,356
Reserve for Receivables and Other Assets	A	233,402	206,370
Fund Balance	A-1	<u>640,628</u>	<u>525,181</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 10,048,107</u>	<u>\$ 11,257,907</u>

**CITY OF SOUTH AMBOY**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND**  
**CHANGES IN FUND BALANCE - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>REVENUES AND OTHER INCOME</b>			
Fund Balance Utilized	A-2	\$ 270,000	
Miscellaneous Revenue Anticipated	A-2	5,894,132	\$ 6,263,676
Receipts from Delinquent Taxes	A-2	12,213	65,922
Receipts from Current Taxes	A-2	21,924,620	21,412,335
Non-Budget Revenues	A-2	131,737	241,118
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	A-14	78,374	260,428
Cancellation of Unexpended Appropriated Grant Balances	A-21	48,012	
Cancellation of Accounts Payable	A-1	-	69,428
		<u>28,359,088</u>	<u>28,312,907</u>
<b>EXPENDITURES</b>			
Budget Appropriations:			
Operations			
Salaries and Wages	A-3	5,754,034	5,811,511
Other Expenses	A-3	6,260,917	6,311,072
Capital Improvements	A-3	100,000	50,000
Municipal Debt Service	A-3	2,118,695	2,036,802
Deferred Charges and Regulatory Expenditures	A-3	1,545,603	1,839,643
County Taxes	A-17	3,051,905	3,065,041
County Open Space Taxes	A-17	248,688	260,398
Due County for Added Taxes	A-17	8,898	3,079
Local District School Taxes	A-18	9,073,448	8,792,664
Refund of Prior Year Revenue	A-4	172	26,703
Prior Year Senior Citizens and Veterans Disallowed	A-8	2,150	3,091
Establishment of Reserves for Receivables	A-1	632	-
		<u>28,165,142</u>	<u>28,200,004</u>
Deficit in Revenue		193,946	112,903
Adjustments to Income before Surplus			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-13	<u>191,501</u>	<u>325,000</u>
Statutory Excess To Fund Balance		385,447	437,903
Fund Balance, Beginning of Year	A	<u>525,181</u>	<u>87,278</u>
		910,628	525,181
Decreased by:			
Utilization as Anticipated Revenue	A-1, A-2	<u>270,000</u>	<u>-</u>
Fund Balance, End of Year	A	<u>\$ 640,628</u>	<u>\$ 525,181</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, 2014**

	<u>Reference</u>	<u>Budget</u>	Added by N.J.S.A. <u>40A:4-87</u>	<u>Realized</u>	Excess (Deficit)
Fund Balance Anticipated	A-1	\$ 270,000	\$ -	\$ 270,000	\$ -
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverage	A-11	25,950		29,650	\$ 3,700
Other	A-2	12,400		15,006	2,606
Fees and Permits	A-2	42,600		41,880	(720)
Fines and Costs:					
Municipal Court	A-11	249,000		221,342	(27,658)
Interest and Costs on Taxes	A-11	36,800		43,600	6,800
Interest on Investments and Deposits	A-2	7,600		12,301	4,701
Sewer User Fees	A-11	1,052,431		1,089,014	36,583
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)	A-11	3,872,278		3,872,278	-
Uniform Construction Code Fees	A-11	95,900		92,975	(2,925)
Clean Communities Program	A-26		\$ 13,247	13,247	
Municipal Alliance	A-7	9,099		9,099	
Recycling Tonnage Grant	A-26	12,382		12,382	
Body Armor	A-26	3,354	2,609	5,963	
NJ DOT Municipal Aid	A-7		25,042	25,042	
Payment in Lieu of Taxes	A-11	202,000		212,647	10,647
Cable Television Fees	A-11	39,000		45,256	6,256
FEMA Reimbursement	A-27	106,000		106,000	-
Housing Inspection Program	A-11	49,000		46,450	(2,550)
<b>Total Miscellaneous Revenues</b>	A-1	<u>5,815,794</u>	<u>40,898</u>	<u>5,894,132</u>	<u>37,440</u>
Receipts from Delinquent Taxes	A-2	-		12,213	12,213
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes Including Reserve for					
Uncollected Taxes	A-2	9,347,741		9,427,044	79,303
Minimum Library Tax	A-2	279,637		279,637	-
		<u>9,627,378</u>	<u>-</u>	<u>9,706,681</u>	<u>79,303</u>
		<u>\$ 15,713,172</u>	<u>\$ 40,898</u>	<u>15,883,026</u>	<u>\$ 128,956</u>
Non-Budget Revenues	A-2			131,737	
				<u>\$ 16,014,763</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, 2014**  
**(Continued)**

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenues from Collections	A-9	\$ 21,974,620
Less:		
Transfer to Reserve for Tax Appeals	A-28	<u>50,000</u>
Current Taxes Realized in Cash	A-1	21,924,620
Less:		
Allocated School and County Taxes	A-17,A-18	<u>12,382,939</u>
Balance for Support of Municipal Budget Appropriations		9,541,681
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>165,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 9,706,681</u>
Delinquent Taxes		
Delinquent Tax Collections	A-9	\$ 2,150
Tax Title Liens Collections	A-10	<u>10,063</u>
	A-2	<u>\$ 12,213</u>
Other Licenses		
Bingo Licenses		\$ 980
Food Licenses		1,950
Mercantile Licenses		8,200
Outdoor Café Licenses		250
Cat Licenses		223
Taxi License		203
Video License		<u>3,200</u>
	A-2, A-11	<u>\$ 15,006</u>
Fees and Permits - Other		
Photo Copies		\$ 2,041
Planning Bd. Of Adj.		18,221
Road Opening Permits		3,446
Sidewalk and Curbs		1,246
Marriage/Local		152
Copy of Birth Cert.		2,875
Copy of Death Cert.		9,115
Copy of Marriage Lic.		1,790
Tax Collector Fees		<u>2,994</u>
	A-2, A-11	<u>\$ 41,880</u>
Interest on Investments		
Due from Other Trust Fund	B-4	\$ 491
Cash Receipts	A-11	<u>11,810</u>
	A-2	<u>\$ 12,301</u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(Continued)**

	<u>Reference</u>	
Non-Budget Revenues		
2% Administration Fee - Senior Citizen and Veterans	\$	1,487
Parking Fees		11,280
Marriage Fees		3,350
Outside Police Duty - Administration Fee		14,745
MCLA Refund		5,968
Motor Vehicle Inspection Fees		574
County Election Board		3,475
Sewer Connection Fees		34,036
Tax Office Fees		32,716
Safety Incentive		750
JIF		1,386
Drug Subsidy		10,556
In Lieu - Robert Noble Manor		6,362
Miscellaneous		<u>5,052</u>
	A-2,A-4	<u>\$ 131,737</u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance Cancelled	<u>Overexpended</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	\$ 218,557	\$ 213,525	\$ 5,032		
Other Expenses	67,000	60,000	47,933	12,067		
Mayor and Council						
Salaries and Wages	43,092	42,392	41,490	902		
Other Expenses	5,000	5,000	3,996	1,004		
Municipal Clerk						
Salaries and Wages	113,292	115,842	113,100	2,742		
Other Expenses	14,600	12,600	7,614	4,986		
Financial Administration						
Salaries and Wages	155,016	152,516	148,970	3,546		
Other Expenses	16,000	16,000	14,886	1,114		
Audit Services						
Other Expenses	49,500	45,000	45,000			
Revenue Administration						
Salaries and Wages	88,845	85,345	82,513	2,832		
Other Expenses	13,000	13,000	9,330	3,670		
Tax Assessment Administration						
Salaries and Wages	33,337	30,837	29,724	1,113		
Other expenses	7,500	7,500	5,126	2,374		
Legal Services						
Other Expenses	190,000	180,000	152,519	27,481		
Department of Engineering						
Other Expenses	140,000	140,000	140,000			
Vital Statistics						
Salaries and Wages	9,669	9,669	9,233	436		
Other Expenses	1,000	1,000	800	200		
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	15,548	15,548	14,907	641		
Other Expenses	41,500	41,500	39,986	1,514		
PUBLIC SAFETY						
Police Department						
Salaries and Wages	3,336,916	3,458,297	3,383,113	75,184		
Other Expenses	65,550	81,841	81,480	361		
Office of Emergency Management						
Other Expenses	6,000	5,000	4,079	921		
Aid to Volunteer Fire Companies						
Other Expenses	100,000	100,000	100,000			
Aid to Volunteer Ambulance Squad						
Other Expenses	35,000	35,000	35,000			
Department of Fire						
Other Expenses	50,050	50,050	48,665	1,385		
Municipal Prosecutor Office						
Salaries and Wages	15,000	15,000	14,445	555		

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Overexpended</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	\$ 286,992	\$ 324,742	\$ 318,618	\$ 6,124		
Other Expenses	56,000	56,000	53,866	2,134		
Other Public Works Functions						
Shade Tree						
Other Expenses	8,000	4,000	2,525	1,475		
Sewers						
Salaries and Wages	229,364	244,364	238,798	5,566		
Other Expenses	30,300	30,300	29,462	838		
Recycling Coordinator						
Salaries and Wages	9,181			-		
Other Expenses	100	100		100		
Solid Waste Collection						
Salaries and Wages	305,822	327,822	322,041	5,781		
Other Expenses	339,700	339,700	311,137	28,563		
Buildings and Grounds						
Salaries and Wages	243,524	224,524	217,894	6,630		
Other Expenses	89,500	89,500	89,497	3		
Vehicle Maintenance						
Salaries and Wages	62,316	58,316	54,811	3,505		
Other Expenses	87,000	87,000	82,654	4,346		
HEALTH AND HUMAN SERVICES						
Board of Health						
Salaries and Wages	4,234	4,234	4,076	158		
Other Expenses	57,000	57,709	57,709	-		
Animal Control Services						
Other Expenses	15,000	10,000	10,000	-		
Municipal Court						
Salaries and Wages	124,751	136,451	134,943	1,508		
Other Expenses	8,500	8,500	4,166	4,334		
Public Defender						
Salaries and Wages	6,500	6,000	5,786	214		
PARK AND RECREATION FUNCTIONS						
Department of Recreation						
Recreation Services and Programs						
Salaries and Wages	35,932	16,932	16,306	626		
Other Expenses	24,400	20,400	16,502	3,898		
Senior Citizen Activities						
Salaries and Wages	130,520	124,520	121,391	3,129		
Other Expenses	12,500	12,500	10,118	2,382		
OTHER COMMON OPERATING FUNCTIONS (Unclassified)						
Celebration of Public Events						
Other Expenses	20,000	20,000	19,611	389		

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

		<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After</u>	<u>Modification</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>	<u>Overexpended</u>
				<u>Charged</u>		<u>Cancelled</u>	
<b>OPERATIONS - WITHIN "CAPS" (Continued)</b>							
Insurance (N.J.S.A. 40A:4-45.3(00))							
General Liability	\$ 205,000	\$ 205,000		\$ 213,867			\$ 8,867
Workers Compensation	320,000	320,000		334,634			14,634
Employee Group Health	2,334,736	2,470,736		2,442,244	28,492		
<b>UNIFORM CONSTRUCTION CODE</b>							
<b>APPROPRIATIONS OFFSET BY</b>							
<b>DEDICATED REVENUES</b>							
(N.J.A.C. 5:23-4-17)							
Division of Code Enforcement							
Salaries and Wages	149,626	142,126		137,378	4,748		
Other Expenses	4,000	4,000		2,486	1,514		
Unclassified							
Utilities	560,000	575,000		574,991	9		
Salary Adjustment	120,000	-		-	-	-	-
<b>Total Operations Within "CAPS"</b>	<u>10,689,970</u>	<u>10,857,970</u>		<u>10,614,945</u>	<u>266,526</u>	<u>-</u>	<u>23,501</u>
<b>Detail:</b>							
Salaries and Wages	5,596,534	5,754,034		5,623,062	130,972	-	-
Other Expenses	5,093,436	5,103,936		4,991,883	135,554	-	23,501
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES -</b>							
<b>MUNICIPAL WITHIN "CAPS"</b>							
Emergency Authorizations	325,000	325,000		325,000			
Statutory Expenditures							
Social Security System (O.A.S.I.)	262,000	262,000		246,574	15,426		
Police and Firemen's Retirement System of NJ	570,888	570,888		570,888			
Public Employees' Retirement System	275,715	275,715		275,715			
Defined Contribution Retirement Program	6,000	6,000		6,000	-	-	-
<b>Total Deferred Charges and Statutory</b>							
<b>Expenditures - Municipal Within "CAPS"</b>	<u>1,439,603</u>	<u>1,439,603</u>		<u>1,424,177</u>	<u>15,426</u>	<u>-</u>	<u>-</u>
<b>Total General Appropriations for Municipal</b>							
<b>Purposes Within "CAPS"</b>	<u>12,129,573</u>	<u>12,297,573</u>		<u>12,039,122</u>	<u>281,952</u>	<u>-</u>	<u>23,501</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>							
Middlesex County Utilities Authority - Payment	705,000	705,000		640,910	64,090		
Maintenance of Free Public Library	300,472	300,472		300,472			
Length of Service Awards Program	60,000	60,000		60,000	-	-	-
<b>Total Other Operations Excluded</b>							
<b>from "CAPS"</b>	<u>1,065,472</u>	<u>1,065,472</u>		<u>1,001,382</u>	<u>64,090</u>	<u>-</u>	<u>-</u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Overexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>						
(Continued)						
Public and Private Programs Offset by Revenues						
Municipal Alliance Against Drug & Alcohol Abuse	\$ 11,374	11,374	11,374			
Recycling Tonnage Grant	12,382	12,382	12,382			
Clean Communities		13,247	13,247			
NJ DOT - Municipal Aid		25,042	25,042			
Body Armor	3,354	5,963	5,963	-	-	-
<b>Total Public and Private Programs Offset by Revenues</b>	<b>27,110</b>	<b>68,008</b>	<b>68,008</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Operations - Excluded from "CAPS"</b>	<b>1,092,582</b>	<b>1,133,480</b>	<b>1,069,390</b>	<b>\$ 64,090</b>	<b>-</b>	<b>-</b>
Detail:						
Other Expenses	1,092,582	1,133,480	1,069,390	64,090	-	-
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>						
Capital Improvement Fund	100,000	100,000	100,000	-	-	-
<b>Total Capital Improvements Excluded from "CAPS"</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>						
Payment of Bond & Loan Principal	1,057,000	1,057,000	1,056,913		\$ 87	
Payment of Bond Anticipation Notes and Capital Notes	510,000	510,000	510,000			
Interest on Bonds	449,800	449,800	449,122		678	
Interest on Notes	88,517	88,517	88,336		181	
Capital Lease Obligations						
Principal	13,200	13,200	13,041		159	
Interest	1,500	1,500	1,283	-	217	-
<b>Total Municipal Debt Service - Excluded from "CAPS"</b>	<b>2,120,017</b>	<b>2,120,017</b>	<b>2,118,695</b>	<b>-</b>	<b>1,322</b>	<b>-</b>
<b>DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"</b>						
Special Emergency Authorizations	106,000	106,000	106,000	-	-	-
<b>Total Deferred Charges - Municipal - Excluded from "CAPS"</b>	<b>106,000</b>	<b>106,000</b>	<b>106,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total General Appropriations - Excluded from "CAPS"</b>	<b>3,418,599</b>	<b>3,459,497</b>	<b>3,394,085</b>	<b>64,090</b>	<b>1,322</b>	<b>-</b>
<b>Subtotal General Appropriations</b>	<b>15,548,172</b>	<b>15,757,070</b>	<b>15,433,207</b>	<b>346,042</b>	<b>1,322</b>	<b>23,501</b>
Reserve for Uncollected Taxes	165,000	165,000	165,000	-	-	-
<b>Total General Appropriations</b>	<b>\$ 15,713,172</b>	<b>\$ 15,922,070</b>	<b>\$ 15,598,207</b>	<b>\$ 346,042</b>	<b>\$ 1,322</b>	<b>\$ 23,501</b>

Reference

A-2

A

A-13

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(Continued)**

	<u>Reference</u>	<u>Appropriations Budget After Modification</u>	<u>Expended Paid or Charged</u>
Original Budget	A-3	\$ 15,713,172	
Appropriations Added by N.J.S.A. 40A:4-87 (Chap. 159)	A-2	40,898	
Emergency Appropriations 40A:4-47	A-13	<u>168,000</u>	
		<u>\$ 15,922,070</u>	
Cash Disbursements	A-4		\$ 14,700,159
Deferred Charges			
Emergency Authorizations	A-13		325,000
Special Emergency Authorizations	A-13		106,000
Due to General Capital - Capital Improvement Fund	C-4		100,000
Encumbrances Payable	A-15		134,040
Reserve for Uncollected Taxes	A-2		165,000
Appropriated Grants	A-21		<u>68,008</u>
			<u>\$ 15,598,207</u>

**CITY OF SOUTH AMBOY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS  
AS OF DECEMBER 31, 2014 AND 2013**

<b>ASSETS</b>	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>ANIMAL CONTROL TRUST FUND</b>			
Cash	B-1	\$ <u>68</u>	\$ <u>2,673</u>
<b>OTHER TRUST FUND</b>			
Cash	B-1	1,219,000	555,465
Due from Current Fund	B-4	<u>-</u>	<u>299,800</u>
		<u>1,219,000</u>	<u>855,265</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
Cash	B-1	<u>82,350</u>	<u>101,650</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND</b>			
Community Development Block Grants Receivable	B-12	<u>109,414</u>	<u>65,523</u>
<b>LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)</b>			
Investments	B	411,985	355,890
Contribution Receivable		<u>45,416</u>	<u>39,093</u>
		<u>457,401</u>	<u>394,983</u>
Total Assets		<u>\$ 1,868,233</u>	<u>\$ 1,420,094</u>

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS**  
**AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>LIABILITIES AND RESERVES</b>			
<b>ANIMAL CONTROL TRUST FUND</b>			
Due to State of New Jersey	B-2	\$ 205	-
Reserve for Animal Control Expenditures (Deficit)	B-2	(137)	\$ 2,673
		<u>68</u>	<u>2,673</u>
<b>OTHER TRUST FUND</b>			
Reserve for			
Third Party Lienholders	B-5	40,687	61,524
Escrow Deposits	B-6	389,163	233,310
Miscellaneous Reserves	B-9	722,818	483,540
Payroll	B-7	10,113	10,127
Payroll Deductions Payable	B-8	56,219	66,764
		<u>1,219,000</u>	<u>855,265</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
Due to State of New Jersey	B-11	598	818
Reserve for Unemployment Compensation Insurance	B-10	81,752	100,832
		<u>82,350</u>	<u>101,650</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND</b>			
Reserve for Community Development Programs	B-13	109,414	65,523
<b>LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)</b>			
Reserve for LOSAP	B	457,401	394,983
 Total Liabilities and Reserves		 <u>\$ 1,868,233</u>	 <u>\$ 1,420,094</u>

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 3,300,555	\$ 22,653
Due from Current Fund	C-4		226,479
Due from State Department of Transportation	C-7	75,183	230,000
Due from FEMA Grant Receivable	C-8	170,763	1,764,000
Deferred Charges to Future Taxation:			
Funded	C-5	10,658,749	11,606,283
Unfunded	C-6	<u>5,538,263</u>	<u>7,746,500</u>
 Total Assets		 <u>\$ 19,743,513</u>	 <u>\$ 21,595,915</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
General Serial Bonds	C-13	\$ 10,170,000	\$ 11,110,000
Middlesex County Improvement Authority Loans Payable	C-14	488,749	496,283
Bond Anticipation Notes Payable	C-12	7,236,500	3,811,000
Encumbrances Payable	C-11	556,681	406,076
Capital Improvement Fund	C-9	101,830	1,830
Improvement Authorizations			
Funded	C-10	31,325	125,689
Unfunded	C-10	873,364	3,861,567
Reserve for FEMA Grant Receivable	C-15	170,763	1,764,000
Fund Balance	C-1	<u>114,301</u>	<u>19,470</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 19,743,513</u>	 <u>\$ 21,595,915</u>

There were bonds and notes authorized but not issued on December 31, 2014 and 2013 in the amount of \$0 and \$3,935,500, respectively (Exhibit C-16).

**CITY OF SOUTH AMBOY**  
**COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
Balance, January 1	C	\$ 19,470	\$ -
Increased by:			
Improvement Authorization Cancelled	C-11	<u>94,831</u>	<u>19,470</u>
Balance, December 31	C	<u>\$ 114,301</u>	<u>\$ 19,470</u>

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**AS OF DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Buildings and Land	\$ 9,625,300	\$ 9,625,300
Machinery and Equipment	<u>5,585,831</u>	<u>7,113,803</u>
	<u>\$ 15,211,131</u>	<u>\$ 16,739,103</u>
<b>FUND BALANCE</b>		
Investment in General Fixed Assets	<u>\$ 15,211,131</u>	<u>\$ 16,739,103</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, 2014 AND 2013**

**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 and 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, 2014 AND 2013

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, program income and related expenditures for Federal 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, 2014 AND 2013

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.

**Reclassifications** - Certain reclassifications may have been made to the December 31, 2013 balances to conform to the December 31, 2014 presentation.

**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, 2014 AND 2013

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 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The City may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

**Miscellaneous Revenues/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 balances 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, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

**Deferred Charges** – Certain expenditures and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures 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 \$5,000 and \$300 during 2014 and 2013, respectively, 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, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Fixed Assets purchased after December 31, 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 December 31, 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 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 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.

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, 2014 AND 2013**

**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 2014 and 2013 the City Council increased the original budget by \$208,898 and \$415,999. The 2014 increase was attributable to emergency appropriations totaling \$168,000 and additional grants and state aid totaling \$40,898. The 2013 increase was attributable to emergency appropriations totaling \$325,000 and additional grants and state aid totaling \$90,999. In addition, the governing body approved several budget transfers during 2014 and 2013.

**B. Excess Expenditures Over Appropriations**

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

<u>2014</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Current Fund			
Insurance			
General Liability	\$205,000	\$213,867	\$8,867
Workers Compensation	320,000	34,634	14,634

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

**C. Deficit Reserves**

The City has an accumulated deficit of \$137 in the Animal Control Trust Fund at December 31, 2014. The Fund anticipates funding this deficit through operations in 2015.

**CITY OF SOUTH AMBOY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2014 AND 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 are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2014 and 2013, the book value of the City's deposits were \$8,768,029 and \$5,316,794 and bank and brokerage firm balances of the City's deposits amounted to \$9,036,591 and \$5,267,401, 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>2014</u>	<u>2013</u>
Insured	<u>\$ 9,036,591</u>	<u>\$ 5,267,401</u>

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, 2014 and 2013, the City had no bank balances exposed to custodial credit risk.

**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.

CITY OF SOUTH AMBOY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2014 and 2013, the City had the following investments:

Investment:	Fair Value (Unaudited)	
	2014	2013
Length of Service Award Program	\$ 411,985	\$ 355,890

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, 2014 and 2013, \$411,985 and \$355,890 of the City’s investments was exposed to custodial credit risk as follows:

Uninsured and Collateralized:	Fair Value (Unaudited)	
	2014	2013
Collateral held by pledging financial institution's trust department but not in the City's name	\$ 411,985	\$ 355,890

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, 2014 and 2013, the City’s investment in Lincoln Financial was rated Baa1 and Baa1, respectively by Moody’s Investors service a subsidiary of Lincoln National Corporation.

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 Trust Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Property Taxes	\$ 14,324	
Tax Title Liens	<u>205,343</u>	\$ <u>187,683</u>
	<u>\$ 219,667</u>	<u>\$ 187,683</u>

In 2014 and 2013, the City collected \$12,213 and \$65,922 from delinquent taxes, which represented 5% and 34%, respectively of the prior year delinquent taxes receivable balance.

**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>2014</u>		<u>2013</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</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>\$ -</u>	<u>\$ -</u>	<u>226,479</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<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.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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</u> <u>December 31,</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2014</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 84,000	\$ 84,000	
Emergency Authorizations (40A:4-47)	168,000	168,000	
Overexpenditure of Appropriations	23,501	23,501	\$ -
	<u>\$ 275,501</u>	<u>\$ 275,501</u>	<u>\$ -</u>
<u>2013</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 190,000	\$ 106,000	\$ 84,000
Emergency Authorizations (40A:4-47)	325,000	325,000	-
	<u>\$ 515,000</u>	<u>\$ 431,000</u>	<u>\$ 84,000</u>

**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:

	<u>2014</u>		<u>2013</u>	
	<u>Fund</u> <u>Balance</u> <u>December 31,</u>	<u>Utilized</u> <u>in Subsequent</u> <u>Year's Budget</u>	<u>Fund</u> <u>Balance</u> <u>December 31,</u>	<u>Utilized</u> <u>in Subsequent</u> <u>Year's Budget</u>
Current Fund				
Non-Cash Surplus	\$ 640,628	\$ 200,000	\$ 525,181	\$ 270,000
	<u>\$ 640,628</u>	<u>\$ 200,000</u>	<u>\$ 525,181</u>	<u>\$ 270,000</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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, 2014 and 2013.

	Balance December 31, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	Balance, December 31, <u>2014</u>
<b><u>2014</u></b>					
Buildings and Land	\$ 9,625,300				\$ 9,625,300
Machinery and Equipment	<u>7,113,803</u>	\$ 209,827	\$ -	\$(1,737,799)	<u>5,585,831</u>
	<u>\$ 16,739,103</u>	<u>\$ 209,827</u>	<u>\$ -</u>	<u>\$(1,737,799)</u>	<u>\$ 15,211,131</u>
	Balance December 31, <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	Balance, December 31, <u>2013</u>
<b><u>2013</u></b>					
Buildings and Land	\$ 9,625,300				\$ 9,625,300
Machinery and Equipment	<u>6,665,515</u>	\$ 504,288	\$ 56,000	\$ -	<u>7,113,803</u>
	<u>\$ 16,290,815</u>	<u>\$ 504,288</u>	<u>\$ 56,000</u>	<u>\$ -</u>	<u>\$ 16,739,103</u>

The adjustments totaling \$1,737,799 represents fixed asset threshold changing from \$300 to \$5,000 during 2014.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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 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>2014</u>	<u>2013</u>
Issued		
General		
Bonds, Notes and Loans	\$ 17,895,249	\$ 15,417,283
Less Funds Temporarily Held to Pay Notes	<u>1,698,237</u>	<u>-</u>
Net Debt Issued	<u>16,197,012</u>	<u>15,417,283</u>
Authorized But Not Issued		
General		
Bonds and Notes	<u>-</u>	<u>3,935,500</u>
Net Bonds, Notes and Loans Issued and Authorized But Not Issued	<u>\$ 16,197,012</u>	<u>\$ 19,352,783</u>

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the City's Annual Debt Statement and indicates a statutory net debt of 1.915% and 2.196% at December 31, 2014 and 2013, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2014</u></b>			
General Debt	\$ 22,410,249	\$ 6,213,237	\$ 16,197,012
School Debt	<u>8,590,000</u>	<u>8,590,000</u>	<u>-</u>
Total	<u>\$ 31,000,249</u>	<u>\$ 14,803,237</u>	<u>\$ 16,197,012</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2013</u></b>			
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>

**CITY OF SOUTH AMBOY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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>2014</u>	<u>2013</u>
3 1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 29,605,272 <u>16,197,012</u>	\$ 30,838,916 <u>19,352,783</u>
Remaining Borrowing Power	<u>\$ 13,408,260</u>	<u>\$ 11,486,133</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>2014</u>	<u>2013</u>
\$5,290,000, 2006 Bonds, due in annual installments of \$450,000 through August 1, 2023, interest at 4.375% to 4.500%	\$ 4,050,000	\$ 4,490,000
\$7,920,000, 2010 Bonds, due in annual installments of \$500,000 to \$775,000 through May 1, 2025, interest at 3.0% to 4.0%	<u>6,120,000</u>	<u>6,620,000</u>
	<u>\$ 10,170,000</u>	<u>\$ 11,110,000</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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>2014</u>	<u>2013</u>
\$49,985, 2008 Loan, due in annual installments of \$5,244 to \$5,833 through September 15, 2018, interest at 3.550% to 4.20%	\$ 22,140	\$ 27,202
\$452,063, 2009 Loan, due in annual installments of \$25,885 to \$66,506 through July 15, 2019, interest at 3.00%	133,424	199,929
\$84,926, 2011 Loan, due in annual installments of \$17,405 to \$17,927 through July 15, 2016, interest at 3.00%	35,332	52,230
\$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%	188,474	216,922
\$113,000, 2014 Loans, due in annual installments of \$21,065 to \$23,013 through July 15, 2019, interest at 1.5% to 3.00%	<u>109,379</u>	<u>-</u>
	<u>\$ 488,749</u>	<u>\$ 496,283</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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, 2014 is as follows:

Calendar Year	<u>General</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 950,000	\$ 398,550	\$ 95,697	\$ 15,677	1,459,924
2016	950,000	363,863	104,068	12,922	1,430,853
2017	950,000	328,551	82,497	10,034	1,371,082
2018	950,000	291,988	72,908	7,235	1,322,131
2019	950,000	254,175	72,060	4,554	1,280,789
2020-2024	4,650,000	664,874	61,519	4,903	5,381,296
2025	770,000	15,400	-	-	785,400
	<u>\$ 10,170,000</u>	<u>\$ 2,317,401</u>	<u>\$ 488,749</u>	<u>\$ 55,325</u>	<u>\$ 13,031,475</u>

**Debt Guarantees**

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

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

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

The outstanding balance at December 31, 2014 and 2013 is \$4,515,000 and \$4,620,000, respectively.

CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013

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, 2014 and 2013 were as follows:

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<b><u>2014</u></b>					
General Capital Fund					
Bonds Payable	\$ 11,110,000		\$ 940,000	\$ 10,170,000	\$ 950,000
Intergovernmental					
Loans Payable	<u>496,283</u>	<u>\$ 109,379</u>	<u>116,913</u>	<u>488,749</u>	<u>95,697</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 11,606,283</u>	<u>\$ 109,379</u>	<u>\$ 1,056,913</u>	<u>\$ 10,658,749</u>	<u>\$ 1,045,697</u>
	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<b><u>2013</u></b>					
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>

CITY OF SOUTH AMBOY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The City's short-term debt activity for the years ended December 31, 2014 and 2013 was as follows:

Bond Anticipation Notes

	Rate (%)	Maturity Date	Balance, December 31, 2013	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2014
<b>2014</b>						
<u>General Capital Fund</u>						
		<u>Purpose</u>				
	1.10	4/22/2015	\$ 852,500	\$ 740,000	\$ 852,500	\$ 740,000
	1.10	4/22/2015	47,500	35,000	47,500	35,000
	1.10	4/22/2015	1,806,000	3,678,500	1,806,000	3,678,500
	1.10	4/22/2015	320,000	160,000	320,000	160,000
		Refunding Bonds - Judgments and Insurance Assessments	785,000	635,000	785,000	635,000
	1.10	4/22/2015	-	1,988,000	-	1,988,000
		Total Bond Anticipation Notes Payable	<u>\$ 3,811,000</u>	<u>\$ 7,236,500</u>	<u>\$ 3,811,000</u>	<u>\$ 7,236,500</u>

	Rate (%)	Maturity Date	Balance, December 31, 2012	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2013
<b>2013</b>						
<u>General Capital Fund</u>						
		<u>Purpose</u>				
	1.25	4/23/2014	\$ 852,500	\$ 852,500	\$ 852,500	\$ 852,500
	1.25	4/23/2014	47,500	47,500	47,500	47,500
	1.25	4/23/2014	950,000	1,806,000	950,000	1,806,000
	1.25	4/23/2014	475,000	320,000	475,000	320,000
		Refunding Bonds - Judgments and Insurance Assessments	-	785,000	-	785,000
	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>

The purpose of these short-term 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, 2014 AND 2013**

**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 2014 and 2013 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, 2013	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2014
<b><u>2014</u></b>						
<u>Purpose</u>						
2014-Budget Appropriations-						
Streets and Roads Maintenance-Salaries and Wages	1.00	11/13/2015		\$ 17,000		\$ 17,000
Employee Group Health	1.00	11/13/2015		136,000		136,000
General Administration-Salaries and Wages	1.00	11/13/2015		15,000		15,000
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	-
Total Emergency Notes			<u>\$ 325,000</u>	<u>\$ 168,000</u>	<u>\$ 325,000</u>	<u>\$ 168,000</u>

CITY OF SOUTH AMBOY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Emergency Notes (Continued)

	Rate (%)	Maturity Date	Balance, December 31, 2012	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2013
<b>2013</b>						
		<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, 2014 AND 2013

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Special Emergency Notes

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

	Rate (%)	Maturity Date	Balance, December 31, 2013	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2014
<b><u>2014</u></b>						
		<u>Purpose</u>				
Hurricane Sandy	1.00	11/13/2015	\$ 190,000	\$ 84,000	190,000	\$ 84,000
Total Special Emergency Notes			\$ 190,000	\$ 84,000	\$ 190,000	\$ 84,000

	Rate (%)	Maturity Date	Balance, December 31, 2012	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2013
<b><u>2013</u></b>						
		<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, 2014 AND 2013**

**NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

<u>Capital Project/Acquisitions</u>	<u>Construction/ Acquisition Commitment</u>	<u>Estimated Date of Completion</u>
<b>2014</b>		
<u>Current Fund</u>		
Intermodal RFR II	\$ 2,191,395	2015
<u>General Capital Fund</u>		
Broadway Improvements	93,537	2015
Curb and Road Improvements at Various Locations	119,655	2015
Police Vehicle	36,000	2015
Ford F-450 Vehicle	51,265	2015
Sewer Cleaner Truck		
<b>2013</b>		
<u>Current Fund</u>		
Radford Ferry Road - Phase II	\$ 136,273	2014
Intermodal RFR II	2,215,688	2015
<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

**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 \$546,487 and \$878,254 at December 31, 2014 and 2013, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)**

**B. Capital Lease Agreements**

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, 2014 for which the City is making payments are for the years 2011 and 2014 lease programs. Payments for these lease agreements continue through 2019 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>
2015	\$ 33,980	\$ 3,452	\$ 302	\$ 160	\$ 37,894
2016	34,560	2,872	205	32	37,669
2017	22,138	2,052	139	32	24,361
2018	22,802	1,388	97	32	24,319
2019	<u>23,486</u>	<u>704</u>	<u>-</u>	<u>-</u>	<u>24,190</u>
	<u>\$ 136,966</u>	<u>\$ 10,468</u>	<u>\$ 743</u>	<u>\$ 256</u>	<u>\$ 148,433</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 7.90% effective July 1, 2012 and 8.25% prior to July 1, 2012) at December 31, 2014 and 2013 is \$363,776 and \$386,717, respectively.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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, 2014 and 2013 were as follows:

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<b><u>2014</u></b>					
Capital Leases	\$ 38,605	\$ 111,627	\$ 13,266	\$ 136,966	\$ 33,980
Deferred Pension Obligation	386,717	27,986	50,927	363,776	51,988
Compensated Absences	878,254	-	331,767	546,487	-
Other Long-Term Liabilities	<u>\$ 1,303,576</u>	<u>\$ 139,613</u>	<u>\$ 395,960</u>	<u>\$ 1,047,229</u>	<u>\$ 85,968</u>
	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<b><u>2013</u></b>					
Capital Leases	\$ 67,694		\$ 29,089	\$ 38,605	\$ 13,266
Deferred Pension Obligation	406,614	\$ 29,662	49,559	386,717	50,927
Compensated Absences	865,358	12,896	-	878,254	300,000
Other Long-Term Liabilities	<u>\$ 1,339,666</u>	<u>\$ 42,558</u>	<u>\$ 78,648</u>	<u>\$ 1,303,576</u>	<u>\$ 364,193</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. PFRS is a cost-sharing multi-employer defined benefit pension plan.

**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. PERS is a cost-sharing multi-employer defined benefit pension plan.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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 employees 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](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits 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, 2014 AND 2013**

**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 for members hired or reappointed on or after June 28, 2011; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2014, the PERS member contribution rate was 6.78%. The rate increased to 6.92% effective July 2014. 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](http://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, 2014 AND 2013**

**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 of 4.22 percent for PERS and 6.01 percent for PFRS.

**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 2013 for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.78% in fiscal year 2014 and 6.92% for fiscal year 2015 effective July 2014.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended June 30, 2014 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, 2014 AND 2013**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

During the years ended December 31, 2014, 2013 and 2012, 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>
2014	\$ 570,888	\$ 275,715	\$ 6,000
2013	618,215	289,928	6,000
2012	592,258	297,427	3,000

**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 as 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. For the year 2014, the City paid \$1,296,757 for post-retirement health benefit coverage premiums for eligible retirees and their dependents.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year 2014, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan.

	<u>2014</u>
Annual Required Contribution	\$ 1,933,886
Interest on Net OPEB Obligation	87,025
ARC Adjustment	-
Annual OPEB Cost (Expense)	<u>2,020,911</u>
Contributions Made	<u>1,296,757</u>
Increase in Net OPEB Obligation	724,154
Net OPEB Obligation - January 1	-
Net OPEB Obligation - December 31	<u>\$ 724,154</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year 2014 was as follows:

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligations</u>
2014	\$ 2,020,911	64.21%	\$ 724,154

**Funded Status and Funding Progress**

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$27,818,179, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$27,818,179. The covered payroll (annual payroll of active employees covered by the plan) was not available.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Funded Status and Funding Progress (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

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

In the December 31, 2013, actuarial valuation, the projected unit credit funding method was used. The actuarial assumptions included a 4.50 percent investment rate of return (net of administrative expense) which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements of 0.5 percent annually to an ultimate rate of 5 percent after seven years. Both rates included a 4.50 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 29 years.

**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.

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.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 14 RISK MANAGEMENT (Continued)**

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>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014	\$ 7,754	26,976	\$ 81,752
2013	7,739	24,738	100,832
2012	7,551	24,155	117,653

**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.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2014 and 2013. 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, 2014 and 2013, the City reserved \$100,000 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, 2014 and 2013, 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.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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, 2014 and 2013, 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.

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.

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 \$38,401 and \$29,433 for 2014 and 2013, respectively, for the volunteer fire department members and volunteer first aid squad members into the Plan.

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.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**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.

**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, 2014. During the year ended December 31, 2014, the City has received \$1,650,495 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

**NOTE 19 SUBSEQUENT EVENTS**

**Tax Anticipation Notes**

The City issued \$2,500,000 of tax anticipation notes on April 21, 2015 with a maturity on April 21, 2016. The notes bear an interest rate of 1.0% and will temporarily finance the City's operating expenditures.

**Debt Authorized**

The City adopted a bond ordinance for the acquisition of a fire truck, authorizing the issuance \$779,000 in bonds or bond anticipation notes to fund certain capital projects. On April 21, 2015 the City issued bond anticipation notes in the amount of \$779,000 to temporarily finance expenditures related to this acquisition. The City has awarded the sale of said notes at an interest rate of 1.0%. These notes dated April 21, 2015 will mature on April 21, 2016.

**CURRENT FUND**

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

Balance, December 31, 2013		\$ 4,632,873
Increased by Receipts:		
Taxes Receivable	\$ 21,736,318	
Non-Budget Revenue	131,737	
Due from State of NJ - Senior Citizens' and Veterans' Deductions	74,350	
Tax Title Liens	10,063	
Revenue Accounts Receivable	5,721,908	
Miscellaneous Reserves	5,517	
Notes Payable	252,000	
Prepaid Taxes	116,378	
Prepaid Pilots	2,790	
Tax Anticipation Notes Payable	3,000,000	
Tax Overpayments	13,092	
Sewer Overpayments	3,723	
Accounts Payable - Restitution	2,526	
Grants Receivable	408,268	
Reserve for Hurricane Sandy	57,258	
Change Fund Received	145	
Petty Cash Fund Received	1,050	
Unappropriated Grants	27,619	
Due from Library	208,779	
Receipts Due to General Capital Fund	3,935,500	
Receipts from General Capital Fund		
Receipts from Other Trust Fund	<u>491</u>	
		<u>35,709,512</u>
		40,342,385
Decreased by Disbursements:		
Budget Appropriations	14,700,159	
Accounts Payable		
Tax Anticipation Notes Payable	3,000,000	
Miscellaneous Reserves	5,642	
Grants Appropriated	185,399	
Appropriation Reserves	588,629	
County Taxes Payable	3,309,491	
Local District School Tax Payable	9,073,448	
Refund of Prior Year Revenue	172	
Tax Overpayments	13,157	
Sewer Overpayments	5,945	
Payments on Behalf of General Capital Fund	2,845,131	
Payments to General Capital Fund	1,416,848	
Payments to Other Trust Fund	299,800	
Reserve for Hurricane Sandy	8,382	
Due from Library	209,411	
Notes Payable	<u>515,000</u>	
		<u>36,176,614</u>
Balance, December 31, 2014		<u>\$ 4,165,771</u>

EXHIBIT A-5

**STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance December 31, <u>2013</u>	<u>Decreased by</u> Change Fund <u>Returned</u>	Balance December 31, <u>2014</u>
Municipal Court	\$ 100		\$ 100
Sewer Collector	145	145	
Tax Collector	85		85
City Clerk	50		50
Construction Code Official	<u>50</u>	<u>-</u>	<u>50</u>
	<u>\$ 430</u>	<u>\$ 145</u>	<u>\$ 285</u>

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

<u>Office</u>	Balance, December 31, <u>2013</u>	<u>Decreased by</u> Petty Cash <u>Returned</u>	Balance, December 31, <u>2014</u>
City Administrator	\$ 200	\$ 200	
Police Department	500	500	
Department of Public Works	<u>350</u>	<u>350</u>	\$ -
	<u>\$ 1,050</u>	<u>\$ 1,050</u>	<u>\$ -</u>

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

	Balance, December 31, <u>2013</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2014</u>
HDSRF - Broadway Redevelopment	\$ 21,114			21,114	
HDSRF - Wishey Property	65,705			65,705	
Municipal Alliance on Alcoholism & Drug Abuse	23,637	\$ 9,099			\$ 32,736
NJDOT : TTF Transit Village	69,840			69,840	
Main St. - Engineering	399,990		207,573		192,417
Radford Ferry Road (Phase II)	258,648				258,648
NJ TTF Pine Ave & Portia	62,500		62,500		
Intermodal RFR II	5,000,000		138,195		4,861,805
NJ DOT Municipal Aid	<u>-</u>	<u>25,042</u>	<u>-</u>	<u>-</u>	<u>25,042</u>
	<u>\$ 5,901,434</u>	<u>\$ 34,141</u>	<u>\$ 408,268</u>	<u>\$ 156,659</u>	<u>\$ 5,370,648</u>
			Appropriated Grant Reserves	<u>\$ 156,659</u>	

EXHIBIT A-8

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

Balance, December 31, 2013	\$ 750
Increased by:	
Senior Citizens and Veteran Deductions Per Tax Billings	\$ 75,000
Senior Citizens' and Veterans' Deductions Allowed Per Tax Collector	<u>3,250</u>
	<u>78,250</u>
	79,000
Decreased by:	
Received in Cash from State	74,350
Prior Year Senior Citizens Deductions Disallowed	<u>2,150</u>
	<u>76,500</u>
Balance, December 31, 2014	<u>\$ 2,500</u>

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

Year	Balance, Dec. 31, 2013	2014 Levy	Senior	Collected		Senior Citizens	Transferred to Tax Title Liens	Cancelled	Balance, Dec. 31, 2014
			Citizens and Veterans Deductions Disallowed	2013	2014	and Veterans' Deductions Allowed			
2013	-	-	\$ 2,150	-	\$ 2,150	-	-	-	-
2014	-	\$ 22,061,944	-	\$ 162,202	21,734,168	\$ 78,250	\$ 27,723	\$ 45,277	\$ 14,324
	\$ -	\$ 22,061,944	\$ 2,150	\$ 162,202	\$ 21,736,318	\$ 78,250	\$ 27,723	\$ 45,277	\$ 14,324

Analysis of Calendar Year December 31, 2014 Property Tax Levy

Tax Levy:	
General Purpose Tax	\$ 22,002,941
Added Tax	<u>59,003</u>
	\$ <u>22,061,944</u>
Local District School Tax Levy	\$ 9,073,448
County Taxes:	
County Tax	\$ 3,051,905
County Open Space	248,688
Due County for Added Taxes	<u>8,898</u>
	3,309,491
Local Tax for Municipal Purposes	9,347,741
Minimum Library Tax	279,637
Add: Excess in Tax Levied	<u>51,627</u>
	<u>9,679,005</u>
	\$ <u>22,061,944</u>

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

Balance, December 31, 2013	\$ 187,683
Increased by:	
Transferred from Taxes Receivable	<u>27,723</u>
	215,406
Decreased By:	
Collections	<u>10,063</u>
Balance, December 31, 2014	<u>\$ 205,343</u>

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

	Balance, December 31, <u>2013</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2014</u>
Licenses:				
Alcoholic Beverage		\$ 29,650	\$ 29,650	
Other		15,006	15,006	
Fees and Permits		41,880	41,880	
Fines and Costs:				
Municipal Court	\$ 18,687	215,758	221,342	\$ 13,103
Interest and Costs on Taxes		43,600	43,600	
Interest on Investments and Deposits		11,810	11,810	
Sewer User Fees		1,089,014	1,089,014	
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)		3,872,278	3,872,278	
Uniform Construction Code Fees		92,975	92,975	
Payment in Lieu of Taxes		212,647	212,647	
Cable Television Fees		45,256	45,256	
Housing Inspection Program	-	46,450	46,450	-
	<u>\$ 18,687</u>	<u>\$5,716,324</u>	<u>\$ 5,721,908</u>	<u>\$ 13,103</u>

EXHIBIT A-12

**STATEMENT OF DUE FROM LIBRARY**

Increased by:	
Cash Disbursements On behalf Of the Library	\$ 209,411
Decreased By:	
Cash Receipts	<u>208,779</u>
Balance, December 31, 2014	<u>\$ 632</u>

CITY OF SOUTH AMBOY  
STATEMENT OF DEFERRED CHARGES

	Balance, December 31, <u>2013</u>	Added <u>in 2014</u>	Raised in 2014 <u>Budget</u>	Balance, December 31, <u>2014</u>
Emergency Authorizations (40A:4-47)	\$ 325,000	\$ 168,000	\$ 325,000	\$ 168,000
Special Emergency Authorizations	190,000		106,000	84,000
Overexpenditure of Appropriations	-	23,501	-	23,501
	<u>\$ 515,000</u>	<u>\$ 191,501</u>	<u>\$ 431,000</u>	<u>\$ 275,501</u>

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

	Balance December, <u>2013</u>	Balance After Transfers and Encumbrances <u>Cancelled</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
General Administration				
Salaries and Wages	\$ 7,362	\$ 7,233	\$ 7,233	
Other Expenses	17,674	10,941	3,559	\$ 7,382
Mayor and Council				
Salaries and Wages	1,706	1,596	1,596	
Other Expenses	1,598	265	265	
Municipal Clerk				
Salaries and Wages	4,711	4,534	4,534	
Other Expenses	4,719	394	394	
Financial Administration				
Salaries and Wages	5,909	5,739	5,739	
Other Expenses	2,787	1,195	1,195	
Audit		49,500	44,500	5,000
Revenue Administration				
Salaries and Wages	3,462	3,225	3,225	
Other Expenses	1,710	1,698	1,698	-
Tax Assessment Administration				
Salaries and Wages	1,301	1,143	1,143	
Other Expenses	438	311	311	
Legal Services				
Other Expenses	23,599	16,458	12,944	3,514
Department of Engineering				
Other Expenses	10,442	22,930	22,930	
Vital Statistics				
Salaries and Wages	401	345	345	
Other Expenses	35			
Planning Board				
Salaries and Wages	600	598	598	
Other Expenses	10,512	6,767	6,767	
Police Department				
Salaries and Wages	58,316	151,569	151,569	
Other Expenses	2,199	3,472	3,300	172
Emergency Management				
Other Expenses	584			
Department of Fire				
Other Expenses	1,920	18,361	18,259	102
Municipal Prosecutor Office				
Salaries and Wages	600	556	556	
Streets and Roads				
Salaries and Wages	18,804	14,943	14,943	
Other Expenses	5,113	5,916	5,916	
Shade Tree				
Other Expenses	35			
Sewers				
Salaries and Wages	5,207	5,207	5,207	
Other Expenses	6,552	5,331	4,286	1,045
Parking Lot				
Salaries and Wages	491	479	479	

CITY OF SOUTH AMBOY  
STATEMENT OF APPROPRIATION RESERVES

	Balance December, 2013	Balance After Transfers and Encumbrances Cancelled	Paid or Charged	Balance Lapsed
Recycling Coordinator				
Salaries and Wages	\$ 826			
Other Expenses	60			
Solid Waste				
Salaries and Wages	17,971	\$ 12,349	\$ 12,349	
Other Expenses	80,221	30,997	30,997	
Buildings and Grounds				
Salaries and Wages	10,925	9,496	9,496	
Other Expenses	83	1,628	1,628	
Vehicle Maintenance				
Salaries and Wages	2,192	923	923	
Other Expenses	431	3,763	3,442	\$ 321
Board of Health				
Salaries and Wages	201	157	157	
Other Expenses	423			-
Animal Control Services				
Other Expenses	3,481	359	359	-
Municipal Court				
Salaries and Wages	5,115	5,105	5,105	
Other Expenses	2,841	795	792	3
Public Defender				
Salaries and Wages	251	231	231	-
Recreation Services and Programs				
Salaries and Wages	825	309	309	
Other Expenses	489	2,936	2,936	-
Senior Citizens				
Salaries and Wages	5,254	4,461	4,461	
Other Expenses	35			
Celebration of Public Events				
Other Expenses	910	1,098	513	585
Insurance				
General Liability	169			-
Employee Group Health	76,917	76,917	16,667	60,250
Division of Code Enforcement				
Salaries and Wages	5,393	5,254	5,254	
Other Expenses	1,472			-
Utilities	25,824	42,300	42,300	-
Deferred Charges and Regulatory Expenditures				
Social Security Systems (O.A.S.I.)	11,697	10,578	10,578	
Middlesex County Utilities Authority - Payment	38,606	116,641	116,641	-
<b>Grand Total</b>	<b>\$ 491,399</b>	<b>\$ 667,003</b>	<b>\$ 588,629</b>	<b>\$ 78,374</b>
Appropriation Reserves		\$ 491,399		
Encumbrances Reappropriated		175,604		
		<u>\$ 667,003</u>		
Cash Disbursements			<u>\$ 588,629</u>	

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

Balance, December 31, 2013		\$ 2,529,470
Increased by:		
Charges to Budget Appropriations	\$ 134,040	
Charges to Reserves for Grants Appropriated	<u>2,201,991</u>	
		<u>2,336,031</u>
		4,865,501
Decreased by:		
Transferred to Appropriated Grants	2,353,865	
Transferred to Appropriation Reserves	<u>175,604</u>	
		<u>2,529,469</u>
Balance, December 31, 2014		<u>\$ 2,336,032</u>

**STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, 2013	Increases	Decreases	Balance, December 31, 2014
Vital Statistics	\$ 400	\$ 1,275	\$ 1,400	\$ 275
Death Certificates		15	15	
Construction Code	<u>-</u>	<u>4,227</u>	<u>4,227</u>	<u>-</u>
	<u>\$ 400</u>	<u>\$ 5,517</u>	<u>\$ 5,642</u>	<u>\$ 275</u>

**STATEMENT OF COUNTY TAXES PAYABLE**

Increased by:		
Tax Levy:		
General Taxes	\$ 3,051,905	
Added and Omitted Taxes	8,898	
Open Space Taxes	<u>248,688</u>	
		<u>\$ 3,309,491</u>
Decreased by:		
Payments		<u>\$ 3,309,491</u>

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

Increased by:	
Tax Levy	<u>\$ 9,073,448</u>
Decreased by:	
Payments	<u>\$ 9,073,448</u>

**STATEMENT OF SEWER OVERPAYMENTS**

Balance, December 31, 2013	\$ 6,708
Increased by:	
Cash Receipts	<u>3,723</u>
	10,431
Decreased by:	
Cash Disbursements	<u>5,945</u>
Balance, December 31, 2014	<u>\$ 4,486</u>

**STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2013	\$ 2,835
Increased by:	
Cash Receipts	<u>13,092</u>
	15,927
Decreased By:	
Cash Disbursements	<u>13,157</u>
Balance, December 31, 2014	<u>\$ 2,770</u>

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

	Balance December 31, <u>2013</u>	Budget Appropriation	Prior Year Encumbrances Reappropriated	Paid or Charged	Cancelled	Balance December 31, <u>2014</u>
Body Armor Replacement Fund - 2008	4,706			4,496		\$ 210
Body Armor Replacement Fund - 2011	6,728					6,728
Body Armor Replacement Fund - 2013	2,689					2,689
Body Armor Replacement Fund - 2014		\$ 5,963				5,963
HDSRF - Broadway Redevelopment	39,337				39,337	-
HDSRF - Wishey Property	65,705				65,705	-
Municipal Alliance						
2014		11,374				11,374
2013	11,374					11,374
2012	11,374					11,374
2011	11,124					11,124
2010	5,069		\$ 1,904	5,304		1,669
NJ DOT Municipal Aid		25,042				25,042
TTF Transit Village	99,629				99,629	-
Clean Communities		13,247		13,247		
Recycling Tonnage Grant		12,382		12,382		
Radford Ferry Road	27,365		136,273	136,273		27,365
Intermodal RFR II	<u>2,801,663</u>	<u>-</u>	<u>2,215,688</u>	<u>2,215,688</u>	<u>-</u>	<u>2,801,663</u>
	<u>\$ 3,086,763</u>	<u>\$ 68,008</u>	<u>\$ 2,353,865</u>	<u>\$ 2,387,390</u>	<u>\$ 204,671</u>	<u>\$ 2,916,575</u>

Transfer to Encumbrances Payable \$ 2,201,991  
Cash Disbursements 185,399

\$ 2,387,390

Grants Receivable \$ 156,659  
Operations 48,012

204,671

**STATEMENT OF PREPAID TAXES**

Balance, December 31, 2013	\$ 162,202
Increased by:	
2015 Taxes Received	<u>116,378</u>
	278,580
Decreased by:	
Applied to Taxes Receivable	<u>162,202</u>
Balance, December 31, 2014	<u>\$ 116,378</u>

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

Balance, December 31, 2013	\$	27,734
Increased by:		
Cash Receipt - Restitution		<u>2,526</u>
Balance, December 31, 2014	\$	<u>30,260</u>

**STATEMENT OF TAX ANTICIPATION NOTES PAYABLE**

Balance, December 31, 2013	\$	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, 2014	\$	<u>3,000,000</u>

**STATEMENT OF NOTES PAYABLE**

Balance, December 31, 2013	\$	515,000
Increased by:		
Cash Receipts		<u>252,000</u>
		767,000
Decreased by:		
Cash Disbursements		<u>515,000</u>
Balance, December 31, 2014	\$	<u>252,000</u>
Emergency Notes Payable	\$	168,000
Special Emergency Notes Payable		<u>84,000</u>
	\$	<u>252,000</u>

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

Balance, December 31, 2013		\$	15,736
Increased by:			
Cash Receipts			<u>27,619</u>
			43,355
Decreased by:			
Transferred to 2014 Budget			<u>31,592</u>
Balance, December 31, 2014		\$	<u>11,763</u>
	Recycling Tonnage Grant	\$	<u>11,763</u>

EXHIBIT A-27

**STATEMENT OF RESERVE FOR HURRICANE SANDY**

Balance, December 31, 2013		\$	111,830
Increased by:			
Cash Receipts			<u>57,258</u>
			169,088
Decreased by:			
Cash Disbursements	\$	8,382	
Realized as Revenue in 2014		<u>106,000</u>	
			<u>114,382</u>
Balance, December 31, 2014		\$	<u>54,706</u>

EXHIBIT A-28

**STATEMENT OF RESERVE FOR TAX APPEALS**

Balance, December 31, 2013		\$	50,000
Increased by:			
Transfer from 2014 Tax Collections			<u>50,000</u>
Balance, December 31, 2014		\$	<u>100,000</u>

EXHIBIT A-29

**STATEMENT OF PREPAID PILOT PAYMENTS**

Increased by:			
2015 Pilots Received		\$	<u>2,790</u>
Balance, December 31, 2014		\$	<u>2,790</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, 2013	\$ 2,673	\$ 555,465	\$ 101,650
Increased by Receipts:			
Reserve for Payroll		\$ 3,634,690	
Reserve for Payroll Deductions Payable		3,653,297	
Reserve for Miscellaneous Reserves		-	
Reserve for Escrow Deposits		220,327	
Reserve for Third Party Lienholders		1,463,458	
License Fees Collected	\$ 1,164		
Due to State of NJ - State Registration Fees	428		
Due from Community Development Block Grant Fund			
Receipts from Current Fund		299,800	
Employee Contributions			\$ 7,754
Interest on Deposits	-	491	142
	<u>1,592</u>	<u>9,272,063</u>	<u>7,896</u>
	4,265	9,827,528	109,546
Decreased by Disbursements:			
Expenditures	3,974		
Due to State of NJ - Unemployment Claims			27,196
Due to State of NJ - State Registration Fees	223		
Payments to Current Fund		491	
Reserve for Escrow Deposits		64,474	
Reserve for Payroll		3,634,704	
Reserve for Payroll Deductions Payable		3,663,842	
Reserve for Third Party Lienholders		1,484,295	
Reserve for Miscellaneous Reserves	-	240,812	-
	<u>4,197</u>	<u>9,088,618</u>	<u>27,196</u>
Balance, December 31, 2014	<u>\$ 68</u>	<u>\$ 738,910</u>	<u>\$ 82,350</u>

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

Balance, December 31, 2013	\$ 2,673
Increased by:	
License Fees Collected	<u>1,164</u>
	3,837
Decreased by:	
Cash Disbursements	<u>3,974</u>
Balance, December 31, 2014 (Deficit)	<u>\$ (137)</u>

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

Increased By:	
State Fees Collected	\$ 428
Decreased by	
Payments	<u>\$ 223</u>
Balance, December 31, 2014	<u>\$ 205</u>

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

Balance, December 31, 2013		\$ 299,800
Increased By		
Payments to Current Fund		<u>491</u>
		300,291
Decreased by:		
Receipts from Current Fund	299,800	
Interest on Deposits	<u>491</u>	
		<u>300,291</u>
Balance, December 31, 2014		<u>\$ -</u>

EXHIBIT B-5

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

Balance, December 31, 2013		\$ 61,524
Increased by		
Cash Receipts		<u>1,463,458</u>
		1,524,982
Decreased by		
Cash Disbursements		<u>1,484,295</u>
Balance, December 31, 2014		<u>\$ 40,687</u>

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

Balance, December 31, 2013	\$ 233,310
Increased by	
Deposits Collected	220,327
	453,637
Decreased by:	
Deposits Refunded	64,474
Balance, December 31, 2014	\$ 389,163

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

Balance, December 31, 2013	\$ 10,127
Increased by:	
Cash Receipts	3,634,690
	3,644,817
Decreased by:	
Cash Disbursements	3,634,704
Balance, December 31, 2014	\$ 10,113

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

Balance, December 31, 2013	\$ 66,764
Increased by:	
Cash Receipts	3,653,297
	3,720,061
Decreased by:	
Cash Disbursements	3,663,842
Balance, December 31, 2014	\$ 56,219

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

	Balance December 31, <u>2013</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance December 31, <u>2014</u>
Recycling Program	\$ 26,133	\$ 5,690	\$ 174	\$ 31,649
Senior Citizen Transportation	6,370			6,370
Forfeited Funds	25,969	7,344	945	32,368
Parking Offense Adjudication Act	1,832	356		2,188
Raritan Bay Seafood Festival	12,637	750		13,387
Tax Sale Premium	306,700	403,700	199,600	510,800
Dedicated Penalties - Fire	5,512	2,250		7,762
LOSAP	<u>98,387</u>	<u>60,000</u>	<u>40,093</u>	<u>118,294</u>
	<u>\$ 483,540</u>	<u>\$ 480,090</u>	<u>\$ 240,812</u>	<u>\$ 722,818</u>

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

Balance, December 31, 2013	\$ 100,832
Increased by:	
Employee Contribution	\$ 7,754
Interest on Deposits	<u>142</u>
	<u>7,896</u>
	108,728
Decreased by:	
Unemployment Claims	<u>26,976</u>
Balance, December 31, 2014	<u>\$ 81,752</u>

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

Balance, December 31, 2013	\$ 818
Increased By:	
Claims	<u>26,976</u>
	27,794
Decreased by:	
Payments made to the State of NJ	<u>27,196</u>
Balance, December 31, 2014	<u>\$ 598</u>

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

Balance, December 31, 2013	\$	65,523
Increased by:		
Grant Allocations		43,891
Balance, December 31, 2014	\$	109,414

Analysis of Balance

2008 Façade Program	\$	38,515
2009 Senior Center Improvements		670
2013 Façade Program		26,338
2014 Façade Program		43,891
	\$	109,414

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

Balance, December 31, 2013	\$ 65,523
Increased by:	
Grant Awards	<u>43,891</u>
Balance, December 31, 2014	<u>\$ 109,414</u>

**GENERAL CAPITAL FUND**

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

Balance, December 31, 2013		\$ 22,653
Increased by:		
Cash Receipts from Current Fund	\$ 1,416,848	
Grant Receipts	1,748,054	
Loan Issued	109,379	
Other Funding	<u>3,621</u>	
		<u>3,277,902</u>
Balance, December 31, 2014		<u>\$ 3,300,555</u>

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

		Balance, December 31, <u>2014</u>
	Grants Receivable	\$ (75,183)
	Encumbrances Payable	556,681
	Capital Improvement Fund	101,830
	Fund Balance	114,301
	Excess Note Proceeds:	
	Ord. No. 7-12	105,000
	Ord. No. 16-13	1,593,237
<u>Ord. No.</u>	<u>Improvement Description</u>	
20-11	Refunding Bonds (Tax Appeals)	9,812
7-12	Various Capital Improvements	44,691
16-13	Reconstruction of the Waterfront Walkway and Seawall	100,142
17-13	Various Capital Improvements	679,983
15-13	Refunding Bonds - Judgment and Insurance Assessments	38,736
7-14	Various Capital Improvements and Acquisition of Equipment	<u>31,325</u>
		<u>\$ 3,300,555</u>

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

Balance, December 31, 2013		\$ 226,479
Increased By:		
Proceeds from Bond Anticipation Notes Issued	\$ 3,935,500	
Budget Appropriation		
Capital Improvement Fund	<u>100,000</u>	
		<u>4,035,500</u>
		4,261,979
Decreased by:		
Cash Disbursements made by Current Fund:		
Improvement Authorizations	\$ 2,439,055	
Encumbrances Payable	406,076	
Cash Receipts from Current Fund	<u>1,416,848</u>	
		<u>4,261,979</u>
Balance, December 31, 2014		<u>\$ -</u>

EXHIBIT C-5

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

Balance, December 31, 2013		\$ 11,606,283
Increased by:		
Improvement Costs Funded by:		
Loan Issued		<u>109,379</u>
		11,715,662
Decreased by:		
Budget Appropriation to Pay:		
Bond Principal	\$ 940,000	
Loan Principal	<u>116,913</u>	
		<u>1,056,913</u>
Balance, December 31, 2014		<u>\$ 10,658,749</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2013	Decreased by		Balance, December 31, 2014	Analysis of Balance		
			Grant Receipts	Improvement Authorization Canceled		Paydown of Notes	Bond Anticipation Notes	Unexpended Improvement Authorization
10-10	Improvements to Various Streets	\$ 427,500			\$ 62,500	\$ 365,000	\$ 365,000	
11-10	Environmental Remediation	47,500			12,500	35,000	35,000	
28-10	Improvements to Various Streets	425,000			50,000	375,000	375,000	
2-11	Various Capital Improvements	950,000			75,000	875,000	875,000	
20-11	Refunding Bonds - Tax Appeals	320,000			160,000	160,000	160,000	
7-12	Various Capital Improvements	856,000		\$ 105,000		751,000	751,000	
16-13	Reconstruction of the Waterfront Walkway and Seawall	1,988,000	\$ 1,593,237			394,763	394,763	
17-13	Various Capital Improvements	1,947,500				1,947,500	1,947,500	
15-13	Refunding Bonds - Judgment and Insurance Assessments	785,000	-	-	150,000	635,000	635,000	-
		<u>\$ 7,746,500</u>	<u>\$ 1,593,237</u>	<u>\$ 105,000</u>	<u>\$ 510,000</u>	<u>\$ 5,538,263</u>	<u>\$ 5,538,263</u>	<u>\$ -</u>

Bond Anticipation Notes	\$ 7,236,500
Less: Excess Note Proceeds	
Ord. 7-12	\$ 105,000
Ord. 16-13	1,593,237
	<u>1,698,237</u>
	<u>\$ 5,538,263</u>

Improvement Authorizations - Unfunded	\$ 873,364
Less: Unexpended Proceeds of Bond Anticipation Notes Issued:	
Ord. 20-11	9,812
Ord. 7-12	44,691
Ord. 16-13	100,142
Ord. 17-13	679,983
Ord. 15-13	<u>38,736</u>
	<u>\$ -</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF DUE FROM STATE DEPARTMENT  
OF TRANSPORTATION**

Balance, December 31, 2013	\$	230,000
Decreased by:		
Grant Receipts		154,817
Balance, December 31, 2014	\$	75,183

Analysis of Balance

Ord. 5-02/1-03/18-05	\$	25,000
Ord. 17-13		50,183
	\$	75,183

**STATEMENT OF DUE FROM FEMA GRANT RECEIVABLE**

Balance, December 31, 2013	\$	1,764,000
Decreased by:		
Grant Receipts		1,593,237
Balance, December 31, 2014	\$	170,763

Reserve for FEMA Grants Receivable

Ord. 16-13	\$	170,763
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**STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2013	\$	1,830
Increased by:		
Current Fund Budget Appropriation		100,000
		101,830
Decreased by:		
Appropriated to Finance Improvement Authorizations		-
Balance, December 31, 2014	\$	101,830

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

Ord. No.	Improvement Description	Amount Appropriated	Balance, December 31, 2013		Improvement Authorizations	Paid or Charged	Improvement Authorization Canceled	Balance, December 31, 2014	
			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	5,174				5,174		
9-08.1	Acquisition of Fire Apparatus	475,000	44			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			
14-11	Various Equipment	86,452	6,651				6,651		
20-11	Refunding Bonds - Tax Appeals	475,000		114,812			105,000		9,812
7-12	Various Capital Improvements	900,000		95,726		51,035			44,691
10-12	Various Capital Improvements & Equipment	260,000	7,551				7,551		
16-13	Reconstruction of the Waterfront Walkway and Seawall	2,000,000		1,903,372		1,803,230			100,142
17-13	Various Capital Improvements	2,250,000		1,692,150		1,012,167			679,983
15-13	Refunding Bonds - Judgment and Insurance Assessments	785,000		38,736					38,736
7-14	Various Capital Improvements and Acquisition of Equipment	113,000	-	-	113,000	81,675	-	31,325	-
			<u>\$ 125,689</u>	<u>\$ 3,861,567</u>	<u>\$ 113,000</u>	<u>\$ 2,995,736</u>	<u>\$ 199,831</u>	<u>\$ 31,325</u>	<u>\$ 873,364</u>
	Loan Issued				\$ 109,379				
	Other Funding				<u>3,621</u>				
					<u>\$ 113,000</u>				
						\$ 2,439,055			
						<u>556,681</u>			
						<u>\$ 2,995,736</u>			
							\$ 105,000		
							<u>94,831</u>		
							<u>\$ 199,831</u>		

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

Balance, December 31, 2013	\$ 406,076
Increased by:	
Charges to Improvement Authorizations	<u>556,681</u>
	962,757
Decreased by:	
Disbursements Paid by Current Fund	<u>406,076</u>
Balance, December 31, 2014	<u>\$ 556,681</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Original Issue</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2013</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2014</u>	
10-10	Improvements to Various Streets	\$ 427,500	4/29/2011	4/24/2013 4/22/2014	4/23/2014 4/22/2015	1.25 1.10	% \$ 427,500		\$ 427,500	\$ 365,000	
11-10	Environmental Remediation	47,500	4/29/2011	4/24/2013 4/22/2014	4/23/2014 4/22/2015	1.25 1.10	47,500	35,000	47,500	35,000	
28-10	Improvements to Various Streets	425,000	4/29/2011	4/24/2013 4/22/2014	4/23/2014 4/22/2015	1.25 1.10	425,000	375,000	425,000	375,000	
2-11	Various Capital Improvements	950,000	4/29/2011	4/24/2013 4/22/2014	4/23/2014 4/22/2015	1.25 1.10	950,000	875,000	950,000	875,000	
20-11	Refunding Bonds - Tax Appeals	475,000	4/26/2012	4/24/2013 4/22/2014	4/23/2014 4/22/2015	1.25 1.10	320,000	160,000	320,000	160,000	
7-12	Various Capital Improvements	856,000	4/24/2013	4/24/2013	4/23/2014 4/22/2015	1.25 1.10	856,000	856,000	856,000	856,000	
15-13	Refunding Bonds - Judgment and Insurance Assessments	785,000	12/30/2013	12/30/2013 12/23/2014	12/29/2014 11/13/2015	1.00 1.00	785,000	635,000	785,000	635,000	
16-13	Reconstruction of the Waterfront Walkway and Seawall	1,988,000	4/22/2014	4/22/2014	4/22/2015	1.10		1,988,000		1,988,000	
17-13	Various Capital Improvements and Acquisition of Equipment	1,947,500	4/22/2014	4/22/2014	4/22/2015	1.10	-	1,947,500	-	1,947,500	
							<u>\$ 3,811,000</u>	<u>\$ 7,236,500</u>	<u>\$ 3,811,000</u>	<u>\$ 7,236,500</u>	
							Issued for Cash	\$ 3,935,500			
							Paydown by Budget Appropriation		\$ 510,000		
							Renewals	3,301,000	3,301,000		
								<u>\$ 7,236,500</u>	<u>\$ 3,301,000</u>		

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding at December 31, 2014</u>		<u>Interest Rate</u>		<u>Balance, December 31, 2013</u>	<u>Decreased</u>	<u>Balance, December 31, 2014</u>
			<u>Date</u>	<u>Amount</u>					
General Obligation Bonds	8/1/2006	5,290,000	8/1/15-18	450,000	4.375	%			
			8/1/19-23	450,000	4.500	\$	4,490,000	\$ 440,000	\$ 4,050,000
General Improvement Bonds	5/1/2010	7,920,000	5/1/2015-21	500,000	3.00-4.00				
			5/1/2022	525,000	4.000				
			5/1/2023	550,000	4.000				
			5/1/2024	775,000	4.000				
			5/1/2025	770,000	4.000				
							<u>6,620,000</u>	<u>500,000</u>	<u>6,120,000</u>
							<u>\$ 11,110,000</u>	<u>\$ 940,000</u>	<u>\$ 10,170,000</u>
Paid by Budget Appropriation								<u>\$ 940,000</u>	

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

Balance, December 31, 2013	\$	496,283
Increased by:		
Loan Issued		109,379
		605,662
Decreased by:		
Paid by Budget Appropriation		116,913
Balance, December 31, 2014	\$	488,749

**STATEMENT OF RESERVE FOR FEMA GRANT RECEIVABLE**

Balance, December 31, 2013	\$	1,764,000
Decreased by:		
Grant Receipts		1,593,237
Balance, December 31, 2014	\$	170,763

**STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

<u>Ord.</u>	<u>Purpose</u>	<u>Balance,</u> <u>December 31,</u> <u>2013</u>	<u>Bond</u> <u>Anticipation</u> <u>Notes Issued</u>	<u>Balance,</u> <u>December 31,</u> <u>2014</u>
16-13	Reconstruction of the Waterfront Walkway and Seawall	\$ 1,988,000	\$ 1,988,000	
17-13	Various Capital Improvements and Acquisition of Equipment	1,947,500	1,947,500	\$ -
		\$ 3,935,500	\$ 3,935,500	\$ -

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

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**PART II  
GOVERNMENT AUDITING STANDARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
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, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2015. 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 financial statements.

#### **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 no instances of noncompliance or other matters that are 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.

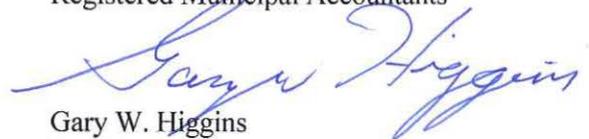
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the City of South Amboy in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

### **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 24, 2015



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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DONNA L. JAPHET, CPA, PSA  
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ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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, 2014. 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 and state 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 U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and Circular 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 program. However, our audit does not provide a legal determination of the City of South Amboy's compliance.

### ***Opinion on Each Major Federal and State 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, 2014.

### **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 U.S. 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 U.S. OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by U.S. 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, 2014, and the related notes to the financial statements and have issued our report thereon dated June 24, 2015, 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 also contained a modified opinion on those financial statements prepared and presented in accordance with the regulatory basis of accounting because of the presentation of the 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 U.S. OMB Circular A-133 is 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 is fairly stated in all material respects in relation to the financial statements as a whole.

*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

Fair Lawn, New Jersey  
June 24, 2015

**CITY OF SOUTH AMBOY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Federal CFDA <u>No.</u>	Grant Award <u>Received</u>	Balance, December 31, <u>2013</u>	Revenue <u>Realized</u>	<u>Expenditures</u>	<u>Cancelled</u>	Balance, December 31, <u>2014</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		\$ 163,639		\$ 127,342		\$ 36,297	\$ 919,582
August St. - Phase III			19,536			\$ 19,536	-	175,464
TTF Transit Village			99,629			99,629	-	252,882
Intermodal Transportation Center - RFR11		\$ 138,195	4,847,998		18,640		4,829,358	170,642
Department of Housing and Urban Development								
Community Development Block Grant								
Façade Improvements	14.219		64,853	\$ 43,891			108,744	135,785
Senior Area/Community Center	14.219		670				670	159,300
Federal Emergency Administration								
FEMA - Hurricane Sandy	97.036	1,650,495	-	1,650,495	1,650,495	-	-	1,650,495
			<u>\$ 5,196,325</u>	<u>\$ 1,694,386</u>	<u>\$ 1,796,477</u>	<u>\$ 119,165</u>	<u>\$ 4,975,069</u>	

CITY OF SOUTH AMBOY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>State Grant Program</u>	<u>Account Numbers</u>	<u>Grant Year</u>	<u>Grant Award Received</u>	<u>Balance, December 31, 2013</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Cancelled</u>	<u>(1) Adjustment</u>	<u>Balance, December 31, 2014</u>	<u>Memo Cumulative Total Expenditures</u>
Body Armor Replacement Fund	066-1020-718-001-04	2008		\$ 4,706		4,496			\$ 210	5,925
		2011		6,728					6,728	
		2013		2,689					2,689	
		2014	\$ 2,609		\$ 5,963				5,963	
Clean Communities Program	4900-765-178900	2014	13,247		13,247	13,247				13,247
Recycling Tonnage Grant	N/A	2014			12,382	12,382				12,382
HDSRF - Broadway Redevelopment	N/A	2005		39,337			39,337			78,605
HDSRF - Wishey Property	N/A	2005		65,705			65,705			
NJ DOT Municipal Aid	N/A	2014			25,042				25,042	
New Jersey Department of Transportation Ord. 17-13	2012-078-6320-480-ALC	2013	154,817			154,817		205,000	50,183	154,817
Intermodal RFRJI - Engineering	N/A	2011		169,353		5,654			163,699	236,291
Municipal Drug & Alcohol Alliance Pgm.	N/A	2010		4,748		3,400			1,348	7,551
		2011		8,899					8,899	
		2012		9,099					9,099	
		2013		9,099					9,099	
		2014		-	9,099	-	-	-	9,099	
				<u>\$ 320,363</u>	<u>\$ 65,733</u>	<u>\$ 193,996</u>	<u>\$ 105,042</u>	<u>\$ 205,000</u>	<u>\$ 292,058</u>	

(1) - To adjust beginning balance at 12/31/13

Note - This schedule was not subject to an audit in accordance with New Jersey OMB 15-08

**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, 2014**

**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 schedules 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	\$ 57,258	\$ 65,733	\$ 122,991
General Capital Fund	1,593,237		1,593,237
Community Development Trust Fund	<u>43,891</u>	<u>-</u>	<u>43,891</u>
	<u>\$ 1,694,386</u>	<u>\$ 65,733</u>	<u>\$ 1,760,119</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, 2014**

*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*.

There are none.

**CITY OF SOUTH AMBOY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

*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 U.S. OMB Circular A-133 and New Jersey OMB's Circular 15-08.

**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, 2014**

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 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.

**Status of Finding**

Corrective action was taken.

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

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**PART III**  
**SUPPORTING DATA**  
**LETTER OF COMMENTS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -  
CURRENT FUND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>Year 2014</u>		<u>Year 2013</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Appropriated	\$ 270,000	0.95%		
Miscellaneous - From Other Than Local				
Property Tax Levies	6,025,869	21.25%	\$ 6,504,794	22.97%
Collection of Delinquent Taxes and Tax Title Liens	12,213	0.04%	65,922	0.23%
Collection of Current Tax Levy	21,924,620	77.31%	21,412,335	75.63%
Other Credits to Income	<u>126,386</u>	<u>0.45%</u>	<u>329,856</u>	<u>1.17%</u>
Total Income	<u>28,359,088</u>	<u>100.00%</u>	<u>28,312,907</u>	<u>100.00%</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	15,779,249	56.02%	16,795,292	58.02%
County Taxes	3,309,491	11.75%	3,328,518	11.50%
Local School Taxes	9,073,448	32.22%	8,792,664	30.38%
Other Expenditures	<u>2,954</u>	<u>0.01%</u>	<u>29,794</u>	<u>0.10%</u>
Total Expenditures	<u>28,165,142</u>	<u>100.00%</u>	<u>28,946,268</u>	<u>100.00%</u>
Deficit in Revenue	193,946		(633,361)	
Adjustments to Income before Surplus				
Expenditures included above which are by Statute				
Deferred Charges to Budget of Succeeding Year	<u>191,501</u>		<u>1,071,264</u>	
Statutory Excess to Fund Balance	385,447		437,903	
Fund Balance, Beginning of Year	<u>525,181</u>		<u>87,278</u>	
	910,628		525,181	
Decreased by:				
Utilization as Anticipated Revenue	<u>270,000</u>		<u>-</u>	
Fund Balance, End of Year	<u>\$ 640,628</u>		<u>\$ 525,181</u>	

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

	<u>Calendar Year Tax Rate</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Tax Rate</u>	<u>\$2.565</u>	<u>\$2.495</u>	<u>\$2.336</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	1.122	1.088	.978
County	.385	.387	.363
Local School	1.058	1.020	.995

Assessed Valuation

2014	<u>\$857,814,200</u>
2013	<u>\$862,233,000</u>
2012	<u>\$868,817,000</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>
2014	\$ 22,061,944	\$ 21,974,620	99.60%
2013	21,532,563	21,412,335	99.44%
2012	20,377,394	20,130,068	98.79%

**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, 2014, 2013 and 2012.

<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>
2014	\$ 205,343	\$ 14,324	\$ 219,667	0.99%
2013	187,683		187,683	0.86%
2012	190,268	624	190,892	0.93%

**PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

The City has not acquired by liquidation of tax title liens any properties as of December 31, 2014.

**COMPARATIVE SCHEDULE OF FUND BALANCES**

	<u>December 31,</u>	<u>Balance</u>	<u>Utilized In Budget of Succeeding Year</u>
<u>Current Fund</u>	2014	\$640,628	\$200,000
	2013	525,181	270,000
	2012	87,278	-0-
	2011	87,278	-0-
	2010	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
City of Sayreville	Fire Official

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

## GENERAL COMMENTS

### Current Year

The audit disclosed that two Current Fund budget appropriations were overexpended totaling \$23,501 as a result of certain insurance bills due and payable exceeding budget appropriations. It is recommended that sufficient appropriations be available for all expenditures prior to incurring a liability to avoid overexpenditures.

### 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 2014 calendar pursuant to NJSA 40A:9-10. It is recommended that the Governing Body approve an update to the City's salary ordinances to reflect all salary and wage revisions.

Our audit revealed that the certain administrative fees being charged for Police Outside Duty pay were 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. It is recommended that 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.

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.

### 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:

Waterfront Walkway and Sea Wall Project	Boulevard Sanitary Sewer Improvements
NJ DOT Road Improvements	City Courtroom Emergency Exit Door
Curb and Road Improvements at Various Locations	

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, 2014 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 18, 2014.

The following comparison is made of the number of tax title liens receivable outstanding at December 31, 2014, 2013 and 2012.

<u>December 31</u>	<u>Number of Liens</u>
2014	29
2013	27
2012	35

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 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.
- \* 2) The Governing Body approve an update to the City's salary ordinances to reflect all salary and wage revisions.
- \* 3) All outstanding assigned tickets in excess of six months from the issue date be returned by the respective police officer to the Court Administrator.
- 4) Sufficient appropriations be available for all expenditures prior to incurring a liability to avoid overexpenditures.

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

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

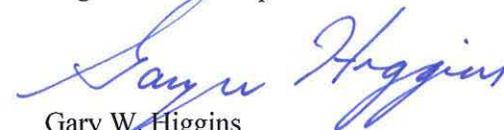
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The problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

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



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



Gary W. Higgins  
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RMA Number CR00405