

THE CITY OF

SOUTH



AMBOY

NEW JERSEY

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

**REPORT OF AUDIT
YEARS ENDED DECEMBER 31, 2025 AND 2024**

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

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MIDDLESEX COUNTY, NEW JERSEY**

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

PART I

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**



Independent Auditors' Report

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

Report on the Audit of the Regulatory Basis Financial Statements

Opinion on Regulatory Basis Financial Statements

We have audited the regulatory basis financial statements of the various funds and the governmental fixed assets of the City of South Amboy, New Jersey ("City"), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations and changes in fund balance for the years then ended, the statement of changes in fund balance, the statement of revenues and statement of expenditures for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements present fairly, in all material respects, the regulatory basis balance sheets of the City as of December 31, 2025 and 2024 and the regulatory basis revenues, expenditures, and changes in fund balance for the years then ended, the statement of changes in fund balance, the statement of revenues and statement of expenditures for the year ended December 31, 2025 and the related notes to the financial statements, in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("Division") described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2025 and 2024, or its revenues, expenditures and changes in fund balance thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"), requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards and

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**The Honorable Mayor and Members
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City of South Amboy
South Amboy, New Jersey**

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requirements are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 by the City on the basis of the financial reporting provisions of the Division (regulatory basis), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division. 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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the Division. 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 misstatement, whether due to fraud or error.

In preparing the financial statements management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, requirements prescribed by the Division, and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**The Honorable Mayor and Members
of the City Council
City of South Amboy
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In performing an audit in accordance with GAAS, requirements prescribed by the Division, and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information Required by the Division in Accordance with the Regulatory Basis of Accounting

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The information included in Part II – Supplementary Information Required by the Division and Part IV – Roster of Officials and General Comments, as listed in the table of contents, is presented for purposes of additional analysis as required by the Division and is 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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Report on Supplementary Information as Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and related notes to the schedule of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and related notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2026 on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
August 5, 2026



Gary W. Higgins, CPA
Registered Municipal Accountant, No. 405

EXHIBITS - REGULATORY BASIS

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT AND GRANT FUND
AS OF DECEMBER 31, 2025 AND 2024**

	<u>Reference</u>	<u>2025</u>	<u>2024</u>
ASSETS AND DEFERRED CHARGES			
Current Fund			
Cash	A-4	\$ 8,151,812	\$ 8,731,651
Change Funds	A-5	<u>450</u>	<u>450</u>
		<u>8,152,262</u>	<u>8,732,101</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-9	160	-
Tax Title Liens		-	2,888
Revenue Accounts Receivable	A-11	9,017	8,056
Property Acquired for Taxes	A-10	849,600	849,600
Due from Animal Control Trust Fund	B-4	2,020	1,623
Due from Other Trust Fund	B-7	36	36
Due from General Capital Fund	C-4	9,244	20,542
Due from South Amboy Redevelopment Agency		-	139
Due from Grant Fund	A-23	<u>269,169</u>	<u>273,006</u>
		<u>1,139,246</u>	<u>1,155,890</u>
Deferred Charges			
Emergency Authorizations		<u>-</u>	<u>39,558</u>
Total Current Fund		<u>9,291,508</u>	<u>9,927,549</u>
Grant Fund			
Grants Receivable	A-7	<u>5,533,923</u>	<u>4,310,070</u>
Total Grant Fund		<u>5,533,923</u>	<u>4,310,070</u>
Total Assets		<u>\$ 14,825,431</u>	<u>\$ 14,237,619</u>

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT AND GRANT FUND
AS OF DECEMBER 31, 2025 AND 2024**

	<u>Reference</u>	<u>2025</u>	<u>2024</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Current Fund			
Appropriation Reserves	A-3, A-13	\$ 894,726	\$ 1,087,838
Encumbrances Payable	A-3, A-14	349,984	430,521
Prepaid Taxes	A-21	228,575	213,721
Prepaid PILOTs	A-29	6,102	6,297
Tax Overpayments	A-27	12,616	1,723
Accounts Payable	A-22	508,542	408,598
Due to State of New Jersey - Senior Citizens' and Veterans' Deductions	A-8	5,568	6,259
Sewer Overpayments	A-18	5,776	6,226
Due to Library	A-12	940	940
Local School District Tax Payable	A-17	66,334	
Due to South Amboy Business Association	A-26	3,000	3,000
County of Middlesex Taxes Payable	A-16	7,763	33,486
Reserve for Tax Appeals	A-24	200,000	200,000
Miscellaneous Reserves	A-15	3,900	405
		2,293,826	2,399,014
Reserve for Receivables and Other Assets	A	1,139,246	1,155,890
Fund Balance	A-1	5,858,436	6,372,645
Total Current Fund		9,291,508	9,927,549
Grant Fund			
Grants Appropriated	A-19	4,070,306	3,096,065
Grants Unappropriated		-	2,447
Due to Current Fund	A-23	269,169	273,006
Encumbrances Payable	A-14	1,194,448	938,552
Total Grant Fund		5,533,923	4,310,070
Total Liabilities, Reserves and Fund Balance		\$ 14,825,431	\$ 14,237,619

CITY OF SOUTH AMBOY
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>Reference</u>	<u>2025</u>	<u>2024</u>
REVENUES AND OTHER INCOME			
Fund Balance Utilized	A-2	\$ 1,980,000	\$ 1,230,000
Receipts from Current Taxes	A-2	29,048,218	28,989,397
Miscellaneous Revenue Anticipated	A-2	11,078,094	11,798,852
Receipts from Delinquent Taxes	A-2	7,940	3,500
Non-Budget Revenues	A-2	745,948	156,077
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	A-13	684,124	901,331
Receipt from Sale of Foreclosed Property		-	3,300
Interfunds Liquidated	A	295,346	275,345
Statutory Excess - Animal Control Trust Fund		<u>2,006</u>	<u>1,383</u>
Total Revenues and Other Income		<u>43,841,676</u>	<u>43,359,185</u>
EXPENDITURES			
Budget Appropriations:			
Operations			
Salaries and Wages	A-3	8,883,794	8,551,584
Other Expenses	A-3	11,302,772	10,252,738
Capital Improvements	A-3	75,000	630,000
Municipal Debt Service	A-3	2,519,501	2,281,589
Deferred Charges and Regulatory Expenditures	A-3	2,299,439	2,157,978
County Taxes	A-16	4,472,314	4,306,405
County Open Space Taxes	A-16	423,412	391,139
Due County for Added Taxes	A-16	7,763	33,486
Local District School Taxes	A-17	12,091,529	11,914,241
Refund of Prior Year Revenue	A-4	19,892	15,032
Prior Year Senior Citizens and Veterans Disallowed		-	682
Interfunds Advanced	A	<u>280,469</u>	<u>295,345</u>
Total Expenditures	A	<u>42,375,885</u>	<u>40,830,219</u>
Excess in Revenues		1,465,791	2,528,966
Adjustments to Income before Fund Balance			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year		<u>-</u>	<u>39,558</u>
Statutory Excess To Fund Balance		1,465,791	2,568,524
Fund Balance, Beginning of Year	A	<u>6,372,645</u>	<u>5,034,121</u>
		7,838,436	7,602,645
Decreased by:			
Utilization as Anticipated Revenue	A-1, A-2	<u>1,980,000</u>	<u>1,230,000</u>
Fund Balance, End of Year	A	<u>\$ 5,858,436</u>	<u>\$ 6,372,645</u>

CITY OF SOUTH AMBOY
STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Reference</u>	<u>Budget</u>	<u>Added by N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 1,980,000		\$ 1,980,000	-
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverage	A-11	26,900		24,659	\$ (2,241)
Other	A-2	15,200		19,558	4,358
Fees and Permits	A-2	41,800		63,381	21,581
Fines and Costs:					
Municipal Court	A-11	89,800		89,201	(599)
Interest and Costs on Taxes	A-11	30,000		38,208	8,208
Interest on Investments and Deposits	A-2	300,000		469,861	169,861
Sewer User Fees	A-11	1,558,200		1,630,947	72,747
Housing Inspection Program	A-11	158,900		155,420	(3,480)
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)	A-11	3,918,453		3,918,453	-
Uniform Construction Code Fees	A-11	290,750		164,038	(126,712)
Emergency Management Agency Assistance (EMAA) Grant	A-7	10,000		10,000	-
Clean Communities Grant	A-7		\$ 21,459	21,459	-
Recycling Tonnage Grant	A-7		13,339	13,339	-
Body Armor Replacement Fund	A-20	2,447		2,447	-
Municipal Alliance Against Alcoholism and Drug Abuse	A-7	8,288	8,288	16,576	-
Local Recreation Improvement Grant	A-7	68,000		68,000	-
New Jersey Transportation Trust Fund- Broadway Phase 2 Roadway & Pedestrian Improvement	A-7		662,160	662,160	-
PEG Grant - CSC Holding LLC	A-7		25,000	25,000	-
New Jersey Department of Community Affairs - 5th Street Sport Complex Grant	A-7		500,000	500,000	-
New Jersey Department of Community Affairs - South Amboy Veterans' Memorial Plaza Grant	A-7		50,000	50,000	-
New Jersey Department of Community Affairs - South Amboy Broadway Business Grant	A-7		850,000	850,000	-
C.A.T.V. Franchise Fees	A-11	53,784		53,785	-
M.C.U.A. - Refund	A-11	21,280		21,280	-
Payment in Lieu of Taxes - Woodmont	A-11	630,000		574,848	(55,152)
Payment in Lieu of Taxes - Robert Noble Manor	A-11	7,800		7,783	(17)
Payment in Lieu of Taxes - South Amboy Housing Authority	A-11	50,000		53,091	3,091
Payment in Lieu of Taxes - Hillcrest Manor	A-11	40,800		40,804	4
Payment in Lieu of Taxes - Shoregate	A-2	145,000		152,535	7,535
Payment in Lieu of Taxes - Station Bay	A-11	1,300,000		989,538	(310,462)
Police Off Duty - Administration Charges	A-11	100,500		100,500	-
South Amboy Redevelopment Authority Contribution	A-11	200,000		200,000	-
Reserve for Debt Service	C-14	73,500		73,500	-
Excess Loan Proceeds	C-5	17,723	-	17,723	-
Total Miscellaneous Revenues	A-1	9,159,125	2,130,246	11,078,094	(211,277)
Receipts from Delinquent Taxes	A-1, A-2	-	-	7,940	7,940
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes Including Reserve for					
Uncollected Taxes		11,568,340		11,809,456	241,116
Minimum Library Tax		467,244	-	467,244	-
	A-2	12,035,584	-	12,276,700	241,116
	A-3	\$ 23,174,709	\$ 2,130,246	25,342,734	\$ 37,780
Non-Budget Revenues	A-1, A-2			745,948	
				\$ 26,088,682	

CITY OF SOUTH AMBOY
STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenues from Collections	A-1, A-9	\$ 29,048,218
Less:		
Allocated School and County Taxes	A-16,A-17	<u>16,995,018</u>
Balance for Support of Municipal Budget Appropriations		12,053,200
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>223,500</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 12,276,700</u>
Delinquent Taxes		
Delinquent Tax Collections	A-9	\$ 2,102
Tax Title Liens Collections	A-25	<u>5,838</u>
		<u>\$ 7,940</u>
Payment in Lieu of Taxes - Shoregate		
Prepaid applied	A-29	\$ 6,297
2025 cash receipts	A-11	146,238
	A-2	<u>\$ 152,535</u>
Other Licenses		
Bingo Licenses		\$ 580
Cat Licenses		251
Food Licenses		6,247
Mercantile Licenses		6,830
Outdoor Café Licenses		100
Rental License		300
Video Licenses		3,200
Peddler Licenses		<u>2,050</u>
	A-2, A-11	<u>\$ 19,558</u>
Fees and Permits - Other		
Photo Copies		\$ 1,260
Planning & Zoning Fee		20,750
Road Opening Permit		4,430
Sidewalk and Curbs Fee		6,908
Marriage Local Fee		207
Copy of Birth Certificate Fee		5,464
Copy of Death Certificate Fee		20,151
Copy of Marriage License Fee		2,669
Tax Collector Fees		<u>1,542</u>
	A-2, A-11	<u>\$ 63,381</u>
Interest on Investments and Deposits		
Due Animal Control Trust Fund	B-4	\$ 165
Due from Other Trust Fund	B-7	16,784
Due from General Capital Fund	C-4	277,107
Cash Receipts	A-11	<u>175,805</u>
	A-2	<u>\$ 469,861</u>

CITY OF SOUTH AMBOY
STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025
(Continued)

	<u>Reference</u>	
Non-Budget Revenues		
LOSAP Forfeiture	\$	597
2% Administration Fee - Senior Citizen and Veterans		761
Payment in Lieu of Taxes - 101 Main Street		67,655
Payment in Lieu of Taxes - 111 Main Street		80,227
Sewer Connection Fees		38,283
Marriage Fees		2,000
Abandoned Property Fee		11,750
PILOT Annual Surcharge		34,009
Reimbursement for Acquisition of Property		500,000
Insurance Refunds		2,154
Other		<u>8,512</u>
	A-2,A-4	<u>\$ 745,948</u>

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 455,000	\$ 450,000	\$ 425,648	\$ 24,352	
Other Expenses	137,000	137,000	136,325	675	
Mayor and Council					
Salaries and Wages	56,630	56,630	56,623	7	
Other Expenses	13,000	16,000	15,259	741	
Municipal Clerk					
Salaries and Wages	175,000	175,000	173,846	1,154	
Other Expenses	16,000	16,000	16,000	-	
Codification	12,000	12,000	6,681	5,319	
Financial Administration					
Salaries and Wages	242,000	242,000	235,057	6,943	
Other Expenses	45,000	45,000	44,364	636	
Audit Services					
Other Expenses	62,000	69,475	7,475	62,000	
Revenue Administration					
Salaries and Wages	194,000	194,000	191,911	2,089	
Other Expenses	19,500	19,500	19,500	-	
Tax Assessment Administration					
Salaries and Wages	38,000	36,000	35,968	32	
Other Expenses	6,500	8,500	7,467	1,033	
Legal Services					
Other Expenses	180,000	180,000	67,333	112,667	
Department of Engineering					
Other Expenses	330,000	330,000	304,325	25,675	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	7,400	9,000	8,962	38	
Other Expenses	58,000	56,400	51,830	4,570	
PUBLIC SAFETY					
Police Department					
Salaries and Wages	5,239,000	5,219,000	5,081,611	137,389	
Other Expenses	220,000	240,000	237,347	2,653	
Office of Emergency Management					
Salaries and Wages	26,500	26,500	23,664	2,836	
Other Expenses	11,000	11,000	10,282	718	
Aid to Volunteer Fire Companies					
Other Expenses	100,000	100,000	100,000	-	
Aid to Volunteer Ambulance Squad					
Other Expenses	20,000	20,000	20,000	-	
Department of EMS					
Other Expenses	38,000	38,000	34,489	3,511	
Department of Fire					
Other Expenses	64,000	64,000	63,630	370	
Municipal Prosecutor Office					
Salaries and Wages	19,720	19,720	19,643	77	

**CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC WORKS					
Streets and Roads Maintenance					
Salaries and Wages	\$ 706,000	\$ 673,500	\$ 648,606	\$ 24,894	
Other Expenses	90,000	100,000	96,396	3,604	
Sewers					
Salaries and Wages	161,000	146,000	141,330	4,670	
Other Expenses	145,000	145,000	106,340	38,660	
Other Public Works Functions					
Shade Tree					
Other Expenses	10,000	10,000	4,187	5,813	
Solid Waste Collection					
Salaries and Wages	466,000	416,000	399,683	16,317	
Other Expenses	613,000	613,000	602,171	10,829	
Recycling Program					
Salaries and Wages	2,790	2,790	2,600	190	
Other Expenses	800	800	800	-	
Buildings and Grounds					
Salaries and Wages	88,000	90,000	87,215	2,785	
Other Expenses	190,000	197,500	187,347	10,153	
Vehicle Maintenance					
Salaries and Wages	204,000	185,000	178,181	6,819	
Other Expenses	120,000	139,000	135,719	3,281	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	4,884	4,884	4,766	118	
Other Expenses	82,000	92,000	91,779	221	
Registrar of Vital Statistics					
Salaries and Wages	11,770	11,770	11,249	521	
Other Expenses	1,800	1,800	1,326	474	
Animal Control Services					
Other Expenses	30,000	32,000	24,650	7,350	
Municipal Court					
Salaries and Wages	148,000	147,000	145,698	1,302	
Other Expenses	14,000	15,000	14,461	539	
Public Defender					
Other Expenses	8,000	8,000	7,965	35	
PARK AND RECREATION FUNCTIONS					
Department of Recreation					
Senior Citizen Activities					
Salaries and Wages	144,000	144,000	128,069	15,931	
Other Expenses	20,000	20,000	18,423	1,577	
Recreation Services and Programs					
Salaries and Wages	88,000	88,000	74,001	13,999	
Other Expenses	47,000	47,000	37,663	9,337	
OTHER COMMON OPERATING					
FUNCTIONS (Unclassified)					
Historical Society of South Amboy					
Other Expenses	9,000	9,000	316	8,684	
South Amboy Arts District					
Other Expenses	9,000	9,000	4,977	4,023	

**CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
General Liability	\$ 439,000	\$ 439,000	\$ 429,627	\$ 9,373	
Disability Insurance	9,000	9,000	3,850	5,150	
Workers Compensation	458,000	458,000	458,000	-	
Employee Group Health	2,632,760	2,712,760	2,700,575	12,185	
Health Benefit Waiver	55,000	55,000	51,921	3,079	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
Construction Official					
Salaries and Wages	482,000	482,000	452,107	29,893	
Other Expenses	10,000	10,000	6,319	3,681	
UNCLASSIFIED					
Celebration of Public Events					
Other Expenses	55,000	55,000	43,363	11,637	
Electricity	235,000	275,000	227,472	47,528	
Telecommunications	280,000	250,000	191,286	58,714	
Water	295,000	295,000	275,804	19,196	
Natural Gas	25,000	28,000	26,672	1,328	
Petroleum Products	175,000	162,000	151,946	10,054	
Salary and Wage Adjustments	30,000	-	-	-	
Contingent	4,000	4,000	-	4,000	
Total Operations Within "CAPS"	16,384,054	16,373,529	15,570,100	803,429	
Detail:					
Salaries and Wages	9,044,694	8,873,794	8,578,359	295,435	
Other Expenses	7,339,360	7,499,735	6,991,741	507,994	
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures					
Public Employees' Retirement System	452,123	452,123	452,123	-	
Social Security System (O.A.S.I.)	365,000	373,525	370,090	3,435	
Police and Fireman's Retirement System of NJ	1,412,233	1,412,233	1,412,233	-	
Unemployment Compensation Insurance	10,000	10,000	10,000	-	
Defined Contribution Retirement Program	10,000	12,000	11,838	162	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	2,249,356	2,259,881	2,256,284	3,597	
Total General Appropriations for Municipal Purposes Within "CAPS"	18,633,410	18,633,410	17,826,384	807,026	

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - EXCLUDED FROM "CAPS"					
Sewerage Processing & Disposal					
Other Expenses	\$ 787,500	\$ 787,500	\$ 787,213	\$ 287	
Municipal Library					
Other Expenses	467,244	467,244	467,244		
Employee Group Insurance	168,740	168,740	168,740		
Length of Service Awards Program	150,000	150,000	66,759	83,241	
Recycling Tax	16,000	16,000	12,756	3,244	
Total Other Operations Excluded from "CAPS"	1,589,484	1,589,484	1,502,712	86,772	
Public and Private Programs Offset by Revenues					
Matching Funds for Grants	3,000	3,000	2,072	928	
Emergency Management Agency Assistance (EMAA) Grant	10,000	10,000	10,000		
Clean Communities Grant		21,459	21,459		
Recycling Tonnage Grant		13,339	13,339		
Body Armor Replacement Fund	2,447	2,447	2,447		
Municipal Alliance Against Alcoholism and Drug Abuse	8,288	16,576	16,576		
Municipal Alliance Against Alcoholism and Drug Abuse - Local Match	1,572	1,572	1,572		
Local Recreation Improvement Grant	68,000	68,000	68,000		
New Jersey Transportation Trust Fund- Broadway Phase 2					
Roadway & Pedestrian Improvement		662,160	662,160		
PEG Grant - CSC Holding LLC		25,000	25,000		
New Jersey Department of Community Affairs - 5th Street					
Sport Complex Grant		500,000	500,000		
New Jersey Department of Community Affairs - South Amboy					
Veterans' Memorial Plaza Grant		50,000	50,000		-
New Jersey Department of Community Affairs - South Amboy					
Broadway Business Grant	-	850,000	850,000		-
Total Public and Private Programs Offset by Revenues	93,307	2,223,553	2,222,625	928	
Total Operations - Excluded from "CAPS"	1,682,791	3,813,037	3,725,337	87,700	
Detail:					
Salaries and Wages	10,000	10,000	10,000		
Other Expenses	1,672,791	3,803,037	3,715,337	87,700	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	75,000	75,000	75,000	-	
Total Capital Improvements Excluded from "CAPS"	75,000	75,000	75,000	-	

CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2025 AND 2024

	<u>Reference</u>	<u>2025</u>	<u>2024</u>
ASSETS			
ANIMAL CONTROL TRUST FUND			
Cash	B-1	\$ 5,429	\$ 5,380
OTHER TRUST FUND			
Cash	B-1	3,283,976	2,612,989
Accounts Receivable - Outside Police Duty		<u>-</u>	<u>990</u>
		<u>3,283,976</u>	<u>2,613,979</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	<u>151,496</u>	<u>149,461</u>
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) TRUST FUND			
Community Development Block Grants Receivable	B-13	<u>57,164</u>	<u>109,676</u>
Total Assets		<u>\$ 3,498,065</u>	<u>\$ 2,878,496</u>

CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2025 AND 2024

	<u>Reference</u>	<u>2025</u>	<u>2024</u>
LIABILITIES AND RESERVES			
ANIMAL CONTROL TRUST FUND			
Prepaid Revenue			\$ 310
Due to Current Fund	B-4	\$ 2,020	1,623
Reserve for Animal Control Expenditures	B-5	<u>3,409</u>	<u>3,447</u>
		<u>5,429</u>	<u>5,380</u>
OTHER TRUST FUND			
Due to Current Fund	B-7	36	36
Reserve for :			
Third Party Lienholders	B-8	33,548	20,635
Escrow Deposits	B-9	1,245,925	1,169,742
Payroll Deductions Payable	B-10	153,860	88,958
Miscellaneous Reserves	B-11	<u>1,850,607</u>	<u>1,334,608</u>
		<u>3,283,976</u>	<u>2,613,979</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Reserve for Unemployment Compensation Insurance	B-12	<u>151,496</u>	<u>149,461</u>
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) TRUST FUND			
Reserve for Community Development Programs	B-15	<u>57,164</u>	<u>109,676</u>
Total Liabilities and Reserves		<u>\$ 3,498,065</u>	<u>\$ 2,878,496</u>

CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2025 AND 2024

	<u>Reference</u>	<u>2025</u>	<u>2024</u>
ASSETS			
Cash	C-2,C-3	\$ 1,639,855	\$ 15,794,304
Grants Receivable	C-7	11,721,287	20,282,538
Deferred Charges to Future Taxation:			
Funded	C-5	16,412,311	17,957,600
Unfunded	C-6	<u>11,889,258</u>	<u>9,699,758</u>
Total Assets		<u>\$ 41,662,711</u>	<u>\$ 63,734,200</u>
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-11	\$ 15,575,000	\$ 16,885,000
Bond Anticipation Notes	C-15	5,000,000	5,000,000
Due to Current Fund	C-4	9,244	20,542
Middlesex County Improvement Authority Loans Payable	C-12	837,311	1,090,323
Encumbrances Payable	C-10	2,998,920	18,375,918
Capital Improvement Fund	C-8	190,394	230,894
Improvement Authorizations			
Funded	C-9	6,526,563	2,033,820
Unfunded	C-9	4,835,357	4,008,715
Reserve for Grants Receivable	C-13	5,162,555	5,335,921
Reserve for Payment of Debt	C-14	254,806	121,740
Grant Advance		-	10,358,766
Fund Balance	C-1	<u>272,561</u>	<u>272,561</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 41,662,711</u>	<u>\$ 63,734,200</u>

There were bonds and notes authorized but not issued on December 31, 2025 and 2024 in the amount of \$6,889,258 and \$4,699,758, respectively. (Exhibit C-17).

**CITY OF SOUTH AMBOY
STATEMENT OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025**

Reference

Balance, December 31, 2025 and 2024

C

\$ 272,561

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
GOVERNMENTAL FIXED ASSETS
AS OF DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
ASSETS		
Buildings and Land	\$ 9,625,300	\$ 9,625,300
Machinery and Equipment	<u>11,838,959</u>	<u>10,476,671</u>
	<u>\$ 21,464,259</u>	<u>\$ 20,101,971</u>
FUND BALANCE		
Investment in Governmental Fixed Assets	<u>\$ 21,464,259</u>	<u>\$ 20,101,971</u>

NOTES TO FINANCIAL STATEMENTS

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of South Amboy (the "City") was incorporated in 1908 and operates under an elected Mayor and Council form of government. The Mayor is elected directly by the voters. The City Council consists of five members, two of whom are elected on an at-large basis while three are elected from wards. All members of the governing body are elected in partisan elections to serve four-year terms of office on a staggered basis as part of the November general election, with the three ward seats up for election together and the two at-large seats and the Mayor seat up for vote together two years later. The Mayor is the Chief Executive Officer of the City and as such presides over all public meetings and makes appointments to various boards. The City Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A City Administrator is appointed by the City Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all City affairs and for the day to day operations of the City. The City Administrator is the Chief Administrative Officer for the City. The City's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

The Governmental Accounting Standards Board (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 and Port Authority, which are considered component units under accounting principles generally accepted in the United States of America (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 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

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

through separate funds, which differ from the fund structure required by GAAP.

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.

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 (CDBG) Trust Fund - This fund is used to account for grant proceeds, program income and related expenditures for Federal Block grant entitlements.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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.

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, 2024 balances to conform to the December 31, 2025 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. GAAP requires that all investments be presented at fair value.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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 December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the City. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The City also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The City may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

Sewer User Fees – Sewer user charges are levied quarterly based upon water consumption. The sewer user charges are comprised of a flat base fee plus an excess consumption charge, if applicable. Revenues from these sources are recognized on a cash basis in the Current Fund. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the City's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. **Measurement Focus and Basis of Accounting** (Continued)

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.

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.

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

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 judgments, 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 liabilities for compensated absences be recorded for leave that has not been used when the leave is attributable to services already rendered and the leave is more likely than not to be used for time off or otherwise paid in cash. Compensated absences liabilities are not recorded on the balance sheet.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 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.

General Fixed Assets purchased after December 31, 1998 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General 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.

Long-term Debt – The City's long-term debt is stated at face value. Additional information pertinent to the City's long-term debt is disclosed in Note 8 to the financial statements.

Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense – The requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68* require governmental entities to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources and total pension related expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of the liabilities, deferrals, and expenses, but do require the disclosure of these amounts. The audited financial information related to these pensions is released annually by the State's Division of Pension and Benefits and is required to be included as note disclosures in the financial statements. Pursuant to N.J.A.C. 5:30-6(c)2, municipalities may use the most recent available audited GASB Statement No. 68 financial information published by the New Jersey Department of Treasury, Division of Pension and Benefits. As of the date of the audit, the 2025 Public Employees' Retirement System Report and the 2025 Police and Firemen's Retirement System Report were the most recent reports available and therefore information for that year was disclosed accordingly. Refer to Note 10 to the Financial Statements for these disclosures.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Other Post-Employment Benefits Other Than Pensions – The requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* that is provided by other entities require governmental entities to record in their financial statements a share of the other governments net OPEB liability, deferred outflows of resources, deferred inflows of resources and total OPEB expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals, and expenses, but do require the disclosure of these amounts. Since the City does not follow generally accepted accounting principles, the GASB did not result in a change in the City's assets, liabilities and contribution requirements. However, it did result in additional note disclosures as required by the GASB. Pursuant to N.J.A.C. 5:30-6(c)2, municipalities may use the most recent available audited GASB Statement No. 75 financial information published by the New Jersey Department of Treasury, Division of Pension and Benefits. As of the date of the audit, the 2024 Report was the most recent report available and therefore information for that year was disclosed accordingly. Refer to Note 11 to the Financial Statements for these disclosures.

Lease Receivable/Deferred Inflows of Resources -The requirements of GASB Statement No. 87, *Leases* requires the lessor to recognize a lease receivable and deferred inflows of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these receivables and deferred inflow of resources, but do require the disclosure of these amounts. Management has determined the impact of the Statement on the financial statements was not material.

Lease Payable/Lease Asset - The requirements of GASB Statement No. 87, *Leases* requires the lessee to recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is short-term or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these payables, deferred outflow of resources and assets, but do require the disclosure of these amounts. Management has determined the impact of the Statement on the financial statements was not material.

Length of Service Awards Program (LOSAP) - Financial reporting standards established by the Division exclude the financial information relating to a LOSAP program from the scope of the statutory audit. Accordingly, financial information relating to the City's LOSAP Program, a deferred income program created pursuant to Section 457 of the Internal Revenue Code for the benefit of the volunteers, is not reported as part of the City's basic financial statements. As the LOSAP Plan's assets remain the property of the City until withdrawn by participants, GAAP requires that the Plan's financial information be included in the City's basic financial statements. See Note 16 regarding the availability of LOSAP Plan financial information.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Recently Issued and Adopted Accounting Principles

During the year ended December 31, 2025, the City adopted one new GASB statement, as follows:

The GASB Statement No. 102, "*Certain Risk Disclosures*", provides guidance on disclosures within government financial statements on risks related to a government's vulnerabilities due to certain concentrations or constraints. A concentration is defined as a lack of diversity related to an aspect of a significant inflow or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. Under this statement, a government is required to assess whether an event or events associated with a concentration or constraint that could cause substantial impact have occurred, have begun to occur, or are more likely than not to begin within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024. Management has evaluated the requirements and implemented them through the financial statements for the year ended December 31, 2025.

Accounting standards that the City is currently reviewing for applicability and potential impact on the financial statements include:

The GASB Statement No. 103, "*Financial Reporting Model Improvements*", has been issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing the government's accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025. Management has not yet determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 104, "*Disclosure of Certain Capital Assets*" in September 2024. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets including lease assets, intangible right-to-use assets, subscription assets, other intangible assets and assets held for sale. The requirements of this Statement are effective for periods beginning after June 15, 2025, and all reporting periods thereafter. Management has not yet determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 105, "*Subsequent Events*" in December 2025. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Management has not yet determined the impact of this Statement on the financial statements.

This is not an all-inclusive list of recently issued GASB pronouncements but rather a listing of Statements that the City believes will most impact its financial statements. The City will evaluate the impact this and other pronouncements may have on its financial statements and will implement them as applicable and when material.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 Trust Funds and General Capital Fund. The governing body is required to introduce and approve the annual budget no later than March 31, of the fiscal year. The budget is required to be adopted no later than April 30, 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 2025 and 2024, the City Council increased the original budget by \$2,130,246 and \$781,201, respectively. The 2025 increase was funded by additional aid allotted to the City. The 2024 increases were funded by additional aid allotted to the City in the amount of \$741,643 and an emergency appropriation in the amount of \$39,558. In addition, the governing body approved several budget transfers during 2025 and 2024.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

A. Cash Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

Cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums.

Based on GASB criteria, the City considers cash and cash equivalents to include petty cash, change funds, demand deposits, money market accounts, short-term investments and cash management money market mutual funds such as Pillar Funds, and are either any direct and general obligation of the United States of America and its agencies or certificates of deposit issued by any bank, savings and loan association or national banking association if qualified to serve as a depository for public funds under the provisions of the Government Unit Depository Protection Act. Cash and cash equivalents have original maturities of three months or less from the date of purchase. Investments are stated at cost, which approximates fair value.

At December 31, 2025 and 2024, the book value of the City's deposits were \$13,233,018 and \$27,294,235.

At December 31, 2025 and 2024, the bank values of the cash and cash equivalents of the City consisted of the following:

<u>Bank Balance</u>	
<u>2025</u>	<u>2024</u>
\$ 13,203,283	\$ 27,523,435

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, 2025 and 2024, 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, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; 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, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law," (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by an outside party. The City does not have a policy for custodial credit risk.

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 and NJAC 5:30-14.19). The City does not have an investment policy that would further limit its investment choices.

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

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.

NOTE 4 DUE TO/FROM OTHER FUNDS

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

The above balances are the result of expenditures being paid by one fund on behalf of another and/or receipts received by one fund on behalf of another.

	<u>2025</u>		<u>2024</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 280,469		\$ 295,207	
Federal and State Grant Fund		\$ 269,169		\$ 273,006
Trust Funds:				
Animal Control Trust Fund		2,020		1,623
Other Trust Fund		36		36
General Capital Fund	-	9,244	-	20,542
Total	<u>\$ 280,469</u>	<u>\$ 280,469</u>	<u>\$ 295,207</u>	<u>\$ 295,207</u>

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

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 5 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:

	2025		2024	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 5,858,436	\$ 2,200,000	\$ 6,333,087	\$ 1,980,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>39,558</u>	<u>-</u>
	<u>\$ 5,858,436</u>	<u>\$ 2,200,000</u>	<u>\$ 6,372,645</u>	<u>\$ 1,980,000</u>

NOTE 6 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, 2025 and 2024.

	Balance January 1, <u>2025</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2025</u>
<u>2025</u>				
Buildings and Land	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	<u>10,476,671</u>	<u>\$ 1,551,221</u>	<u>\$ 188,933</u>	<u>11,838,959</u>
	<u>\$ 20,101,971</u>	<u>\$ 1,551,221</u>	<u>\$ 188,933</u>	<u>\$ 21,464,259</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 6 FIXED ASSETS (Continued)

General Fixed Assets (Continued)

	Balance January 1, <u>2024</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2024</u>
<u>2024</u>				
Buildings and Land	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	<u>9,925,303</u>	<u>\$ 551,368</u>	<u>\$ -</u>	<u>10,476,671</u>
	<u>\$ 19,550,603</u>	<u>\$ 551,368</u>	<u>\$ -</u>	<u>\$ 20,101,971</u>

NOTE 7 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 charge is reported on the balance sheet of the following fund:

	Balance <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	<u>Balance</u>
<u>2025</u>			
There are none	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2024</u>			
Current Fund:			
Emergency Appropriation	<u>\$ 39,558</u>	<u>\$ 39,558</u>	<u>\$ -</u>

NOTE 8 MUNICIPAL DEBT

The Local Bond Law (N.J.S.A. 40A:2 et.seq.) 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 and acquisitions or other purposes permitted by the Local Bond Law, must be paid off within ten years and four months or retired by the issuance of bonds.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 8 MUNICIPAL DEBT (Continued)

The City's debt is summarized as follows:

	<u>2025</u>	<u>2024</u>
Issued		
General		
Bonds, Notes and Loans	\$ 21,412,311	\$ 22,975,323
Less Funds Temporarily Held to Pay Debt	<u>254,806</u>	<u>139,463</u>
Net Debt Issued	<u>21,157,505</u>	<u>22,835,860</u>
Authorized But Not Issued		
General		
Bonds and Notes	<u>6,889,258</u>	<u>4,699,758</u>
Net Bonds, Notes and Loans Issued and Authorized But Not Issued	<u>\$ 28,046,763</u>	<u>\$ 27,535,618</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 1.989% and 2.131% at December 31, 2025 and 2024, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2025</u>			
General Debt	\$ 28,301,569	\$ 254,806	\$ 28,046,763
Debt Guarantees	2,140,000	2,140,000	-
School Debt	<u>4,470,000</u>	<u>4,470,000</u>	<u>-</u>
Total	<u>\$ 34,911,569</u>	<u>\$ 6,864,806</u>	<u>\$ 28,046,763</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2024</u>			
General Debt	\$ 27,675,081	\$ 139,463	\$ 27,535,618
Debt Guarantees	2,265,000	2,265,000	-
School Debt	<u>4,890,000</u>	<u>4,890,000</u>	<u>-</u>
Total	<u>\$ 34,830,081</u>	<u>\$ 7,294,463</u>	<u>\$ 27,535,618</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 8 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>2025</u>	<u>2024</u>
3 1/2% of Equalized Valuation Basis (Municipal)	\$ 49,346,808	\$ 45,235,662
Net Debt	<u>28,046,763</u>	<u>27,535,618</u>
Remaining Borrowing Power	<u>\$ 21,300,045</u>	<u>\$ 17,700,044</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>2025</u>	<u>2024</u>
\$7,920,000, 2010 Bonds, due in a final installment of \$770,000 on May 1, 2025, interest at 4.0%		\$ 770,000
\$10,405,000, 2019 Bonds, due in annual installments of \$925,000 to \$930,000 through April 15, 2033, interest at 3.0 to 5.0%	\$ 7,405,000	7,895,000
\$8,220,000, 2024 Bonds, due in annual installments of \$385,000 to \$765,000 through May 1, 2037, interest at 3.25 to 5.0%	<u>8,170,000</u>	<u>8,220,000</u>
	<u>\$ 15,575,000</u>	<u>\$ 16,885,000</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 8 MUNICIPAL DEBT (Continued)

General Intergovernmental Loans Payable

The City has entered into 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>2025</u>	<u>2024</u>
\$1,177,367, 2020 Loans, due in annual installments of \$128,826 to \$150,000 through September 15, 2029, interest at 3.00% to 5.00%	\$ 570,000	\$ 698,825
\$625,723, 2021 Loans, due in annual installments of \$124,187 to \$136,916 through April 15, 2027, interest at 5.00%	<u>267,311</u>	<u>391,498</u>
	<u>\$ 837,311</u>	<u>\$ 1,090,323</u>

The City's principal and interest for long-term debt issued and outstanding as of December 31, 2025 is as follows:

<u>Calendar</u> <u>Year</u>	<u>Bonds</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2026	\$ 1,315,000	\$ 571,688	\$ 260,395	\$ 38,966	\$ 2,186,049
2027	1,310,000	514,538	281,916	25,946	2,132,400
2028	1,560,000	457,138	145,000	11,850	2,173,988
2029	1,570,000	394,538	150,000	7,500	2,122,038
2030	1,690,000	329,338	-	-	2,019,338
2031-2035	6,600,000	769,390	-	-	7,369,390
2036-2037	1,530,000	52,595	-	-	1,582,595
	<u>\$ 15,575,000</u>	<u>\$ 3,089,225</u>	<u>\$ 837,311</u>	<u>\$ 84,262</u>	<u>\$ 19,585,798</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 8 MUNICIPAL DEBT (Continued)

Debt Guarantees

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

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

On April 20, 2016, the Agency issued \$3,055,000 of Lease Revenue Refunding Bonds, Series 2016 (“2016 Revenue Bonds”) The 2016 Revenue Bonds were purchased by Amboy Bank at an interest rate of 3.50% per annum with principal payments due on August 15th through 2038. The proceeds along with available cash on hand in the amount of \$1,470,427 were used to: (i) refund all of the Agency’s outstanding 2008 Revenue Bonds in the amount of \$4,405,000 (ii) pay interest due through April 20, 2016 and (iii) pay certain costs of issuance.

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, 2025 and 2024 is \$2,140,000 and \$2,265,000, respectively.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 8 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The City's long-term capital debt activity for the years ended December 31, 2025 and 2024 were as follows:

	Balance, January 1, <u>2025</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2025</u>	Due Within <u>One Year</u>
<u>2025</u>					
General Capital Fund					
Bonds Payable	\$ 16,885,000		\$ 1,310,000	\$ 15,575,000	\$ 1,315,000
Intergovernmental					
Loans Payable	<u>1,090,323</u>	<u>-</u>	<u>253,012</u>	<u>837,311</u>	<u>260,395</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 17,975,323</u>	<u>\$ -</u>	<u>\$ 1,563,012</u>	<u>\$ 16,412,311</u>	<u>\$ 1,575,395</u>
	Balance, January 1, <u>2024</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2024</u>	Due Within <u>One Year</u>
<u>2024</u>					
General Capital Fund					
Bonds Payable	\$ 9,960,000	\$ 8,220,000	\$ 1,295,000	\$ 16,885,000	\$ 1,310,000
Intergovernmental					
Loans Payable	<u>1,332,953</u>	<u>\$ -</u>	<u>242,630</u>	<u>1,090,323</u>	<u>253,013</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 11,292,953</u>	<u>\$ 8,220,000</u>	<u>\$ 1,537,630</u>	<u>\$ 17,975,323</u>	<u>\$ 1,563,013</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 8 MUNICIPAL DEBT (Continued)

Short-Term Debt

<u>2025</u>	<u>Date of</u>	<u>Interest</u>	<u>Balance</u>			<u>Balance</u>
	<u>Maturity</u>	<u>Rate</u>	<u>January 1,</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u>
			<u>2025</u>			<u>2025</u>
Bond Anticipation Notes						
General Capital Fund	1/22/2026	4.00%	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

<u>2024</u>			<u>Balance</u>			<u>Balance</u>
			<u>January 1,</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u>
			<u>2024</u>			<u>2024</u>
Bond Anticipation Notes						
General Capital Fund	1/24/2025	4.00%	<u>\$ 5,451,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,451,000</u>	<u>\$ 5,000,000</u>

Bond Anticipation Notes

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 general governmental activities are accounted for in the General Capital Fund.

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.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 9 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 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 \$1,434,401 and \$1,545,167 at December 31, 2025 and 2024, respectively. This amount which is considered material to the financial statements, is not reported either as an expenditure or liability.

As of December 31, 2025 and 2024, the City has reserved in the Other Trust Fund \$62,270 to fund compensated absences in accordance with NJSA 40A:4-39.

B. 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 which commenced in the 2012 year. The City is permitted to payoff the deferred PFRS and PERS pension obligations at any time. The deferred liability including accrued interest (7.00% effective July 1, 2017) due April 1, 2026 and outstanding at December 31, 2025 for PERS and PFRS is \$16,165 and \$37,605, respectively.

During the years ended December 31, 2025, 2024, and 2023, the City was required to contribute for the deferred pension obligation the following amounts which equaled the required contribution for each year.

<u>Year Ended December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2025	\$ 16,327	\$ 37,672
2024	16,258	37,366
2023	16,057	36,847

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

Public Employees' Retirement System

The Public Employees' Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2025:

	<u>2025</u>
Inactive plan members or beneficiaries currently receiving benefits	196,038
Inactive plan members entitled to but not yet receiving benefits	603
Active plan members	<u>248,765</u>
Total	<u><u>445,406</u></u>

Contributing Employers – 1,678 (As of June 30, 2025)

Significant Legislation – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven-year period beginning in the fiscal year ended June 30, 2012.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2025, the City's total payroll for all employees was \$8,883,794. For the year ended December 31, 2025, total PERS covered payroll was \$3,127,260. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the City to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contributions are based on an amortization of the unfunded accrued liability. Funding or noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2025, the State's pension contribution was less than the actuarial determined amount.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (continued)

Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. City contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

In accordance with Chapter 98, P.L. 2017, PERS receives 21.02% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

City payments to PERS for the year ending December 31, 2025 consisted of the following:

	<u>2025</u>
Total Regular Billing	\$ <u>435,796</u>

The City recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:15. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members with 25 years or more of service credit before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier.

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (continued)

Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

At June 30, 2025, the PERS reported a net pension liability of \$12,404,749,906 for its Non-State Employer Member Group. The City's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the City was \$4,593,721 or 0.0373514274%, which was an increase of 0.0053249378% from its proportion measured as of June 30, 2024 of 0.0320264896%. The total pension expense of \$429,798 was less than the actual expense of \$435,796 paid by the City.

At December 31, 2025, the City had deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

<u>2025</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$ 130,976	\$ 4,909
Changes of assumptions	725	52,924
Net difference between projected and actual investment earnings on pension plan investments	-	383,056
Changes in proportion	668,470	262,553
City contributions subsequent to the measurement date	514,178	
	<u>\$ 1,314,349</u>	<u>\$ 703,442</u>

The \$514,178 shown as deferred outflows of resources related to PERS resulting from City contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS would have been recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2026	\$ 186,105
2027	(109,120)
2028	(55,188)
2029	52,666
2030	22,266
Total	<u>\$ 96,729</u>

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (continued)

Actuarial Assumptions- The total collective pension liability for the June 30, 2025 measurement date was determined by an actuarial valuation as of July 1, 2024, which was rolled forward to June 30, 2025. This actuarial valuation used the following actuarial assumptions:

	2025
Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	3.25% - 7.75%
	based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2016 General Below-Median Income Employee mortality table with an 86.3% adjustment for males and 97.6% adjustment for females, and with future improvement from the base year of 2016 on a generational basis. Post-retirement mortality rates were based on the Pub-2016 General Below-Median Income Healthy Retiree mortality table with a 93.3% adjustment for males and 99.5% adjustment for females, and with future improvement from the base year of 2016 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2016 Non-Safety Disabled Retiree mortality table with a 156.9% adjustment for males and 139.0% adjustment for females, and with future improvement from the base year of 2016 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2021 to June 30, 2024.

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2025) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2025 in the following table:

2025		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	28.00%	8.55%
Non-U.S. Developed Market Equity	12.75%	8.77%
International Small Cap Equity	1.25%	8.77%
Emerging Market Equity	5.50%	10.30%
Private Equity	13.00%	12.00%
Real Estate	8.00%	10.78%
Real Assets	3.00%	7.90%
High Yield	4.50%	6.63%
Private Credit	8.00%	9.00%
Investment Grade Credit	7.00%	5.47%
Cash Equivalents	2.00%	3.61%
U.S. Treasuries	4.00%	3.61%
Risk Mitigation Strategies	3.00%	7.26%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability as of June 30, 2025 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (continued)

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS calculated using the discount rates as disclosed below as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	At 1% Decrease 6.00%	At Current Discount Rate 7.00%	At 1% Increase 8.00%
PERS	\$ 6,288,531	\$ 4,593,721	\$ 3,149,293

Plan Fiduciary Net Position – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2025 was \$41,002,952,235. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2025 was \$31,647,959,781.

Additional information

Collective Local Group balances at June 30, 2025 are as follows:

Collective deferred outflows of resources	\$ 1,093,964,592
Collective deferred inflows of resources	1,921,744,319
Collective net pension liability	12,404,749,906
City's Proportion	0.0373514274%

Collective pension expense for the Local Group for the measurement period ended June 30, 2025 was \$435,736,779. The average of the expected remaining service lives of all plan members is 5.15, 5.08, 5.08, 5.04, 5.13, and 5.16 years for 2025, 2024, 2023, 2022, 2021, and 2020, respectively.

State Contribution Payable Dates

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30. As such, contributions are assumed to be made on a quarterly basis with the first contribution 15 months after the associated valuation date.

Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (continued)

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the year ended June 30, 2025 are \$1,390,211,483.

Special Funding Situation – PERS

Under N.J.S.A. 43:15A-15, the City is responsible for their own PERS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 365, P.L. 2001, and Chapter 133, P.L. 2001. The amounts contributed on behalf of the City by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the City's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PERS under this legislation.

At December 31, 2025, the State's proportionate share of the net pension liability attributable to the City for the PERS special funding situation is \$0. For the year ended December 31, 2025, the pension system has determined the State's proportionate share of the pension expense attributable to the City for the PERS, special funding situation is \$15,784, which is equal to the actual contribution the State made on behalf of the City of \$15,784. At December 31, 2025 (measurement date June 30, 2025) the State's share of the PERS net pension liability attributable to the City was 0.0375571003 percent. The State's proportionate share attributable to the City was developed based on actual contributions made to PERS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the City's financial statements.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System

The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2025:

Inactive plan members or beneficiaries currently receiving benefits	51,119
Inactive plan members entitled to but not yet receiving benefits	67
Active plan members	<u>41,686</u>
Total	<u>92,872</u>

Contributing Employers – 579 (As of June 30, 2025)

Significant Legislation – For State of New Jersey contributions to PFRS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven-year period beginning in the fiscal year ended June 30, 2012.

In accordance with Chapter 98, P.L. 2017, PFRS receives 1.2% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from the lottery proceeds are assumed to be contributed to the System on a monthly basis. Consistent with Chapter 83, P.L. 2016, it is assumed that the State will make pension contributions in equal amounts at the end of each quarter. It is assumed the Local employers' contributions are expected to be received on April 1st, 21 months after the associated valuation date. Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System (continued)

For the year ended December 31, 2025, the City's total payroll for all employees was \$8,883,794. For the year ended December 31, 2025, total PFRS covered payroll was \$3,659,496. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the City to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employer contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits.

City payments to PFRS for the year ending December 31, 2025 consisted of the following:

	<u>2025</u>
Total Regular Billing	<u>\$ 1,374,561</u>

The City recognizes liabilities to PFRS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System (continued)

At June 30, 2025, the PFRS reported a net pension liability of \$12,064,900,153 for its Non-State, Non-Special Funding Situation Employer Member Group. The City's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$9,204,598, or 0.09177945% which was a decrease of 0.00759334% from its proportion, measured as of June 30, 2024 of 0.09937279%. The actual expense of \$942,640 is less than the actual amount of \$1,374,561 paid by the City.

At December 31, 2025, the City would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

<u>2025</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 754,101	\$ 174,941
Changes of assumptions	460,412	116,364
Net difference between projected and actual investment earnings on pension plan investments	-	450,910
Changes in proportion	739,233	671,075
City contributions subsequent to the measurement date	1,311,331	
	<u>\$ 3,265,077</u>	<u>\$ 1,413,290</u>

The \$1,311,331 is reflected above as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense on the GAAP basis as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2026	\$ 602,846
2027	136,909
2028	(104,825)
2029	(117,282)
2030	<u>22,808</u>
Total	<u>\$ 540,456</u>

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System (continued)

Actuarial Assumptions- The total collective pension liability for the June 30, 2025 measurement date was determined by an actuarial valuation as of July 1, 2024, which was rolled forward to June 30, 2025. This actuarial valuation used the following actuarial assumptions:

	<u>2025</u>
Inflation rate:	
Price	2.50%
Wage	3.00%
Salary Increases:	4.00% - 17.50%
	based on years of service
Investment rate of return	7.00%

Employee mortality rates were based on the Pub-2016 Safety Employee mortality tables projected generationally from 2016 with Scale MP-2021. 5% of deaths are assumed to be accidental. Healthy annuitants, mortality rates were 100% of the Pub-2016 Safety Retiree Below Median amount-weighted mortality tables for males and 98% of the Pub-2016 Safety Retiree Below Median amount-weighted mortality tables for females, projected generationally from 2016 with Scale MP-2021 mortality projection. For contingent annuitants, mortality rates were 100% of the Pub-2016 Contingent Survivor Below Median amount-weighted mortality tables for males and 102% Pub-2016 Contingent Survivor Below Median amount-weighted tables for females, projected generationally from 2016 with Scale MP-2021. Disability mortality rates were 134% of the Pub-2016 Safety Disabled Retiree amount-weighted mortality table for males and 100% of the Pub-2016 Safety Disabled Retiree amount-weighted mortality table for females, projected generationally from 2016 with Scale MP-2021 mortality projection.

The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2021 to June 30, 2024.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2025) is determined by the State Treasurer, after consultation with the PFRS Board of Trustees, and the Directors of the Division of Investment and Division of Pensions and Benefits and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2025 are summarized in the following table:

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System (continued)

2025		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap Equity	24.00%	6.90%
US Small/Mid Cap Equity	4.00%	7.40%
Non US Developed Large Cap Equity	9.50%	6.70%
Non US Developed Small Cap Equity	2.00%	7.50%
Emerging Markets Large Cap Equity	6.00%	9.60%
Emerging Markets Small Cap Equity	1.50%	9.60%
US Treasury bond	7.00%	4.10%
US Corporate Bond	5.00%	5.90%
US Mortgage Back Securities	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%
Cash	2.00%	3.40%
Real Estate Core	3.00%	5.10%
Real Estate Non-Core	4.00%	6.50%
Infrastructure	3.00%	7.00%
Private Debt/Credit	8.00%	9.10%
Private Equity	10.00%	10.10%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00% as of June 30, 2025. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the employers in the State Group and 100% of actuarially determined contributions for the employers in the Local Group. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of Net Pension Liability – the following presents the net pension liability of PFRS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	At 1% Decrease Rate (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase Rate (8.00%)
PFRS	\$ <u>13,390,348</u>	\$ <u>9,204,598</u>	\$ <u>5,712,364</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System (continued)

Plan Fiduciary Net Position – The plan fiduciary net position for PFRS at June 30, 2025 was \$35,201,519,194.

Additional information

Collective Local Group balances at June 30, 2025 are as follows:

Collective deferred outflows of resources	\$ 1,956,190,968
Collective deferred inflows of resources	1,441,590,785
Collective net pension liability	12,064,900,153
City's Proportion	0.09177945%

Collective pension expense for the Local Group for the measurement period ended June 30, 2025 was \$806,455,536. The average of the expected remaining service lives of all plan members is 5.86, 6.09, 6.16, 6.22, 6.17, and 5.90 years for 2025, 2024, 2023, 2022, 2021, and 2020 amounts, respectively.

State Contribution Payable Dates

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30. As such, contributions are assumed to be made on a quarterly basis.

Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

Special Funding Situation

Under N.J.S.A 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and state is treated as a non-employer entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the City as of June 30, 2025 for police and fire is 0.09177945%. The non-employer contributing entities' contribution for the year ended June 30, 2025 was \$221,473. The state's proportionate share of net pension liability attributable to the City as of June 30, 2025 was \$1,868,509.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Defined Contribution Retirement Plan

DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. Empower is acting on behalf of the NJ Division of Pensions and Benefits as the record keeper and investment funds manager. Chapter 1, P.L. 2010 increased the minimum annual salary required for eligibility in the DCRP. An employee must earn an annual salary of at least \$5,000 to be eligible or to continue participation. The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

Plan Membership and Contributing Employers - Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually.

At June 30, 2024, the membership in the DCRP, based on the information within the Division's database, was 44,352.

Contribution Requirement and Benefit Provisions - State and local government employers contribute 3% of the employee's base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

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 7.50% for PERS, 10% for PFRS and 5.5% for DCRP of employees' base wages.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 POST-RETIREMENT HEALTH COVERAGE

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Annual Comprehensive Financial Report (ACFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (Continued)

Contributions

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Plan Membership and Contributing Employers

Plan membership and contributing employers/nonemployers consisted of the following at June 30, 2024:

Inactive plan members or beneficiaries currently receiving benefits	28,899
Active plan members	<u>60,691</u>
Total	<u><u>89,590</u></u>
Contributing employers	590
Contributing nonemployers	1

Funding Situation - The State of New Jersey's Total Net OPEB Liability for the funding situation was \$17,905,445,505 at June 30, 2024.

Components of Net OPEB Liability - The components of the collective net OPEB liability for Local Government Retired Employees Plan, including the State of New Jersey, is as follows:

	<u>2024</u>
Special Funding Situation	\$ 4,876,644,957
Non-special Funding Situation	<u>13,028,800,548</u>
Total Net OPEB Liability	<u><u>\$17,905,445,505</u></u>
	<u>2024</u>
Non-special Funding Situation:	
Plan Net OPEB Liability	\$ 13,028,800,548
City Allocations:	
Net OPEB Liability	\$ 28,641,372
Allocation Percentage	0.159959%
City Plan Participants	152

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (Continued)

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>June 30, 2024</u>
Inflation	N/A
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Rate for all future years	2.75% to 6.55%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 16.25%
Mortality:	
PERS:	
Pub-2010 general classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021	
PFRS:	
Pub-2010 general classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021	

*Salary increases are based on years of service within the respective plan.

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (Continued)

Preretirement and postretirement mortality rates were based on the Pub-2010 Safety Headcount-Weighted mortality table with fully generational mortality improvement projections from the central year using the MP-2021 scale.

Actuarial assumptions used in the July 1, 2023 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

100% of active members are considered to participate in the Plan upon retirement. The health care trend assumption is used to project the growth of the expected claims over the lifetime of the health care recipients. The GASB statement does not require a particular source for information to determine health care trends, but it does recommend selecting a source that is “publicly available, objective, and unbiased”.

Medical and prescription drug trend rates are determined by utilizing experience data, industry experience which includes surveys and Aon trend guidance. These rates are adjusted further to be appropriate with respect to the plan provisions. For pre-Medicare medical benefits, the trend is initially 7.5% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 22.62% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For HMO, the trend is increasing to 23.58% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.75% and decreases to a 4.50% long-term trend rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate - The discount rate for June 30, 2024 was 3.93%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the State’s Net OPEB Liability to Changes in the Discount Rate - The following presents the collective net OPEB liability of the participating employers and City as of June 30, 2024, calculated using the discount rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage- point higher than the current rate:

	1% Decrease	At Discount Rate	1% Increase
Collective Net OPEB Liability	\$ 20,857,914,273	\$ 17,905,445,505	\$ 15,540,780,410
City's proportionate share of Net OPEB liability	33,364,112	28,641,372	24,858,877

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (Continued)

Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates -
The following presents the net OPEB liability as of June 30, 2024, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Collective Net OPEB Liability	\$ 15,144,352,142	\$ 17,905,445,505	\$ 21,455,435,620
City's proportionate share of Net OPEB liability	24,224,755	28,641,372	34,319,901

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2024, the City's allocated deferred outflows of resources and deferred inflows of resources related to its Nonspecial Funding participation in the OPEB Plan was as follows:

<u>2024</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 4,788,295	\$ 4,754,287
Net difference between projected and actual earnings on OPEB plan investments	-	12,965
Differences between expected and actual experience	1,450,483	4,852,833
Changes in proportion	4,813,609	2,219,333
	<u>\$ 11,052,387</u>	<u>\$ 11,839,418</u>

Special Funding Situation

Under N.J.S.A. 43:3C-24 the City is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the City by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the City's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 12 RISK MANAGEMENT

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

The City is a member of the Central Jersey Joint Insurance Fund (CJJIF) 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 CJJIF and MEL coverage amounts are on file with the City.

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

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

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

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

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 12 RISK MANAGEMENT (Continued)

<u>Year Ended December 31</u>	<u>Interest Earnings</u>	<u>City Contribution</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2025	\$ 3,812	\$ 10,000	\$ 12,543	\$ 24,320	\$151,496
2024	4,169	10,000	11,855	50,320	149,461
2023	1,865	10,000	10,998	9,774	173,757
2022	836	10,000	10,463	7,480	160,668

NOTE 13 CONTINGENT LIABILITIES

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

The City of South Amboy is a past member of the Middlesex County Joint Insurance Fund. Although South Amboy has not been a member of the Fund for several years, a supplemental assessment from the Middlesex County Joint Insurance Fund in the amount of \$292,573 has been assessed. The City has joined other affected municipalities and governmental entities in challenging the validity and amount of the Special Assessment. The amount for which the City will be liable for, if any, is unknown at this time.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2025 and 2024. 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, 2025 and 2024, the City reserved \$200,000 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, 2025 and 2024, 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.

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The City is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligation issued.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 14 FEDERAL ARBITRAGE REGULATIONS (Continued)

If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2025 and 2024, the City has not estimated its arbitrage earnings due to the IRS, if any.

NOTE 15 TAX ABATEMENTS

For the years ended December 31, 2025 and 2024, the City provided property tax abatements through certain programs authorized under State statutes. The programs include the Long Term Tax Exemption Law (the "LTTE Law") and the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The Long Term Tax Exemption Law (NJSA 40A:20 et.seq.) is focused on broad areas of redevelopment. It allows for a longer abatement term to carry out a larger development plan through declaring an area as being "in need of redevelopment". These long-term property abatements may last up to 30 years from completion of a project or 35 years from execution of the financial agreement. The process is initiated when the municipality passes a resolution calling for the municipal planning board to study the need for designating an area "in need of redevelopment". Upon adopting the planning board's recommendations and formalizing the redevelopment area designation, a municipality adopts a redevelopment plan, engages redevelopment entities to carry out the plan, and may authorize long-term tax abatements in the process. Developers submit abatement applications to the governing body for review. The financial agreement is approved through adoption of a local ordinance. The agreement exempts a project from taxation, but requires a payment in lieu of taxes (PILOTs) in an amount based generally on a percentage of project costs or revenue generated by the project, depending on the type of project. For the years ended December 31, 2025 and 2024, the City abated property taxes totaling \$5,447,150 and \$3,333,316, respectively under the LTTE program. The City received \$1,757,725 and \$2,168,340 in PILOT payments under this program for the years ended December 31, 2025 and 2024, respectively.
- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to make a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2025 and 2024, the City abated property taxes totaling \$310,093 and \$298,815, respectively, under the NJHMFA program. The City received \$60,874 and \$59,234 in PILOT payments under this program for the years ended December 31, 2025 and 2024, respectively.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 16 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)

The City of South Amboy Length of Service Awards Program (the Plan) was created by a City ordinance adopted on July 6, 1999, pursuant to 457 (e)(11)(13) of the Internal Revenue 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 South Amboy Fire Department and the First Aid Squad, 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 has contributed \$1,131 and \$1,095 for 2025 and 2024, respectively, for each eligible volunteer fire department and volunteer first aid squad members into the Plan. The required City contributions totaled \$56,548 for the 2025 service year and \$73,354 for the 2024 service year. During 2025, the City paid \$66,759 of contributions attributable to prior service years. The contribution of \$56,548 attributable to the 2025 service year was not paid until 2026.

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

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

Vesting and Benefits

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

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

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the City perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Review Services.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 17 TAXES RECEIVABLE

	<u>2025</u>	<u>2024</u>
Property Taxes	\$ 160	
Tax/Sewer Title Liens	<u>-</u>	<u>\$ 2,888</u>
	<u>\$ 160</u>	<u>\$ 2,888</u>

In 2025 and 2024, the City collected \$7,940 and \$3,500 from delinquent taxes, which represented 100% and 100%, respectively of the prior year adjusted delinquent taxes and tax title liens receivable balances.

NOTE 18 SELECTED TAX INFORMATION

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A 6% penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

Comparative Schedule of Tax Rate Information

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<u>Tax Rate</u>	<u>\$ 3.217</u>	<u>\$ 3.209</u>	<u>\$ 3.088</u>
<u>Apportionment of Tax Rate</u>			
Municipal	\$ 1.334	\$ 1.358	\$ 1.329
County	.543	.524	.484
Local School	1.340	1.327	1.275

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 18 SELECTED TAX INFORMATION (Continued)

Assessed Valuations

2025	<u>\$902,341,000</u>		
2024		<u>\$897,811,600</u>	
2023			<u>\$895,366,900</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 probable increase in future tax levies.

<u>December 31,</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2025	\$ 29,074,456	\$ 29,048,218	99.91%
2024	29,017,081	28,989,397	99.90%
2023	27,794,459	27,786,776	99.97%

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 last three years.

<u>December 31,</u>	<u>Amount of Tax/Sewer Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2025	-	\$ 160	\$ 160	0.00%
2024	\$ 2,888		2,888	0.01%
2023	-	3,816	3,816	0.01%

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 19 ACCELERATED TAX SALE

Chapter 99 of the Public Laws and 1997 of the State of New Jersey, effective May 12, 1997, authorized any municipality to have an accelerated tax sale. An accelerated tax sale permits a municipality to have a tax sale when a property is in arrears after the 11th day of the 11th month of each fiscal year. In 2025 and 2024, the City conducted an accelerated tax sale which resulted in the majority of delinquent taxes being sold to outside lien holders. As a result of the accelerated tax sales, the true collection rate which includes the proceeds of the accelerated tax sale was 99.91% and 100.00% for 2025 and 2024, respectively. The underlying tax collection rate was 99.53% and 99.65% for 2025 and 2024, respectively.

NOTE 20 SUBSEQUENT EVENTS

The City has evaluated subsequent events occurring after December 31, 2025 through Open, 2026, which is the date the financial statements were available to be issued. Based on this evaluation, management has determined that the following subsequent events have occurred which require disclosure in the financial statements.

Debt Authorized and Issued

The City adopted a bond ordinance authorizing the issuance of \$1,778,970 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report, the City has not issued any bonds or notes to fund these projects.

Bond Anticipation Notes Issued

The City issued bond anticipation notes in the amount of \$5,000,000. These notes are dated January 21, 2026 at a net interest cost of 2.699 percent and mature on January 21, 2027.

The City issued bond anticipation notes in the amount of \$3,000,000. These notes are dated July 7, 2026 at a net interest cost of 3.02 percent and mature on January 21, 2027.

CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY

PART II

SUPPLEMENTARY INFORMATION REQUIRED BY THE DIVISION
YEAR ENDED DECEMBER 31, 2025

CURRENT AND GRANT FUND

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

Balance, January 1, 2025		\$ 8,731,651
Increased by Receipts:		
Taxes Receivable	\$ 28,798,599	
Tax Overpayments	25,370	
Non-Budget Revenue	745,948	
Due to State of NJ - Senior Citizens' and Veterans' Deductions	37,309	
Revenue Accounts Receivable	8,467,537	
Miscellaneous Reserves	12,343	
Tax Title Liens	5,838	
Prepaid Taxes	228,575	
Prepaid Pilots	6,102	
PILOT - 5% Due to County	95,910	
Accounts Payable - Refunds	3,025	
Receipts on Behalf Federal and State Grant Fund	992,681	
Petty Cash Fund Returned	200	
Receipts from Other Trust Fund	16,784	
Receipts from South Amboy Redevelopment Agency	139	
Receipts for Community Development Block Grant Trust Fund	105,573	
Receipts from Animal Control Trust Fund	1,774	
Receipts from General Capital Fund	14,464,756	
Receipts due to General Capital Fund	3,188,977	
		<u>57,197,440</u>
		65,929,091
Decreased by Disbursements:		
Budget Appropriations	21,498,613	
Miscellaneous Reserves	8,848	
PILOT - 5% Due to County	95,910	
Payments on Behalf Federal and State Grant Fund	992,488	
Appropriation Reserves	671,731	
County Taxes Payable	4,929,212	
Local District School Tax Payable	12,025,195	
Tax Overpayments	14,477	
Sewer Overpayments	450	
Payments on Behalf of Community Development Block Grant Trust Fund	105,573	
Payments on Behalf of General Capital Fund	17,349,105	
Accounts Payable	65,585	
Petty Cash Fund Established	200	
Refund of Prior Year Revenue	19,892	
		<u>57,777,279</u>
Balance, December 31, 2025		<u>\$ 8,151,812</u>

**CITY OF SOUTH AMBOY
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance December 31,	
	<u>2025</u>	<u>2024</u>
Municipal Court	\$ 100	\$ 100
Tax Collector	300	300
City Clerk	<u>50</u>	<u>50</u>
	<u>\$ 450</u>	<u>\$ 450</u>

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

	Balance, January 1, 2025	Increased by Petty Cash Established	Decreased by Petty Cash Returned	Balance, December 31, 2025
<u>Office</u>				
City Administrator	\$ -	\$ 200	\$ 200	\$ -
	\$ -	\$ 200	\$ 200	\$ -

EXHIBIT A-7

**STATEMENT OF GRANTS RECEIVABLE
GRANT FUND**

	Balance, January 1, 2025	2025 Budgeted Revenue	<u>Received</u>	Balance, December 31, 2025
Clean Communities Grant		\$ 21,459	\$ 21,459	-
Transportation Trust fund- Broadway Phase I Roadway and Pedestrian	\$ 619,460		464,595	\$ 154,865
Radford Ferry Road (Phase II)	168,685			168,685
Intermodal RFR II	2,740,567			2,740,567
Recycling Tonnage Grant	-	13,339	13,339	-
Municipal Alliance Program	1,288	16,576	8,288	9,576
Middlesex County CARES Act Grant	60			60
NJ DCA Transit Village Grant	100,000			100,000
Fire Capital Grant - Truck	250,000			250,000
Emergency Management Agency Assistance (EMAA) Grant		10,000	10,000	-
Middlesex County Open Space Recreation Grant	5,629			5,629
NJ DOT Transit Village Grant	300,000			300,000
DHMAS Youth Leadership Grant	5,000			5,000
Local Recreation Improvement Grant	44,371	68,000		112,371
Firefighter's Grant	75,010			75,010
New Jersey Transportation Trust Fund- Broadway Phase 2				
Roadway & Pedestrian Improvement		662,160		662,160
PEG Grant - CSC Holding LLC		25,000	25,000	-
New Jersey Department of Community Affairs - 5th Street				
Sport Complex Grant		500,000		500,000
New Jersey Department of Community Affairs - South Amboy				
Veterans' Memorial Plaza Grant		50,000	25,000	25,000
New Jersey Department of Community Affairs - South Amboy				
Broadway Business Grant	-	850,000	425,000	425,000
	<u>\$ 4,310,070</u>	<u>\$ 2,216,534</u>	<u>\$ 992,681</u>	<u>\$ 5,533,923</u>

EXHIBIT A-8

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

Balance, January 1, 2025	\$ 6,259
Increased by:	
Received in Cash from State	\$ 37,309
Senior Citizens and Veterans Deductions Disallowed Per Tax Collector	<u>1,000</u>
	<u>38,309</u>
	44,568
Decreased by:	
Senior Citizens and Veterans Deductions Per Tax Billings	38,000
Senior Citizens and Veterans Deductions Allowed Per Tax Collector	<u>1,000</u>
	<u>39,000</u>
Balance, December 31, 2025	<u>\$ 5,568</u>

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

<u>Year</u>	<u>Balance,</u> <u>January 1,</u> <u>2025</u>	<u>2025</u> <u>Levy</u>	<u>Added</u> <u>Taxes</u>	<u>Senior Citizen</u> <u>and Veterans'</u> <u>Deductions</u> <u>Disallowed</u>	<u>2024</u>	<u>Collected</u> <u>2025</u>	<u>Senior Citizens</u> <u>and Veterans'</u> <u>Deductions</u> <u>Allowed</u>	<u>Transferred to</u> <u>Liens</u>	<u>Cancelled</u>	<u>Balance,</u> <u>December 31,</u> <u>2025</u>
2024	\$ -		\$ 2,102	\$ -		\$ 2,102				
2025	\$ -	\$ 28,930,219	144,237	\$ 1,000	\$ 213,721	28,796,497	\$ 39,000	\$ 1,444	\$ 24,634	\$ 160
	<u>\$ -</u>	<u>\$ 28,930,219</u>	<u>\$ 146,339</u>	<u>\$ 1,000</u>	<u>\$ 213,721</u>	<u>\$ 28,798,599</u>	<u>\$ 39,000</u>	<u>\$ 1,444</u>	<u>\$ 24,634</u>	<u>\$ 160</u>

Analysis of Calendar Year December 31, 2025 Property Tax Levy

Tax Levy:	
General Purpose Tax	\$ 28,930,219
Added Tax	144,237
	<u>\$ 29,074,456</u>
Local District School Tax Levy	\$ 12,091,529
County Taxes:	
County Tax	\$ 4,472,314
County Open Space	423,412
Due County for Added Taxes	<u>7,763</u>
	4,903,489
Local Tax for Municipal Purposes	11,568,340
Minimum Library Tax	467,244
Added/Omitted Local Tax	<u>43,854</u>
	<u>12,079,438</u>
	<u>\$ 29,074,456</u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES - AT ASSESSED VALUATIONS

Balance, December 31, 2025 and 2024	<u>\$ 849,600</u>
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**CITY OF SOUTH AMBOY
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, January 1, <u>2025</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2025</u>
Licenses:				
Alcoholic Beverages		\$ 24,659	\$ 24,659	
Other		19,558	19,558	
Fees and Permits		63,381	63,381	
Fines and Costs:				
Municipal Court	\$ 8,056	90,162	89,201	\$ 9,017
Interest and Costs on Taxes		38,208	38,208	
Interest on Investments and Deposits		175,805	175,805	
Sewer User Fees		1,630,947	1,630,947	
Housing Inspection Program		155,420	155,420	
Cable Television Fees		53,785	53,785	
Payment in Lieu of Taxes - Shoregate		146,238	146,238	
Payment in Lieu of Taxes - South Amboy Housing Authority		53,091	53,091	
Payment in Lieu of Taxes - Robert Noble Manor		7,783	7,783	
Payment in Lieu of Taxes - Hillcrest Manor		40,804	40,804	
Payment in Lieu of Taxes - Station Bay		989,538	989,538	
Payment in Lieu of Taxes - Woodmont		574,848	574,848	
MCUA Refund		21,280	21,280	
South Amboy Redevelopment Authority Contribution		200,000	200,000	
Police Off Duty - Administration Charges		100,500	100,500	
Uniform Construction Code Fees		164,038	164,038	
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)	-	3,918,453	3,918,453	-
	<u>\$ 8,056</u>	<u>\$ 8,468,498</u>	<u>\$ 8,467,537</u>	<u>\$ 9,017</u>
		Cash Receipts	<u>\$ 8,467,537</u>	

STATEMENT OF DUE TO LIBRARY

Balance, December 31, 2025 and 2024	<u>\$ 940</u>
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**CITY OF SOUTH AMBOY
STATEMENT OF 2024 APPROPRIATION RESERVES**

	Balance January 1, <u>2025</u>	Encumbrances <u>Restored</u>	Modified <u>Balance</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
General Administration					
Salaries and Wages	\$ 24,427		\$ 24,427	\$ 411	\$ 24,016
Other Expenses	1,799	\$ 4,253	6,052	5,799	253
Mayor and Council					
Salaries and Wages	5		5		5
Other Expenses	787	980	1,767	1,031	736
Municipal Clerk					
Other Expenses	350	28	378	28	350
Codification	5,805		5,805		5,805
Financial Administration					
Salaries and Wages	2,030		2,030		2,030
Other Expenses	3,689	100	3,789	3,708	81
Audit Services					
Other Expenses	4,375	50,000	54,375	54,375	-
Revenue Administration					
Salaries and Wages	646		646	23	623
Other Expenses	610	122	732	148	584
Tax Assessment Administration					
Salaries and Wages	15		15		15
Other Expenses	656		656		656
Legal Services					
Other Expenses	62,933	81,029	114,962	91,538	23,424
Department of Engineering					
Other Expenses	3,748	64,742	68,490	64,742	3,748
Planning Board					
Salaries and Wages	200		200		200
Other Expenses	42,607	1,000	43,607	1,000	42,607
Police Department					
Salaries and Wages	164,064		164,064	150,438	13,626
Other Expenses	2,272	7,452	18,724	18,724	-
Emergency Management					
Salaries and Wages	1,666		666		666
Other Expenses	13,008	1,032	15,040	14,119	921
Department of EMS					
Other Expenses	7,290	1,936	9,226	2,200	7,026
Department of Fire					
Other Expenses	3,373	5,879	9,252	7,818	1,434
Municipal Prosecutor Office					
Salaries and Wages	4		4		4
Streets and Roads Maintenance					
Salaries and Wages	68,215		68,215	2,032	66,183
Other Expenses	448	6,385	6,833	6,261	572
Shade Tree					
Other Expenses	5,951		5,951		5,951
Sewers					
Salaries and Wages	15,347		15,347	618	14,729
Other Expenses	46,692	25,954	72,646	35,424	37,222
Recycling Coordinator					
Salaries and Wages	100		100		100
Other Expenses	778		778		778
Solid Waste					
Salaries and Wages	12,595		12,595	1,770	10,825
Other Expenses	85,114	569	85,683	66,673	19,010

**CITY OF SOUTH AMBOY
STATEMENT OF 2024 APPROPRIATION RESERVES**

	Balance January 1, <u>2025</u>	Encumbrances <u>Restored</u>	Modified <u>Balance</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Buildings and Grounds					
Salaries and Wages	\$ 20,724		\$ 20,724		\$ 20,724
Other Expenses	8,460	\$ 9,942	18,402	\$ 10,027	8,375
Vehicle Maintenance					
Salaries and Wages	11,698		11,698		11,698
Other Expenses	23	4,679	4,702	4,418	284
Board of Health					
Salaries and Wages	118		118		118
Other Expenses		9,653	9,653	9,333	320
Registrar of Vital Statistics					
Salaries and Wages	760		760		760
Other Expenses	86	244	330	244	86
Animal Control Services					
Other Expenses	6,605		6,605	6,050	555
Municipal Court					
Salaries and Wages	9,411		9,411	20	9,391
Other Expenses	6,163	957	7,120	5,737	1,383
Public Defender					
Other Expenses	1		1		1
Recreation Services and Programs					
Salaries and Wages	22,785		22,785		22,785
Other Expenses	3,352	2,750	6,102	1,066	5,036
Senior Citizens Activities					
Salaries and Wages	14,328		14,328	26	14,302
Other Expenses	748	114	862	840	22
Historical Society of South Amboy					
Other Expenses	6,255		6,255		6,255
South Amboy Arts District					
Other Expenses	1,941	400	2,341	400	1,941
Insurance					
General Liability	6,909		6,909		6,909
Disability Insurance	5,580		5,580	(10)	5,590
Workers Compensation	287		287		287
Employee Group Health	120,314	1,677	115,991	12,277	103,714
Health Benefit Waiver	1,232		7,232	3,076	4,156
Division of Code Enforcement					
Salaries and Wages	29,081		29,081	4,428	24,653
Other Expenses	3,189		3,189	22	3,167
Celebration of Public Events					
Other Expenses	11,469	31	11,500	31	11,469
Electricity	19,486		19,486	19,135	351
Internet	9,434	2,304	11,738	2,373	9,365
Telecommunications	14,593	4,624	19,217	6,625	12,592
Water	19,786	28,185	47,971	26,095	21,876
Natural Gas	2,261		2,261	1,207	1,054
Petroleum Products	35,000	37,720	72,720	37,859	34,861
Salary and Wage Adjustments	30,000		30,000		30,000
Contingent	4,000		4,000		4,000
Deferred Charges and Regulatory Expenditures					
Social Security Systems (O.A.S.I.)	8,461		8,461	(723)	9,184
Defined Contribution Retirement Program	557		557		557
Sewage Processing and Disposal					
Other Expenses	67		67		67
Length of Service Awards Program	60,000		80,000	73,354	6,646
Recycling Tax	3,571		3,571	1,161	2,410
Police Department Equip. - SUV's (Ford Interceptors)	4,504	75,780	80,284	80,284	-
Matching Funds for Grants	3,000		3,000		3,000
	<u>\$ 1,087,838</u>	<u>\$ 430,521</u>	<u>\$ 1,518,359</u>	<u>\$ 834,235</u>	<u>\$ 684,124</u>
				Cash Disbursements	\$ 671,731
				Transfer to Accounts Payable	<u>162,504</u>
					<u>\$ 834,235</u>

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

Balance, January 1, 2025			\$	1,369,073
Increased by:				
Charges to 2025 Budget Appropriations			\$	349,984
Charges to Reserve for Grants Appropriated				<u>1,194,448</u>
				1,544,432
				2,913,505
Decreased by:				
Encumbrances Restored-Grants Fund				938,552
Encumbrances Restored-Current Fund				<u>430,521</u>
				1,369,073
Balance, December 31, 2025			\$	<u>1,544,432</u>
		Current Fund	\$	349,984
		Federal and State Grant Fund		<u>1,194,448</u>
			\$	<u>1,544,432</u>

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EXHIBIT A-15

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, January 1, 2025	Increases	Decreases	Balance, December 31, 2025
Marriage Licenses	\$ 375	\$ 1,750	\$ 1,100	\$ 1,025
Construction Code	-	10,568	7,698	2,870
Civil Union	25	25	50	-
Death Certificates	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
	<u>\$ 405</u>	<u>\$ 12,343</u>	<u>\$ 8,848</u>	<u>\$ 3,900</u>

EXHIBIT A-16

STATEMENT OF COUNTY OF MIDDLESEX TAXES PAYABLE

Balance, January 1, 2025			\$	33,486
Increased by:				
Tax Levy:				
General Taxes			\$	4,472,314
Added and Omitted Taxes				7,763
Open Space Taxes				<u>423,412</u>
				4,903,489
				4,936,975
Decreased by:				
Payments				<u>4,929,212</u>
Balance, December 31, 2025			\$	<u>7,763</u>

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

Balance, January 1, 2025	\$ -
Increased by:	
Tax Levy	<u>12,091,529</u>
	12,091,529
Decreased by:	
Payments	<u>12,025,195</u>
Balance, December 31, 2025	<u>\$ 66,334</u>

STATEMENT OF SEWER OVERPAYMENTS

Balance, January 1, 2025	\$ 6,226
Decreased by:	
Cash Disbursements	<u>450</u>
Balance, December 31, 2025	<u>\$ 5,776</u>

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

	Balance January 1, <u>2025</u>	Budget <u>Appropriation</u>	Prior year Encumbrances <u>Restored</u>	<u>Disbursed</u>	<u>Encumbered</u>	Balance December 31, <u>2025</u>
Body Armor Replacement Fund		\$ 2,447		\$ 2,447		-
Emergency Management Agency Assistance (EMAA) Grant		10,000		10,000		-
Clean Communities Grant	\$ 37,680	21,459	\$ 245	27,854	\$ 10,070	\$ 21,460
Recycling Tonnage Grant	66,655	13,339		3,726		76,268
Radford Ferry Road	35,479					35,479
Intermodal RFR II	2,687,985		16,215		16,214	2,687,986
Municipal Alliance Program	5,788	20,220		7,788		18,220
Sustainable Jersey Small Grants Program	146					146
Municipal Alliance Program- Local Match	1,572					1,572
Stormwater Assistance Grant	15,000					15,000
Middlesex County ARTS Grant	1,718					1,718
NJ DOT Transit Village Grant	180,000					180,000
Fire Capital Grant- Truck	537		249,866		249,866	537
Local Recreation Improvement Grant	6,496	68,000		6,003		68,493
NJDOT Trust Fund- Broadway Phase 1	-					-
Roadway & Pedestrian Improvements	-		619,460	371,354	248,106	-
New Jersey Transportation Trust Fund- Broadway Phase 2						-
Roadway & Pedestrian Improvement		662,160			619,460	42,700
PEG Grant - CSC Holding LLC		25,000				25,000
New Jersey Department of Community Affairs - 5th Street						-
Sport Complex Grant		500,000				500,000
New Jersey Department of Community Affairs - South Amboy						-
Veterans' Memorial Plaza Grant		50,000		2,900		47,100
New Jersey Department of Community Affairs - South Amboy						-
Broadway Business Grant		850,000		507,525		342,475
Firefighters Grant (ARP)	41,059		8,625	49,684		-
Firefighters Grant (ARP) - Match	9,822			3,207	6,591	24
Recycling Enhancement Grant	813					813
NJ DCA Transit Village	5,315	-	44,141	-	44,141	5,315
	<u>\$ 3,096,065</u>	<u>\$ 2,222,625</u>	<u>\$ 938,552</u>	<u>\$ 992,488</u>	<u>\$ 1,194,448</u>	<u>\$ 4,070,306</u>

**CITY OF SOUTH AMBOY
STATEMENT OF UNAPPROPRIATED GRANT RESERVES
GRANT FUND**

	Balance January 1, <u>2025</u>	Realized As A Revenue	Balance December 31, <u>2025</u>
Body Armor	\$ 2,447	\$ 2,447	\$ -
	<u>\$ 2,447</u>	<u>\$ 2,447</u>	<u>\$ -</u>

STATEMENT OF PREPAID TAXES

Balance, January 1, 2025	\$ 213,721
Increased by:	
2026 Taxes Received	<u>228,575</u>
	442,296
Decreased by:	
Applied to 2025 Taxes Receivable	<u>213,721</u>
Balance, December 31, 2025	<u>\$ 228,575</u>

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

Balance, January 1, 2025		\$ 408,598
Increased by:		
Transfer from 2024 Appropriation Reserves	\$ 162,504	
Cash Receipts - Restitution	<u>3,025</u>	
		<u>165,529</u>
		574,127
Decreased by:		
Cash Disbursements		<u>65,585</u>
Balance, December 31, 2025		<u><u>\$ 508,542</u></u>

**STATEMENT OF DUE FROM GRANT FUND
CURRENT FUND**

Balance, January 1, 2025		\$ 273,006
Increased by:		
Cash Disbursements Paid by Current Fund		
Appropriated Grant Reserves		<u>992,488</u>
		1,265,494
Decreased by:		
Grant Receipts Deposited in Current Fund		
Grants Receivable	\$ 992,681	
Matching Funds	<u>3,644</u>	
		<u>996,325</u>
Balance, December 31, 2025		<u><u>\$ 269,169</u></u>

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2025 and 2024	<u><u>\$ 200,000</u></u>
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STATEMENT OF TAX TITLE LIENS

Balance, January 1, 2025		\$ 2,888
Increased by:		
Interest and Costs	\$ 1,506	
Transferred from Taxes Receivable	<u>1,444</u>	
		<u>2,950</u>
		5,838
Decreased by:		
Cash Receipts		<u>5,838</u>
Balance, December 31, 2025		<u><u>\$ -</u></u>

**CITY OF SOUTH AMBOY
STATEMENT OF DUE TO SOUTH AMBOY BUSINESS ASSOCIATION**

Balance, December 31, 2025 and 2024	\$ <u>3,000</u>
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STATEMENT OF TAX OVERPAYMENTS

Balance, January 1, 2025	\$ 1,723
Increased by:	
Cash Receipts	<u>25,370</u>
	27,093
Decreased by:	
Cash Disbursements	<u>14,477</u>
Balance, December 31, 2025	\$ <u>12,616</u>

STATEMENT OF DUE TO COUNTY OF MIDDLESEX - PILOTS

Balance, January 1, 2025	\$ -
Increased by:	
PILOT Payments	<u>95,910</u>
	95,910
Decreased by:	
Cash Disbursements	<u>95,910</u>
Balance, December 31, 2025	\$ <u>-</u>

STATEMENT OF PREPAID PILOTS

Balance, January 1, 2025	\$ 6,297
Increased by:	
PILOT Payments	<u>6,102</u>
	12,399
Decreased by:	
PILOT Revenue Applied	<u>6,297</u>
Balance, December 31, 2025	\$ <u>6,102</u>

STATEMENT OF EMERGENCY AUTHORIZATION

Balance, January 1, 2025	\$ 39,558
Decreased by:	
Raised in 2025 Budget	<u>39,558</u>
Balance, December 31, 2025	\$ <u>-</u>

**CITY OF SOUTH AMBOY
STATEMENT OF DUE FROM SOUTH AMBOY REDEVELOPMENT AGENCY**

Balance, January 1, 2025	\$ 139
Decreased by:	
Cash Receipts	<u>139</u>
Balance, December 31, 2025	<u>\$ -</u>

TRUST FUND

**CITY OF SOUTH AMBOY
STATEMENT OF CASH**

	<u>Animal Control Trust Fund</u>		<u>Other Trust Fund</u>		<u>Unemployment Insurance Trust Fund</u>
Balance, January 1, 2025	\$	5,380	\$	2,612,989	\$ 149,461
Increased by Receipts:					
License and Fees Collected	\$	1,671			
Due to State of NJ - State Registration Fees		342			
Reserve for Third Party Lienholders			\$	12,913	
Reserve for Escrow Deposits				306,096	
Reserve for Payroll Deductions Payable				5,757,747	
Reserve for Miscellaneous Reserves				786,336	
Account Receivable - Police Outside Duty				346,459	
Employee Contributions					\$ 12,543
Receipts from Current Fund					10,000
Interest on Deposits		165		16,784	3,812
		<u>2,178</u>		<u>7,226,335</u>	<u>26,355</u>
		7,558		9,839,324	175,816
Decreased by Disbursements:					
Expenditures		13			
Due to State of NJ - State Registration Fees		342			
Reserve for Escrow Deposits				229,913	
Reserve for Payroll Deductions Payable				5,692,845	
Reserve for Miscellaneous Reserves				615,806	
Due to State of NJ - Unemployment Claims					24,320
Payments to Current Fund		1,774		16,784	-
		<u>2,129</u>		<u>6,555,348</u>	<u>24,320</u>
Balance, December 31, 2025	\$	<u>5,429</u>	\$	<u>3,283,976</u>	\$ <u>151,496</u>

**CITY OF SOUTH AMBOY
STATEMENT OF PREPAID REVENUE
ANIMAL CONTROL TRUST FUND**

EXHIBIT B-2

Balance, January 1, 2025	\$ 310
Decreased by	
Transferred to Reserve for Animal Control Fund Expenditure	<u>310</u>
Balance, December 31, 2025	<u>\$ -</u>

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

EXHIBIT B-3

Balance, January 1, 2025	\$ -
Increased By:	
State Fees Collected	<u>342</u>
	342
Decreased by	
Payments to State	<u>342</u>
Balance, December 31, 2025	<u>\$ -</u>

**STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL TRUST FUND**

EXHIBIT B-4

Balance, January 1, 2025	\$ 1,623
Increased by:	
Interest on Investments	\$ 165
Statutory Excess	<u>2,006</u>
	<u>2,171</u>
	3,794
Decreased by:	
Payments to Current Fund	<u>1,774</u>
Balance, December 31, 2025	<u>\$ 2,020</u>

**STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL TRUST FUND**

EXHIBIT B-5

Balance, January 1, 2025	\$ 3,447
Increased by:	
License Fees Collected	
Dog	\$ 1,578
Other Fees	93
Prepaid Licenses Applied	<u>310</u>
	<u>1,981</u>
	5,428
Decreased by:	
Cash Disbursements	13
Statutory Excess - Due to Current Fund	<u>2,006</u>
	<u>2,019</u>
Balance, December 31, 2025	<u>\$ 3,409</u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2023	\$ 1,795
2024	<u>1,614</u>
	<u>\$ 3,409</u>

Note: R.S. 4:19-15.11

"....there shall be transferred from such special account to the general funds of the municipality any amount then in such special account which is in excess of the total amount paid into such special account during the last two fiscal years next preceding".

**CITY OF SOUTH AMBOY
STATEMENT OF ACCOUNTS RECEIVABLE - OUTSIDE POLICE DUTY
OTHER TRUST FUND**

Balance, January 1, 2025	\$ 990
Increased by:	
Off Duty Police Billings	<u>345,469</u>
	346,459
Decreased by:	
Cash Receipts	<u>346,459</u>
Balance, December 31, 2025	<u>\$ -</u>

**STATEMENT OF DUE TO CURRENT FUND
OTHER TRUST FUND**

Balance, January 1, 2025	\$ 36
Increased By	
Interest on Deposits	<u>16,784</u>
	16,820
Decreased by:	
Payments to Current Fund	<u>16,784</u>
Balance, December 31, 2025	<u><u>\$ 36</u></u>

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

Balance, January 1, 2025	\$ 20,635
Increased by	
Cash Receipts	<u>12,913</u>
Balance, December 31, 2025	<u><u>\$ 33,548</u></u>

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

Balance, January 1, 2025		\$	1,169,742
Increased by			
Interest Revenue	\$	15,738	
Deposits Collected		<u>290,358</u>	
			<u>306,096</u>
			1,475,838
Decreased by:			
Deposits Refunded			<u>229,913</u>
Balance, December 31, 2025		\$	<u><u>1,245,925</u></u>

EXHIBIT B-10

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

Balance, January 1, 2025		\$	88,958
Increased by:			
Cash Receipts			<u>5,757,747</u>
			5,846,705
Decreased by:			
Cash Disbursements			<u>5,692,845</u>
Balance, December 31, 2025		\$	<u><u>153,860</u></u>

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

	Balance January 1, <u>2025</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2025</u>
Recycling Program	\$ 28,725	\$ 6,059		\$ 34,784
Senior Citizen Transportation	2,664	1,010		3,674
Forfeited Funds	21,092		\$ 18,422	2,670
Recreation	2,325	5,210	2,400	5,135
Parking Offense Adjudication Act	3,714	78		3,792
Raritan Bay Seafood Festival	9,365			9,365
Tax Sale Premium	291,500	353,100	256,400	388,200
Outside Police Duty	106,370	345,469	335,347	116,492
Dedicated Penalties - Fire	4,229			4,229
Storm Recovery	172,813			172,813
Compensated Absences	62,270			62,270
Affordable Housing	625,330	420,879		1,046,209
Project DARE	974			974
Ferry Improvement Trust	3,237		3,237	-
	<u>\$ 1,334,608</u>	<u>\$ 1,131,805</u>	<u>\$ 615,806</u>	<u>\$ 1,850,607</u>
Cash Receipts	\$ 786,336	\$ 615,806		
Accounts Receivable -Police Outside Duty	345,469	-		
	<u>\$ 1,131,805</u>	<u>\$ 615,806</u>		

CITY OF SOUTH AMBOY
STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE
UNEMPLOYMENT INSURANCE TRUST FUND

Balance, January 1, 2025		\$	149,461
Increased by:			
City Contribution	\$	10,000	
Employee Contributions Due From Other Trust Fund		12,543	
Interest on Deposits		<u>3,812</u>	
			<u>26,355</u>
			175,816
Decreased by:			
Unemployment Claims			<u>24,320</u>
Balance, December 31, 2025		\$	<u>151,496</u>

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

Balance, January 1, 2025	\$ 109,676
Increased by:	
Grant Awards	<u>53,061</u>
	162,737
Decreased by:	
Cash Receipts Deposited in Current Fund	<u>105,573</u>
Balance, December 31, 2025	<u>\$ 57,164</u>

Analysis of Balance

2018 Historic Arts Program	\$ 94
2018 Senior Center HVAC	1,884
2019 Sidewalk Program	12,800
2024 Senior Center ADA Improv.	9,325
2025 Playground Project	<u>33,061</u>
	<u>\$ 57,164</u>

**STATEMENT OF DUE TO CURRENT FUND
COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND**

Balance, January 1, 2025	\$ -
Increased by:	
Cash Disbursements Paid by Current Fund	<u>105,573</u>
	105,573
Decreased by:	
Cash Receipts Deposited in Current Fund	<u>105,573</u>
Balance, December 31, 2025	<u>\$ -</u>

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

Balance, January 1, 2025	\$ 109,676
Increased by:	
Grant Awards	<u>53,061</u>
	162,737
Decreased by:	
Cash Disbursements Paid by Current Fund	<u>105,573</u>
Balance, December 31, 2025	<u>\$ 57,164</u>

GENERAL CAPITAL FUND

**CITY OF SOUTH AMBOY
STATEMENT OF CASH**

Balance, January 1, 2025			\$ 15,794,304
Increased by:			
Premium on Sale of Bonds and Bond Anticipation Notes	\$	33,200	
Interest on Deposits		277,107	
Bond Anticipation Notes Issued		<u>5,000,000</u>	
			<u>5,310,307</u>
			21,104,611
Decreased by:			
Payments to Current Fund		14,464,756	
Payments of Bond Anticipation Notes		<u>5,000,000</u>	
			<u>19,464,756</u>
Balance, December 31, 2025			<u>\$ 1,639,855</u>

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

		Balance, December 31, <u>2025</u>	Balance, December 31, <u>2024</u>
Grants Receivable - Net		\$ (6,558,732)	\$ (14,946,617)
Grants Advance			10,358,766
Encumbrances Payable		2,998,920	18,375,918
Due to Current Fund		9,244	20,542
Reserve for Payment of Debt		254,806	121,740
Capital Improvement Fund		190,394	230,894
Excess Loan Proceeds			17,723
Fund Balance		272,561	272,561
<u>Ord. No.</u>	<u>Improvement Description</u>		
19-05	Various Capital Improvements	(85,776)	(84,081)
19-29	Demolition of Unsafe Structure	36,925	36,925
20-05	Various Capital Improvements	139,051	169,356
21-09	Various Capital Improvements	4,637	10,256
21-11	Raritan Pump Station Replacement	(1,211)	
22-07	Various Capital Improvements	3,276	2,789
23-10	Various Capital Improvements	(1,206,205)	(1,191,337)
23-13	Ferry Terminal Site Improvements	267,552	584,375
24-20	Various Capital Improvements	1,356,182	1,814,494
25-09	SupplementOrd. 2021-11 - Replacement of the Raritan Street Pump Station	4,986,492	
25-11	Various Capital Improvements	(1,028,261)	-
		<u>\$ 1,639,855</u>	<u>\$ 15,794,304</u>

**CITY OF SOUTH AMBOY
STATEMENT OF DUE TO CURRENT FUND**

Balance, January 1, 2025		\$ 20,542
Increased by:		
Cash Disbursements made by Current Fund:		
Improvement Authorizations	\$ 17,349,105	
Interest on Investments	277,107	
Anticipated as Budget Revenue:		
Excess Loan Proceeds	17,723	
Reserve to Pay Debt Service	<u>73,500</u>	
		<u>17,717,435</u>
		17,737,977
Decreased By:		
Grant Receipts Deposited in Current Fund	3,188,977	
Payments to Current Fund	14,464,756	
Budget Appropriation:		
Capital Improvement Fund	<u>75,000</u>	
		<u>17,728,733</u>
Balance, December 31, 2025		<u><u>\$ 9,244</u></u>

EXHIBIT C-5

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, January 1, 2025		\$ 17,957,600
Increased by:		
Excess Proceeds Anticipated as Current Fund Revenue		<u>17,723</u>
		17,975,323
Decreased by:		
Budget Appropriation to Pay:		
Bond Principal	\$ 1,310,000	
Loan Principal	<u>253,012</u>	
		<u>1,563,012</u>
Balance, December 31, 2025		<u><u>\$ 16,412,311</u></u>
	General Serial Bonds	15,575,000
	Middlesex County Improvement Authority Loans Payable	<u>837,311</u>
		<u><u>\$ 16,412,311</u></u>

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

Ord. No.	Improvement Description	Balance, January 1, 2025	Authorizations	Balance, December 31, 2025	Bond Anticipation Notes	Analysis of Balance	
						Expenditures	Unexpended Improvement Authorization
19-05	Various Capital Improvements	\$ 698,985		\$ 698,985		\$ 85,776	\$ 613,209
21-11	Raritan Pump Station Replacement	1,000,000		1,000,000		1,211	998,789
23-10	Various Capital Improvements	2,818,217		2,818,217		1,206,205	1,612,012
23-13	Ferry Terminal Site Improvements	5,000,000		5,000,000	\$ 5,000,000		
24-20	Various Capital Improvements	182,556		182,556			182,556
25-11	Various Capital Improvements	-	\$ 2,189,500	2,189,500	-	1,028,261	1,161,239
		<u>\$ 9,699,758</u>	<u>\$ 2,189,500</u>	<u>\$ 11,889,258</u>	<u>\$ 5,000,000</u>	<u>\$ 2,321,453</u>	<u>\$ 4,567,805</u>

Improvement Authorizations-Unfunded	\$ 4,835,357
Less Unexpended Note Proceeds:	
Ord. No. 23-13	<u>267,552</u>
Unexpended Improvement Authorizations	<u>\$ 4,567,805</u>

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

Balance, January 1, 2025	\$ 20,282,538
Increased by:	
US Department of Commerce	<u>4,986,492</u>
	25,269,030
Decreased by:	
Cash Receipts Deposited in Current Fund	\$ 3,188,977
Grant Advance Applied	<u>10,358,766</u>
	<u>13,547,743</u>
Balance, December 31, 2025	<u><u>\$ 11,721,287</u></u>

Analysis of Grants Receivable

DOT - John T. O'Leary Blvd. (Ord #19-05)	\$ 148,884
DOT - So. Broadway & Pedestrian (Ord #20-05)	14,107
DOT - Feltus & 6th St. Phase 1 (Ord #21-09)	13,670
4th St, Potter St & Thompson St (Ord #23-10)	120,783
DOT Ferry Terminal - Federal (Ord #23-13)	1,019,171
FTA Ferry Terminal (Ord #23-13)	5,300,000
U.S. Department of Commerce (Ord. 25-09)	4,986,492
DOT - Feltus & 6th St. Phase 2 (Ord #22-07)	<u>118,180</u>
	<u><u>\$ 11,721,287</u></u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2025	\$ 230,894
Increased by:	
2025 Budget Appropriation	<u>75,000</u>
	305,894
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>115,500</u>
Balance, December 31, 2025	<u><u>\$ 190,394</u></u>

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

Ord. No.	Improvement Description	Amount Appropriated	Balance, January 1, 2025		Improvement Authorizations	Paid or Charged	Encumbrances Payables Restored	Balance, December 31, 2025	
			Funded	Unfunded				Funded	Unfunded
15-13	Refunding Bonds - Judgment and Insurance Assessments	\$ 785,000				\$ 3,394	\$ 3,394		
17-12	Various Capital Improvements	752,500				6,295	6,295		
18-10	Various Capital Improvements	3,110,000				3,348	3,348		
19-05	Various Capital Improvements	3,708,000		\$ 614,904		27,427	25,732		\$ 613,209
19-29	Demolition of Unsafe Structure	200,000	\$ 36,925					\$ 36,925	
20-05	Various Capital Improvements	3,804,314	169,356			47,066	16,761	139,051	
21-09	Various Capital Improvements	2,808,000	10,256			295,874	290,255	4,637	
21-11	Raritan Pump Station Replacement	1,000,000		1,000,000		1,211			998,789
22-07	Various Capital Improvements	3,247,600	2,789			28,983	29,470	3,276	
22-08	Acquisition of Equipment and Vehicles	640,000				635,013	635,013		
23-10	Various Capital Improvements	3,433,000		1,626,880		168,120	153,252		1,612,012
23-13	Ferry Terminal Site Improvements	35,378,993		584,375		17,243,473	16,926,650		267,552
24-20	Various Capital Improvements	2,319,285	1,814,494	182,556		744,060	285,748	1,356,182	182,556
25-09	SupplementOrd. 2021-11 - Replacement of the Raritan Street Pump Station	4,986,492			\$ 4,986,492			4,986,492	
25-11	Various Capital Improvements	2,305,000	-	-	2,305,000	1,143,761	-	-	1,161,239
			<u>\$ 2,033,820</u>	<u>\$ 4,008,715</u>	<u>\$ 7,291,492</u>	<u>\$ 20,348,025</u>	<u>\$ 18,375,918</u>	<u>\$ 6,526,563</u>	<u>\$ 4,835,357</u>
		Grants Receivable			\$ 4,986,492				
		Capital Improvement Fund			115,500				
		Deferred Charges to Future Taxation - Unfunded			<u>2,189,500</u>				
					<u>\$ 7,291,492</u>				
		Paid by Current Fund				\$ 17,349,105			
		Encumbrances Payable				<u>2,998,920</u>			
						<u>\$ 20,348,025</u>			

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

Balance, January 1, 2025	\$ 18,375,918
Increased by:	
Charges to Improvement Authorizations	<u>2,998,920</u>
	21,374,838
Decreased by:	
Restored to Improvement Authorizations	<u>18,375,918</u>
Balance, December 31, 2025	<u>\$ 2,998,920</u>

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

Purpose	Date of Issue	Original Issue	Maturity of Bonds Outstanding at December 31, 2025		Interest Rate	Balance, January 1, 2025	Decreased	Balance, December 31, 2025
			Date	Amount				
General Improvement Bonds	5/1/2010	\$ 7,920,000				\$ 770,000	\$ 770,000	
General Improvement Bonds	4/18/2019	10,405,000	4/15/2026	\$ 930,000	5.000	%		
			4/15/2027	925,000	4.000			
			4/15/2028	925,000	4.000			
			4/15/2029	925,000	4.000			
			4/15/2030	925,000	4.000			
			4/15/2031	925,000	3.000			
			4/15/2032	925,000	3.000			
			4/15/2033	925,000	3.000	7,895,000	490,000	\$ 7,405,000
General Improvement Bonds	8/1/2024	8,220,000	8/1/2026	385,000	4.000			
			8/1/2027	385,000	4.000			
			8/1/2028	635,000	4.000			
			8/1/2029	645,000	4.000			
			8/1/2030	765,000	4.000			
			8/1/2031	765,000	5.000			
			8/1/2032	765,000	4.000			
			8/1/2033	765,000	4.000			
			8/1/2034	765,000	4.000			
			8/1/2035	765,000	4.000			
			8/1/2036	765,000	3.250			
			8/1/2037	765,000	3.500	8,220,000	50,000	8,170,000
						\$ 16,885,000	\$ 1,310,000	\$ 15,575,000
						Paid by Budget Appropriation		\$ 1,310,000

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

Balance, January 1, 2025	\$ 1,090,323
Decreased by:	
Paid by Budget Appropriation	<u>253,012</u>
Balance, December 31, 2025	<u>\$ 837,311</u>

STATEMENT OF RESERVE FOR GRANTS RECEIVABLE

Balance, January 1, 2025	\$ 5,335,921
Decreased by:	
Grants Received	<u>173,366</u>
Balance, December 31, 2025	<u>\$ 5,162,555</u>

Analysis of Balance

Ferry Terminal (Ord # 23-13)	\$ 5,000,000
DOT - John T. O'Leary Blvd. (Ord #19-05)	148,885
DOT - Feltus & 6th St. Phase 1 (Ord #21-09)	<u>13,670</u>
	<u>\$ 5,162,555</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT

Balance, January 1, 2025	\$ 121,740
Increased by:	
Grant Receipts	\$ 173,366
Premium on Sale of Notes	<u>33,200</u>
	<u>206,566</u>
	328,306
Decreased by:	
Anticipated as Current Fund Revenue	<u>73,500</u>
Balance, December 31, 2025	<u>\$ 254,806</u>

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

<u>Ordinance #</u>	<u>Improvement Description</u>	<u>Amount of Original Note</u>	<u>Date of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance January 1, 2025</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance December 31 2025</u>
2023-13	Ferry Terminal Site Improvements	5,000,000	1/23/2024	1/25/2024	1/24/2025	4.00%	\$ 5,000,000		\$ 5,000,000	
				1/24/2025	1/22/2026	4.00%	<u>-</u>	<u>\$ 5,000,000</u>	<u>-</u>	<u>\$ 5,000,000</u>
							<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
						Notes Renewed		<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	
								<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	

**CITY OF SOUTH AMBOY
STATEMENT OF GRANT ADVANCE**

Balance, January 1, 2025	\$ 10,358,766
Decreased by:	
Applied to Grants Receivable	<u>10,358,766</u>
Balance, December 31, 2025	<u>\$ -</u>

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

<u>Ord. No.</u>	<u>Purpose</u>	Balance, January 1, <u>2025</u>	2025 <u>Authorization</u>	Balance, December 31, <u>2025</u>
19-05	Various Capital Improvements	\$ 698,985		\$ 698,985
21-11	Raritan Pump Station Replacement	1,000,000		1,000,000
23-10	Various Capital Improvements	2,818,217		2,818,217
24-20	Various Capital Improvements	182,556		182,556
25-11	Various Capital Improvements	<u>-</u>	<u>\$ 2,189,500</u>	<u>2,189,500</u>
		<u>\$ 4,699,758</u>	<u>\$ 2,189,500</u>	<u>\$ 6,889,258</u>

CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY

PART III

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2025



**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 Auditors' Report

**The 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 the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("Division"), the regulatory basis financial statements of the City of South Amboy, New Jersey ("City") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 5, 2026 in which we expressed an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America due to the differences between those principles and the financial reporting provisions of the Division.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

PKF O'CONNOR DAVIES, LLP
20 Commerce Drive, Suite 301, Cranford, NJ 07016 | Tel: 908.272.6200 | Fax: 908.272.2416 | www.pkfod.com

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

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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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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 by the Division.

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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP
Woodcliff Lake, New Jersey
August 5, 2026



Gary W. Higgins, CPA
Registered Municipal Accountant, No. 405

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

Opinions on Each Major Federal Program

We have audited the City of South Amboy, New Jersey ("City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2025. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2025.

Basis for Opinions on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); 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; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

**Honorable Mayor and Members
of the City Council
City of South Amboy**

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and Uniform Guidance we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Honorable Mayor and Members
of the City Council
City of South Amboy**

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Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 or state 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 a material noncompliance with a type of compliance requirement of a federal or state 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 or state 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purposes.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
August 5, 2026



Gary W. Higgins, CPA
Registered Municipal Accountant, No. 405

CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2025

Federal Grantor/Pass-Through Grantor/Cluster/Program Title	FEDERAL AL NUMBER	GRANT PERIOD		ALLOCATION OR GRANT AWARD AMOUNT	2025 RECEIPTS	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
		From	To				
U.S. Department of Housing and Urban Development: Direct Programs: CDBG - Entitlement Cluster: Community Development Block Grant/Entitlement Grants	14.218	Various	Completion	\$ 358,712	\$ 105,573	\$ 105,573	\$ -
Total U.S. Department of Housing and Urban Development					105,573	105,573	
U.S. Department of Homeland Security Pass-through NJ State Police Emergency Management Performance Grant - Non-terrorism	97.042	1/1/2024	Completion	10,000	10,000	10,000	
Total U.S. Department of Homeland Security					10,000	10,000	
U.S. Department of the Treasury: Pass-through NJ Division of the Treasury Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	3/3/2021	Completion	14,900,000		6,697,484	
Pass-through NJ Department of Community Affairs American Rescue Plan Firefighter Grant	21.027	3/5/2024	Completion	75,000		23,010	
American Rescue Plan Firefighter Grant	21.027	10/1/2022	Completion	52,000		26,674	
						49,684	
Total U.S. Department of the Treasury					-	6,747,168	
U.S. Department of Transportation Pass-through NJ Department of Transportation Highway Planning and Construction - South Amboy Intermodal Center Ferry Terminal	20.205	7/8/2022	Completion	7,228,993	2,718,639	2,829,992	
Passenger Ferry Grant Program	20.532	1/1/2020	Completion	5,300,000	-	5,300,000	
Total U.S. Department of Transportation					2,718,639	8,129,992	
Total Federal Awards					\$ 2,834,212	\$ 14,992,733	\$ -

See Notes to Schedules of Expenditures of Federal Awards.

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

**NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS
DECEMBER 31, 2025**

Note 1 - General:

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of South Amboy. The City is defined in Note 1 of the financial statements. To the extent identified, the federal awards that passed through other governmental agencies are included on the schedules of expenditures of federal awards.

Note 2 - Basis of Accounting:

The accompanying schedules are presented using the regulatory basis of accounting as prescribed or permitted 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.

Note 4 - Relationship to Federal Reports:

Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports, where required.

Note 5 – Indirect Cost Rate:

The City has elected not to use the fifteen percent de minimis indirect cost rate as allowed by the Uniform Guidance.

**CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2025**

Part I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on financial statements Unmodified for Regulatory Basis

Internal control over financial reporting:

- 1) Material weakness(es) identified Yes X No
- 2) Significant deficiency(ies) that are not considered to be material weakness(es)? Yes X None reported
- 3) Noncompliance material to the financial statements noted? Yes X No

Federal Awards Section

Internal Control over major programs:

- 1) Material weakness(es) identified Yes X No
- 2) Significant deficiency(ies) that are not considered to be material weakness(es) Yes X None reported

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?

 Yes X No

Identification of major federal programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds COVID-19
20.205	Highway Planning and Construction
20.532	Passenger Ferry Grant Program

Dollar threshold used to distinguish between Type A and Type B Programs

\$1,000,000

Auditee qualified as low-risk auditee?

 Yes X No

**CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2025**

Part II – Schedule of Financial Statement Findings

None identified.

Part III – Schedule of Federal Awards Findings and Questioned Costs

None identified.

**CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2025**

Part IV – Summary Schedule of Prior Federal Awards Findings and Questioned Costs

Assistance Listing # 21.027 Coronavirus State and Local Fiscal Recovery Funds – COVID 19

Finding 2024-001: MATERIAL WEAKNESS IN INTERNAL CONTROL AND COMPLIANCE - REPORTING

Condition: Our audit disclosed that the City filed for and received reimbursements for the City's ferry terminal site improvements project utilizing the same vendor invoices under both the Coronavirus State and Local Fiscal Recovery Funds grant and/or State of New Jersey Department of Transportation federal and state transportation grants.

Status: Corrective action has been completed. The City properly requested reimbursements from only the appropriate grant.

CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY

PART IV
ROSTER OF OFFICIALS
AND GENERAL COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2025

CITY OF SOUTH AMBOY
OFFICIALS IN OFFICE AND SURETY BONDS
DECEMBER 31, 2025

<u>Name</u>	<u>Title</u>
Fred A. Henry	Mayor
Michael Gross	Council President
Anthony Conrad	Councilman
Larry Lenahan	Councilman
Thomas B. Reilly	Councilman
Zusette Dato	Councilwoman
David Kales	Business Administrator
Daniel Balka	Chief Financial Officer
Deborah Brooks	Municipal Clerk (through 9/19/2025)
Katie Rose Walenty	Acting Municipal Clerk (effective 9/17/2025)
James Weber	Municipal Court Judge
Kelly Wolff	Court Administrator
Kristal Manion	Purchasing Agent/QPA
Joanne Katko	Tax Collector/Registrar
John E. Kawczynski	Municipal Prosecutor
Mark Rasimowicz	City Engineer
Francis M. Womack III	Director of Law
Greg Czoch	Construction Code Official/Building Inspector
Brian Enright	Tax Assessor
Joseph Matarangolo Jr.	Chief of Police (through 2/28/25)
Patricia Kanecke	Chief of Police (effective 3/1/25)
Laura Kemble	Payroll Clerk
Kathleen Garcia	Cashier/ Deputy Registrar
Jason Valetutto	Zoning Officer
Middlesex County Office of Fire Prevention	Fire Official

All employees were insured for employee theft in the amount of \$1,000,000 with the Central Jersey Joint Insurance Fund and Municipal Excess Liability Joint Insurance Fund

CITY OF SOUTH AMBOY GENERAL COMMENTS

Contracts and Agreements Required to be Advertised per (N.J.S.A. 40A:11-4)

N.J.S.A. 40A:11-4, as amended, 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 the amount set forth in, or the amount calculated by the Governor pursuant to (N.J.S.A. 40A:11-3c), except by contract or agreement.”

It is pointed out that the City Council has the responsibility of determining whether the expenditures in any category will exceed the threshold set for the fiscal year and, where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the City Council should be sought before a commitment is made.

The bidding threshold is \$53,000 (effective July 1, 2025) in accordance with the provisions of N.J.S.A. 40A:11-3c based on the appointment of a qualified purchasing agent. The bid threshold prior to July 1, 2025 was \$44,000.

Purchases, Contracts or Agreements Not Required to be Advertised (N.J.S.A. 40A:11-6.1)

N.J.S.A. 40A:11-6.1 states, “Except contracts which require the performance of professional services, all contracts or agreements which do not require public advertising for bids and the estimated cost or price exceeds fifteen percent of the bid threshold, at least two quotations as to the cost or price, whenever practicable, shall be solicited by the contracting agent, and the contract or agreement shall be made with and awarded to the lowest responsible bidder.”

Reference is made to the Local Public Contract Guidelines and Local Public Contract Regulations promulgated by the New Jersey Division of Local Government Services in the Department of Community Affairs.

Collection of Interest on Delinquent Taxes and Other Municipal Charges

N.J.S.A. 54:4-47, as amended, provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body adopted the following resolution on January 6, 2025 authorizing interest to be charged on delinquent taxes, assessments and utility bills:

“BE IT RESOLVED by the City Council of South Amboy that in accordance with R.S. 54:4-67 the interest rate on delinquent 2025 taxes shall be as follows:

1. Eight percent (8%) per annum on the first \$1,500 of the delinquency
2. Eighteen percent (18%) per annum in the excess of \$1,500

BE IT FURTHER RESOLVED that no interest shall be charged until ten (10) days after the due date or the first business day after the (10) tenth calendar day if the 10th is on a weekend.

Tests of the Tax Collector’s records indicate that interest was collected in accordance with the provisions of the foregoing ordinance.

Delinquent Taxes and Tax Title Liens

The last tax sale was held via the internet on December 29, 2025.

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2025	0
2024	1
2023	0

Revenues

Receipts from licenses, fees, fines and costs, etc., for all departments, including the Municipal Court, were checked to the records maintained to the extent deemed necessary. No exceptions were noted.

Purchase Order System and Encumbrance System

The City's budgetary operation is on a full encumbrance system with the exception of payrolls and other direct costs. All purchases are made directly by the purchasing department or subsequently confirmed on an emergency basis. Tests of the system disclosed certain isolated exceptions. Blanket orders and other outstanding encumbrances were reviewed at the close of the year, and adjustments and cancellations were made where appropriate to reflect actual commitments outstanding for budgetary control.

Status of Prior Years' Audits Recommendations

A review was performed on all prior years' recommendations, and corrective action was taken on all recommendations.

Miscellaneous

A separate report summarizing collections of Dog License Fees and remittances of State Registration Fees was also prepared and filed with the New Jersey Department of Health and the Division of Local Government Services.

A separate report on the operations of the Uniform Construction Code office was also prepared and filed with the New Jersey Division of Local Government Services.

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

In verifying expenditures, computations were tested on the basis of a statistical sampling of claims approved and paid. No attempt was made in this connection to establish proof of prices or receipts of materials; these elements being left necessarily to internal review in connection with approval of claims.

The propriety of deductions from employees' individual gross salaries for pensions, withholding tax, social security and other purposes was not verified as part of this examination. Remittance to authorized agencies of the amounts deducted were ascertained.

A copy of this report was filed with the State of New Jersey, Director of the Division of Local Government Services, Department of Community Affairs.

A summary or synopsis of this report was prepared for publication and filed with the City Clerk.

RECOMMENDATIONS

There are none.

We shall be pleased to confer with the Mayor and City Council on questions that might arise with respect to any matters in this report.

We would like to express our appreciation for the assistance and effort rendered by the City officials and employees during the course of the examination.

Respectfully submitted,

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
August 5, 2026

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