

**CITY OF SOUTH AMBOY**  
**MIDDLESEX COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**CITY OF SOUTH AMBOY  
TABLE OF CONTENTS**

<u>Exhibits</u>		<u>Page</u>
 <b><u>PART I</u></b>		
	Independent Auditors' Report	1-2
A	Balance Sheet – Statutory Basis - Current Fund	3-4
A-1	Statement of Operations and Changes in Fund Balance - Statutory Basis - Current Fund	5
A-2	Statement of Revenues – Statutory Basis – Current Fund	6-8
A-3	Statement of Expenditures – Statutory Basis – Current Fund	9-13
B	Balance Sheet – Statutory Basis - Trust Fund	14-15
C	Balance Sheet – Statutory Basis - General Capital Fund	16
D	Balance Sheet – Statutory Basis - General Fixed Assets Account Group	17
	Notes to Financial Statements	18-40
 <b><u>Current Fund</u></b>		
A-4	Statement of Cash - Treasurer	41
A-5	Statement of Change Fund	41
A-6	Statement of Petty Cash	42
A-7	Statement of Grants Receivable	43
A-8	Statement of Due from State of New Jersey - Veterans' and Senior Citizens' Deductions	43
A-9	Statement of Taxes Receivable and Analysis of Property Tax Levy	44
A-10	Statement of Tax Title Liens	45
A-11	Statement of Revenue Accounts Receivable	46
A-12	Statement of Deferred Charges	47
A-13	Statement of Appropriation Reserves	48-50
A-14	Statement of Encumbrances Payable	51
A-15	Statement of Miscellaneous Reserves	51
A-16	Statement of County Taxes Payable	52
A-17	Statement of Local District School Taxes Payable	52
A-18	Statement of Sewer User Fees Receivable	52
A-19	Statement of Tax/Sewer Overpayments	52
A-20	Statement of Reserve for Grants Appropriated	53
A-21	Statement of Prepaid Taxes	53
A-22	Statement of Accounts Payable	54
A-23	Statement of Tax Anticipation Note Payable	54
A-24	Statement of Due to LOSAP Trust Fund	54

**CITY OF SOUTH AMBOY  
TABLE OF CONTENTS**

**Exhibits**

**Page**

**PART I**

**Trust Fund**

B-1	Statement of Cash	55
B-2	Statement of Reserve for Animal Control Expenditures – Animal Control Trust Fund	56
B-3	Statement of Due to State of New Jersey – Animal Control Trust Fund	56
B-4	Statement of Due to Current Fund – Other Trust Fund	56
B-5	Statement of Reserve for Third Party Lienholders – Other Trust Fund	57
B-6	Statement of Reserve for Escrow Deposits – Other Trust Fund	57
B-7	Statement of Reserve for Payroll – Other Trust Fund	58
B-8	Statement of Reserve for Payroll Deductions Payable – Other Trust Fund	58
B-9	Statement of Reserve for Miscellaneous Reserves – Other Trust Fund	59
B-10	Statement of Reserve for Unemployment Compensation Insurance – Unemployment Insurance Trust Fund	59
B-11	Statement of Due to State of New Jersey Fund – Unemployment Insurance Trust Fund	60
B-12	Statement of Community Development Block Grants Receivable - Community Development Block Grant Trust Fund	60
B-13	Statement of Due To Current Fund – Community Development Block Grant Trust Fund	61
B-14	Statement of Reserve for Community Development Programs – Community Development Block Grant Trust Fund	61
B-15	Statement of Due to Current Fund – Animal Control Fund	61

**General Capital Fund**

C-2	Statement of Cash – General Capital Fund	62
C-3	Analysis of General Capital Cash	63
C-4	Statement of Due from Current Fund – General Capital Fund	64
C-5	Statement of Deferred Charges to Future Taxation - Funded	64
C-6	Statement of Deferred Charges to Future Taxation - Unfunded	65
C-7	Statement of Capital Improvement Fund	66
C-8	Statement of Due from State Department of Transportation	66
C-9	Statement of Accounts Payable	66
C-10	Statement of Improvement Authorizations	67
C-11	Statement of Encumbrances Payable	68
C-12	Statement of Bond Anticipation Notes	69
C-13	Statement of General Serial Bonds	70
C-14	Statement of Middlesex County Improvement Authority Loans	71
C-15	Statement of Bonds and Notes Authorized But Not Issued	72

**CITY OF SOUTH AMBOY  
TABLE OF CONTENTS**

**Exhibits**

**Page**

**Part II**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	73-74
Schedule of Expenditures of Federal Awards	75
Schedule of Expenditures of State Financial Assistance	76
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	77

**Part III**

Statement of Operations and Changes in Fund Balance - Current Fund	78
Comparative Schedule of Calendar Year Tax Rate Information	79
Comparison of Tax Levies and Collections	79
Delinquent Taxes and Tax Title Liens	79
Property Acquired by Tax Title Lien Liquidation	80
Comparative Schedule of Fund Balances	80
Officials in Office and Surety Bonds	81
General Comments	82-84
Recommendations	85

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

---

**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208  
FAIR LAWN, NJ 07410  
TELEPHONE (201) 791-7100  
FACSIMILE (201) 791-3035  
WWW.LVHCPA.COM

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH KOZAK, CPA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of South Amboy as of December 31, 2009 and the related statement of operations and changes in fund balance - regulatory basis of the Current Fund for the year then ended and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the current fund for the year ended December 31, 2009. These financial statements are the responsibility of the City of South Amboy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the fourth and fifth paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of South Amboy's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City has prepared these financial statements using accounting practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In addition, the financial statements of the Length of Service Award Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the City's financial statements. The LOSAP Trust Fund financial activities are included in the City's Trust Fund, and represent 24 percent of the assets and liabilities of the City's Trust Funds as of December 31, 2009.

## INDEPENDENT AUDITORS' REPORT (Continued)

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

In our opinion, because of the effects of the City preparing its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of South Amboy as of December 31, 2009, or the changes in its financial position. Further, the City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

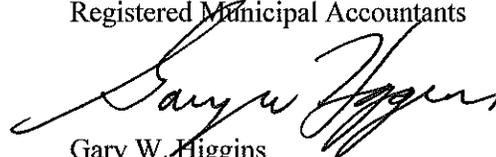
However, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited and by the omission of the footnote disclosure regarding the other post employment benefit obligations discussed in the fourth paragraph, the financial statements - regulatory basis referred to previously present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the City of South Amboy as of December 31, 2009 and the results of operations and changes in fund balance - regulatory basis of such funds for the year then ended and the revenues - regulatory basis and the expenditures - regulatory basis of the Current Fund for the year ended December 31, 2009 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 28, 2010 on our consideration of the City of South Amboy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the City of South Amboy. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the City of South Amboy. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole on the basis of accounting described in Note 1.



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



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
June 28, 2010

**CITY OF SOUTH AMBOY  
BALANCE SHEET - REGULATORY BASIS - CURRENT FUND  
AS OF DECEMBER 31, 2009**

	<u>Reference</u>	<u>2009</u>
<b>ASSETS</b>		
Cash	A-4	\$ 7,840,956
Change Fund	A-5	475
Grants Receivable	A-7	1,617,546
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	A-8	<u>1,500</u>
		<u>9,460,477</u>
Receivables and Other Assets With Full Reserves		
Delinquent Property Taxes	A-9	68,011
Tax Title Liens	A-10	107,266
Due from Community Development Block Grant Trust Fund	B-13	34,135
Due from Other Trust Fund	B-4	2,146
Due from Animal Control Trust Fund	B-15	<u>928</u>
		<u>212,486</u>
Deferred Charges		
Emergency Authorizations	A-12	230,000
Operating Deficit	A-12	<u>68,014</u>
		<u>298,014</u>
Total Assets		<u>\$ 9,970,977</u>

**CITY OF SOUTH AMBOY  
BALANCE SHEET - REGULATORY BASIS - CURRENT FUND  
AS OF DECEMBER 31, 2009**

	<u>Reference</u>	<u>2009</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Appropriation Reserves	A-3	\$ 205,713
Encumbrances Payable	A-14	567,058
Tax Anticipation Note	A-23	2,000,000
Due to General Capital Fund	C-4	5,292,681
Prepaid Taxes	A-21	58,987
Grants Appropriated	A-20	1,054,861
Accounts Payable	A-22	271,401
Tax/Sewer User Fee Overpayments	A-19	25,288
Due to LOSAP Trust Fund	A-24	180,000
Miscellaneous Reserves	A-15	<u>19,066</u>
		9,675,055
Reserve for Receivables and Other Assets	A	212,486
Fund Balance	A-1	<u>83,436</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 9,970,977</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF OPERATIONS AND  
CHANGES IN FUND BALANCE - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Reference</u>	<u>2009</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>		
Miscellaneous Revenue Anticipated	A-2	\$ 6,647,712
Receipts from Delinquent Taxes	A-2	173,899
Receipts from Current Taxes	A-2	18,271,118
Non-Budget Revenues	A-2	101,445
Other Credits to Income:		
Unexpended Balances of Appropriation Reserves	A-13	35,056
Prior Year Interfund Returned	A	18,500
Cancellation of Payable Due to LOSAP Trust Fund	A-24	120,000
Cancellation of Appropriated Grant Reserves - Net	A-20	21,713
Cancellation of Accounts Payable	A-22	<u>4,693</u>
		<u>25,394,136</u>
<b>EXPENDITURES</b>		
Budget Appropriations:		
Operations		
Salaries and Wages	A-3	5,940,354
Other Expenses	A-3	5,868,814
Capital Improvements	A-3	50,000
Municipal Debt Service	A-3	1,583,462
Deferred Charges and Regulatory Expenditures	A-3	691,915
County Taxes	A-16	2,780,545
County Open Space Taxes	A-16	315,329
Due County for Added Taxes	A-16	20,587
Local District School Taxes	A-17	8,124,794
Refund of Prior Year Revenue	A-4	273,789
Prior Year Senior Citizens & Veterans Disallowed	A-8	6,194
Interfunds Originating	A	<u>36,367</u>
		<u>25,692,150</u>
Deficit in Revenue		(298,014)
Adjustments to Income before Surplus		
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-12	<u>230,000</u>
Deficit in Operations to be Raised in Budget of Succeeding Year	A-12	<u>\$ (68,014)</u>
Fund Balance, Beginning of Year	A	<u>83,436</u>
Fund Balance, End of Year	A	<u>\$ 83,436</u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Reference</u>	<u>Budget</u>	<u>Added by N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverage	A-11	\$ 17,161		\$ 22,544	\$ 5,383
Other	A-2	18,080		20,064	1,984
Fees and Permits	A-2	74,113		69,287	(4,826)
Fines and Costs:					
Municipal Court	A-11	314,000		207,946	(106,054)
Interest and Costs on Taxes	A-11	32,861		63,710	30,849
Interest on Investments and Deposits	A-2	166,845		62,480	(104,365)
Sewer User Fees	A-18	1,023,000		1,041,711	18,711
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)	A-11	4,334,238		4,334,328	90
Construction Code Fees	A-11	90,508		65,051	(25,457)
Board of Education, City of South Amboy - Nonpublic School Nursing Aid	A-11	29,799		18,296	(11,503)
Recycling Tonnage Grant	A-7		\$ 15,434	15,434	
Municipal Alliance	A-7	8,899		8,899	
Clean Communities Grant	A-7		11,279	11,279	
Uniform Fire Safety Act	A-11	12,288		11,367	(921)
Parking Fees	A-11	142,828		195,686	52,858
Payment in Lieu of Taxes - Shoregate	A-11	171,553		163,376	(8,177)
Payment in Lieu of Taxes - SA Housing Authority	A-11	42,179		42,179	
Cable Television Fees	A-11	25,432		27,121	1,689
Dish Rental	A-11	105,000		143,535	38,535
JIFF Reimbursement	A-11	17,453			(17,453)
Sewer Connection Fees	A-11	78,070		2,129	(75,941)
N.J. Transit Parking Agreement	A-11	187,750		83,340	(104,410)
Housing Inspection Program	A-11	34,050	-	37,950	3,900
 Total Miscellaneous Revenues	 A-1	 <u>6,926,107</u>	 <u>26,713</u>	 <u>6,647,712</u>	 <u>(305,108)</u>
 Receipts from Delinquent Taxes	 A-2	 <u>128,775</u>	 <u>-</u>	 <u>173,899</u>	 <u>45,124</u>
 Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	 A-2	 <u>6,950,979</u>	 <u>-</u>	 <u>7,157,863</u>	 <u>206,884</u>
		<u>\$ 14,005,861</u>	<u>\$ 26,713</u>	13,979,474	<u>\$ (53,100)</u>
 Non-Budget Revenues	 A-2			 <u>101,445</u>	
				<u>\$ 14,080,919</u>	

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

**CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(Continued)**

	<u>Reference</u>	
<b>ANALYSIS OF REALIZED REVENUES</b>		
Allocation of Current Tax Collections		
Revenues from Collections	A-9	\$ 18,271,118
Allocated School and County Taxes	A-16,A-17	<u>11,241,255</u>
Balance for Support of Municipal Budget Appropriations		7,029,863
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>128,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$ 7,157,863</u></u>
Delinquent Taxes		
Delinquent Tax Collections	A-9	\$ 164,478
Tax Title Liens Collections	A-10	<u>9,421</u>
	A-2	<u><u>\$ 173,899</u></u>
Other Licenses		
Bingo Licenses		\$ 3,950
Food Licenses		2,130
Mercantile Licenses		9,220
Outdoor Café Licenses		650
Cat Licenses		273
Taxi License		266
Video License		<u>3,575</u>
	A-2, A-11	<u><u>\$ 20,064</u></u>
Fees and Permits - Other		
Copy of Tax Map		\$ 18
Fire Permits		964
Fire Registration		9,730
Photo Copies		5,669
Planning Bd. Of Adj.		8,594
Road Opening Permits		5,390
Sidewalk and Curbs		1,370
Tax Collector Fees		16,332
Marriage/Local		330
Copy of Birth Cert.		2,490
Copy of Death Cert.		16,055
Copy of Marriage Lic.		<u>2,345</u>
	A-2, A-11	<u><u>\$ 69,287</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

**CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(Continued)**

	<u>Reference</u>		
<b>Non-Budget Revenues</b>			
2% Administration Fee - Senior Citizen and Veterans		\$	1,906
Insurance Reimbursement			3,173
Marriage Fees			2,900
NJ Division of Motor Vehicle Fees			3,532
Cancel Old Outstanding Checks			2,113
Cancel Escrow Accounts			12,009
Statutory Excess - Animal Control Fund			928
Retiree Drug Subsidy			9,856
South Amboy Redevelopment Agency Reimbursement			8,998
Miscellaneous			56,030
			<hr/>
	A-2	\$	<u>101,445</u>
 <b>Analysis of Non-Budget Revenues</b>			
Cash Receipts	A-4	\$	100,517
Due from Animal Control Fund	B-15		928
			<hr/>
		\$	<u>101,445</u>
 <b>Interest on Investments</b>			
Cash Receipts	A-11	\$	55,168
Due from Other Trust Fund	B-4		7,312
			<hr/>
	A-2	\$	<u>62,480</u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
General Administration					
Salaries and Wages	\$ 194,100	\$ 193,951	\$ 193,951		
Other Expenses	99,100	99,100	67,439	\$ 31,661	
Mayor and Council					
Salaries and Wages	43,345	42,829	42,829		
Other Expenses	5,300	4,300	4,084	216	
Municipal Clerk					
Salaries and Wages	100,000	99,717	99,717		
Other Expenses	13,700	12,700	11,917	783	
Financial Administration					
Salaries and Wages	117,662	115,687	115,687		
Other Expenses	17,100	17,100	16,380	720	
Audit Services					
Other Expenses	39,500	39,500	39,500		
Revenue Administration					
Salaries and Wages	75,883	72,022	72,022		
Other Expenses	8,575	8,575	8,575		
Tax Assessment Administration					
Salaries and Wages	29,375	28,799	28,799		
Other expenses	4,500	4,500	4,500		
Legal Services					
Other Expenses	305,000	371,168	340,815	30,353	
Department of Engineering					
Other Expenses	175,000	190,000	175,000	15,000	
Vital Statistics					
Salaries and Wages	8,851	8,741	8,741		
Other Expenses	1,000	1,000	875	125	
<b>LAND USE ADMINISTRATION</b>					
Planning Board					
Salaries and Wages	17,213	17,209	17,209		
Other Expenses	52,975	42,975	39,053	3,922	
Zoning Board of Adjustment					
Salaries and Wages	7,121	7,118	7,118		
Other Expenses	19,150	12,150	10,538	1,612	
<b>PUBLIC SAFETY</b>					
Police Department					
Salaries and Wages	3,326,945	3,584,745	3,580,218	4,527	
Other Expenses	85,350	65,350	62,354	2,996	
Office of Emergency Management					
Other Expenses	1,000	1,000	917	83	
Aid to Volunteer Fire Companies					
Other Expenses	140,000	140,000	140,000		
Aid to Volunteer Ambulance Squad					
Other Expenses	35,000	35,000	35,000		
Department of Fire					
Other Expenses	55,050	55,050	54,241	809	
Uniform Fire Official					
Salaries and Wages	33,980	29,982	29,982		
Other Expenses	3,450	3,450	2,945	505	
Municipal Prosecutor Office					
Salaries and Wages	15,945	13,945	13,945		

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC WORKS					
Streets and Roads Maintenance					
Salaries and Wages	\$ 321,238	\$ 311,238	\$ 303,580	\$ 7,658	
Other Expenses	60,000	55,000	47,652	7,348	
Redevelopment Agency					
Salaries and Wages	11,195	11,195	11,195		
Other Public Works Functions					
Shade Tree					
Other Expenses	8,000	3,300	3,300		
Sewers					
Salaries and Wages	244,452	239,894	239,894		
Other Expenses	88,600	72,600	64,670	7,930	
Parking Lot					
Salaries and Wages	12,470	12,220	12,220		
Other Expenses	275,000	275,000	275,000		
Recycling Coordinator					
Salaries and Wages	9,181	9,180	9,180		
Other Expenses	100	100	100		
Solid Waste Collection					
Salaries and Wages	223,521	212,542	212,542		
Other Expenses	350,000	310,000	269,226	40,774	
Buildings and Grounds					
Salaries and Wages	304,091	307,097	307,097		
Other Expenses	99,000	116,000	99,745	16,255	
Vehicle Maintenance					
Salaries and Wages	52,350	54,129	54,129		
Other Expenses	70,000	67,000	65,272	1,728	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	20,633	32,136	32,133	3	
Other Expenses	57,000	57,000	53,335	3,665	
Animal Control Services					
Salaries and Wages	14,636	14,634	14,634		
Other Expenses	5,000	5,000	5,000		
Municipal Court					
Salaries and Wages	156,598	147,750	147,750		
Other Expenses	8,500	11,500	10,880	620	
Public Defender					
Salaries and Wages	6,251	6,249	6,249		
PARK AND RECREATION FUNCTIONS					
Department of Recreation					
Recreation Services and Programs					
Salaries and Wages	60,324	59,827	59,827		
Other Expenses	35,400	35,400	35,400		
Senior Citizen Activities					
Salaries and Wages	110,996	111,155	111,155		
Other Expenses	14,000	11,000	9,012	1,988	
OTHER COMMON OPERATING FUNCTIONS (Unclassified)					
Celebration of Public Events					
Other Expenses	19,500	14,159	14,159		
Main Street Project	5,000				

**CITY OF SOUTH AMBOY  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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)					
Insurance (N.J.S.A. 40A:4-45.3(00))					
General Liability	\$ 275,000	\$ 245,320	\$ 245,320		
Workers Compensation	322,000	321,602	321,602		
Employee Group Health	1,590,726	1,650,726	1,644,386	\$ 6,340	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Division of Code Enforcement					
Salaries and Wages	198,228	196,363	196,363		
Other Expenses	1,700	1,700	1,422	278	
Unclassified					
Utilities	564,989	573,106	566,795	6,311	-
<b>Total Operations Within "CAPS"</b>	<b>10,626,849</b>	<b>10,868,785</b>	<b>10,674,575</b>	<b>194,210</b>	<b>-</b>
Detail:					
Salaries and Wages	5,716,584	5,940,354	5,928,166	12,188	
Other Expenses	4,910,265	4,928,431	4,746,409	182,022	-
DEFERRED CHARGES AND REGULATORY EXPENDITURES -					
MUNICIPAL WITHIN "CAPS"					
Unemployment Insurance	20,000	30,000	30,000		
Defined Contribution Retirement Program	500	500	500		
REGULATORY Expenditures					
Social Security System (O.A.S.I.)	290,000	253,603	253,603	-	-
Police and Firemen's Retirement System of NJ	262,144	262,144	262,144		
Public Employees' Retirement System	145,668	145,668	145,668	-	-
<b>Total Deferred Charges and Regulatory</b>					
<b>Expenditures - Municipal Within "CAPS"</b>	<b>718,312</b>	<b>691,915</b>	<b>691,915</b>	<b>-</b>	<b>-</b>
<b>Total General Appropriations for Municipal</b>					
<b>Purposes Within "CAPS"</b>	<b>11,345,161</b>	<b>11,560,700</b>	<b>11,366,490</b>	<b>194,210</b>	<b>-</b>
OPERATIONS - EXCLUDED FROM "CAPS"					
Middlesex County Utilities Authority - Payment	455,000	469,459	469,459		
Maintenance of Free Public Library	343,288	343,288	343,288		
Length of Service Awards Program	60,000	60,000	60,000	-	-
<b>Total Other Operations Excluded</b>					
<b>from "CAPS"</b>	<b>858,288</b>	<b>872,747</b>	<b>872,747</b>	<b>-</b>	<b>-</b>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
(Continued)					
Public and Private Programs Offset by Revenues					
Nonpublic School Aid	\$ 29,799	\$ 29,799	\$ 18,296	\$ 11,503	
Recycling Tonnage Grant		15,434	15,434		
Municipal Alliance Against Drug & Alcohol Abuse	11,124	11,124	11,124		
Clean Communities	-	11,279	11,279	-	-
	<u>40,923</u>	<u>67,636</u>	<u>56,133</u>	<u>11,503</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues					
	<u>40,923</u>	<u>67,636</u>	<u>56,133</u>	<u>11,503</u>	<u>-</u>
Total Operations - Excluded from "CAPS"	<u>899,211</u>	<u>940,383</u>	<u>928,880</u>	<u>11,503</u>	<u>-</u>
Detail:					
Other Expenses	<u>899,211</u>	<u>940,383</u>	<u>928,880</u>	<u>11,503</u>	<u>-</u>
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements Excluded from "CAPS"	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	1,024,240	1,024,240	1,024,240		
Interest on Bonds	343,823	343,823	343,822		\$ 1
Interest on Notes	103,412	103,412	103,412		
Capital Lease Obligations					
Principal	101,000	101,000	100,998		2
Interest	11,014	11,014	10,990	-	24
	<u>1,583,489</u>	<u>1,583,489</u>	<u>1,583,462</u>	<u>-</u>	<u>27</u>
Total Municipal Debt Service - Excluded from "CAPS"					
	<u>1,583,489</u>	<u>1,583,489</u>	<u>1,583,462</u>	<u>-</u>	<u>27</u>
Total General Appropriations - Excluded from "CAPS"	<u>2,532,700</u>	<u>2,573,872</u>	<u>2,562,342</u>	<u>11,503</u>	<u>27</u>
Subtotal General Appropriations	13,877,861	14,134,572	13,928,832	205,713	27
Reserve for Uncollected Taxes	<u>128,000</u>	<u>128,000</u>	<u>128,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 14,005,861</u>	<u>\$ 14,262,572</u>	<u>\$ 14,056,832</u>	<u>\$ 205,713</u>	<u>\$ 27</u>

Reference

A-2

A

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(Continued)**

	<u>Reference</u>	<u>Appropriations Budget After Modification</u>	<u>Expended Paid or Charged</u>
Original Budget	A-3	\$ 14,005,861	
Appropriations by 40A:4-87	A-3	26,713	
Emergency Appropriations 40A:4-47	A-12	<u>230,000</u>	
		<u>\$ 14,262,574</u>	
Reserve for Uncollected Taxes	A-2		\$ 128,000
Encumbrances Payable	A-14		232,854
Cash Disbursements	A-4		13,598,141
Appropriated Grants	A-20		37,837
Due to LOSAP Trust Fund	A-24		<u>60,000</u>
			<u>\$ 14,056,832</u>

**CITY OF SOUTH AMBOY  
BALANCE SHEET - REGULATORY BASIS - TRUST FUND  
AS OF DECEMBER 31, 2009**

<b>ASSETS</b>	<u>Reference</u>	<u>2009</u>
<b>ANIMAL CONTROL TRUST FUND</b>		
Cash	B-1	\$ <u>5,953</u>
<b>OTHER TRUST FUND</b>		
Cash	B-1	<u>425,562</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>		
Cash	B-1	<u>1,042</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND</b>		
Community Development Block Grants Receivable	B-12	<u>131,350</u>
<b>LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)</b>		
Due from Current Fund	A-24	<u>180,000</u>
Total Assets		<u>\$ 743,907</u>

**CITY OF SOUTH AMBOY  
BALANCE SHEET - REGULATORY BASIS - TRUST FUND  
AS OF DECEMBER 31, 2009**

<b>LIABILITIES AND RESERVES</b>	<u>Reference</u>	<u>2009</u>
<b>ANIMAL CONTROL TRUST FUND</b>		
Reserve for Animal Control Expenditures	B-2	\$ 5,025
Due to Current Fund	B-15	<u>928</u>
		<u>5,953</u>
<b>OTHER TRUST FUND</b>		
Reserve for		
Third Party Lienholders	B-5	8,631
Escrow Deposits	B-6	286,906
Miscellaneous Reserves	B-9	76,325
Payroll	B-7	4,357
Payroll Deductions Payable	B-8	47,197
Due to Current Fund	B-4	<u>2,146</u>
		<u>425,562</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>		
Due to State of New Jersey	B-11	17,950
Reserve(Deficit) for Unemployment Compensation Insurance	B-10	<u>(16,908)</u>
		<u>1,042</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND</b>		
Reserve for Community Development Programs	B-14	97,215
Due to Current Fund	B-13	<u>34,135</u>
		<u>131,350</u>
<b>LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)</b>		
Reserve for LOSAP	B	<u>180,000</u>
 Total Liabilities and Reserves		 <u>\$ 743,907</u>

**CITY OF SOUTH AMBOY  
BALANCE SHEET - REGULATORY BASIS - GENERAL CAPITAL FUND  
AS OF DECEMBER 31, 2009**

<b>ASSETS</b>	<u>Reference</u>	<u>2009</u>
Cash	C-2,C-3	\$ 39,752
Due from State Department of Transportation	C-8	25,000
Due From Current Fund	C-4	5,292,681
Deferred Charges to Future Taxation:		
Funded	C-5	7,413,809
Unfunded	C-6	<u>7,920,250</u>
 Total Assets		 <u>\$ 20,691,492</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
General Serial Bonds	C-13	\$ 6,916,000
Middlesex County Improvement Authority Loans	C-14	497,809
Bond Anticipation Notes	C-12	7,920,250
Encumbrances Payable	C-11	4,111,323
Accounts Payable	C-9	19,470
Capital Improvement Fund	C-7	30,330
Improvement Authorizations		
Funded	C-10	516,646
Unfunded	C-10	<u>679,664</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 20,691,492</u>

There were no bonds and notes authorized but not issued on December 31, 2009. (Exhibit C-15)

**CITY OF SOUTH AMBOY  
BALANCE SHEET - REGULATORY BASIS -  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2009**

	<u>2009</u>
<b>ASSETS</b>	
Buildings and Land	\$ 9,625,300
Machinery and Equipment	<u>5,155,603</u>
	<u>\$ 14,780,903</u>
<b>FUND BALANCE</b>	
Investment in General Fixed Assets	<u>\$ 14,780,903</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City is not includable in any other reporting entity as a component unit.

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

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

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

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

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

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

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

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

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

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

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

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

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

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

**B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

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

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

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

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

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

**B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

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

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

Trust Funds  
General Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2009 the City Council increased the original budget by \$256,713. The increases were funded by additional aid allotted to the City of \$26,713 and an emergency resolution for police salaries and wages and employee group insurance totalling \$230,000. In addition, the governing body approved several budget transfers during 2009.

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

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

CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

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

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

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

**Property Acquired for Taxes** – Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

**Interfunds** - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

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

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

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

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

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

**B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

**General Fixed Assets (Continued)**

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and sewerage and drainage systems are not capitalized.

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

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

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

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

**C. Basic Financial Statements**

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 financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 2 DEPOSITS AND INVESTMENTS**

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

**Deposits**

The City's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The City is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for a temporary period ending December 31, 2013. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At December 31, 2009, the book value of the City's deposits was \$8,313,740 and bank and brokerage firm balances of the City's deposits amounted to \$8,493,192. The City's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>2009</u>
Insured	<u>\$ 8,493,192</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. As of December 31, 2009, the City had no bank balances exposed to custodial credit risk.

**Investments**

The City is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the City or bonds or other obligations of the school districts which are a part of the City or school districts located within the City, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2009 the City had no outstanding investments.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 2 DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

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

**NOTE 3 TAXES AND SEWER USER FEES RECEIVABLE**

Receivables at December 31, 2009 consisted of the following:

	<u>2009</u>
Property Taxes	\$ 68,011
Tax Title Liens	<u>107,266</u>
	<u>\$ 175,277</u>

In 2009 the City collected \$173,899 from delinquent taxes, which represented 60% of the prior year delinquent taxes receivable balance.

In 2009 the City collected \$77,407 from delinquent sewer user fees which represents 100% of the prior year delinquent sewer fees.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 4 MUNICIPAL DEBT**

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

The City's debt is summarized as follows:

	<u>2009</u>
Issued	
General	
Bonds, Notes and Loans	<u>\$15,334,059</u>
Net Debt Issued	<u>\$15,334,059</u>

The statement of debt condition that follows is extracted from the City's Annual Debt Statement and indicates a statutory net debt of 1.49% at December 31, 2009.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2009</u>			
General Debt	\$ 20,137,497	\$ 4,803,438	\$ 15,334,059
School Debt	<u>3,463,722</u>	<u>3,463,722</u>	<u>-</u>
Total	<u>\$ 23,601,219</u>	<u>\$ 8,267,160</u>	<u>\$ 15,334,059</u>

The City's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, 2009 was as follows:

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 35,911,298
Net Debt	<u>15,334,059</u>
Remaining Borrowing Power	<u>\$ 20,577,239</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 4 MUNICIPAL DEBT (Continued)**

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, 2009 are as follows:

\$3,673,000, 1994 Bonds, due in annual installments of \$253,000 to \$260,000 through December 15, 2011, interest at 4.8%	\$ 513,000
\$2,480,000, 2001 Bonds, due in an annual installment \$355,000 through December 15, 2010, interest at 4.125%	355,000
\$2,998,000, 2002 Bonds, due in annual installments of \$318,000 to \$320,000 through December 15, 2012, interest at 3.60% to 3.90%	958,000
\$5,290,000, 2006 Bonds, due in annual installments of \$100,000 to \$450,000 through August 1, 2023, interest at 4.375% to 4.500%	<u>5,090,000</u>
	<u>\$ 6,916,000</u>

**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, 2009 are as follows:

\$49,985, 2008 Loan, due in annual installments of \$4,392 to \$5,833 through September 15, 2018, interest at 3.50% to 4.20%	\$ 45,746
\$452,063, 2009 Loan, due in annual installments of \$28,285 to \$61,888 through July 15, 2019, interest at 1.00% to 3.00%	<u>452,063</u>
	<u>\$ 497,809</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 4 MUNICIPAL DEBT (Continued)**

The City's principal and interest for long-term debt issued and outstanding as of December 31, 2009 is as follows:

Calendar Year	General		Loans		Total
	Principal	Interest	Principal	Interest	
2010	\$ 1,035,000	\$ 293,528	\$ 66,280	\$ 11,762	\$ 1,406,570
2011	673,000	257,831	66,611	11,567	1,009,009
2012	518,000	229,152	68,016	10,189	825,357
2013	200,000	208,000	69,769	8,465	486,234
2014	440,000	199,250	71,568	6,691	717,509
2015-2019	2,250,000	703,125	155,565	14,492	3,123,182
2020-2024	<u>1,800,000</u>	<u>202,500</u>	<u>-</u>	<u>-</u>	<u>2,002,500</u>
	<u>\$ 6,916,000</u>	<u>\$ 2,093,386</u>	<u>\$ 497,809</u>	<u>\$ 63,166</u>	<u>\$ 9,570,361</u>

**Changes in Long-Term Municipal Debt**

The City's long-term capital debt activity for the year ended December 31, 2009:

	Balance, December 31, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2009</u>	Due Within <u>One Year</u>
General Capital Fund					
Bonds Payable	\$ 7,936,000		\$ 1,020,000	\$ 6,916,000	\$ 1,035,000
Intergovernmental					
Loans Payable	<u>49,985</u>	<u>\$ 452,063</u>	<u>4,239</u>	<u>497,809</u>	<u>66,280</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 7,985,985</u>	<u>\$ 452,063</u>	<u>\$ 1,024,239</u>	<u>\$ 7,413,809</u>	<u>\$ 1,101,280</u>

**Debt Guarantees**

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

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Debt Guarantees (Continued)**

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

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.

**Short-Term Debt**

The City's short-term capital debt activity for the year ending December 31, 2009 was as follows:

	Balance, December 31, <u>2008</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2009</u>
Bond Anticipation Notes				
General Capital Fund	\$ 4,040,250	\$ 7,920,250	\$ 4,040,250	\$ 7,920,250

In addition to the debt shown in the above schedule, municipalities may issue debt to finance emergency or special emergency appropriations or to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt which is not included in the City's statutory debt limit calculation is reported in the Current Fund for the year 2009 as follows:

	Balance, December 31, <u>2008</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2009</u>
Tax Anticipation Notes	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 5 FIXED ASSETS**

**General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the year ended December 31, 2009.

	Balance, December 31, <u>2008</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2009</u>
Land and Buildings	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	<u>5,157,383</u>	\$ 4,469	\$ 6,249	<u>5,155,603</u>
	<u>\$ 14,782,683</u>	<u>\$ 4,469</u>	<u>\$ 6,249</u>	<u>\$ 14,780,903</u>

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

As of December 31, 2009 interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2009</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 37,209	\$ 5,472,681
Trust Fund:		
Animal Control		928
Other Trust		2,146
Community Development Block Grant		34,135
LOSAP	180,000	
General Capital Fund	<u>5,292,681</u>	<u>-</u>
Total	<u>\$ 5,509,890</u>	<u>\$ 5,509,890</u>

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

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 7 FUND BALANCES APPROPRIATED**

Under the regulatory basis of accounting, fund balance 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 balance at December 31, which was appropriated and included as anticipated revenue in the Current Fund's budget for the succeeding year was as follows:

	Fund Balance December 31, <u>2009</u>	Utilized in Subsequent <u>Year's Budget</u>	(1)
Current Fund Non-Cash Surplus	\$ 83,436	\$ -	

(1) The 2010 has not been adopted as of the date of audit.

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

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2009 the following deferred charges are reported on the balance sheets of the following funds:

	Balance, <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
Current Fund			
Emergency Authorization	\$230,000	\$230,000	
Operating Deficit	<u>68,014</u>	<u>68,014</u>	-
Total	<u>298,014</u>	<u>298,014</u>	-
Unemployment Insurance Trust Fund			
Deficit in Reserve for Unemployment	<u>16,908</u>	-	<u>\$16,908</u>
Compensation Insurance	<u>\$315,026</u>	<u>\$298,014</u>	<u>\$16,908</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 9 COMPENSATED ABSENCES**

Under the existing policies and labor agreements of the City, employees are allowed to accumulate (with certain restrictions) unused vacation benefits and sick leave 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 \$1,398,893 at December 31, 2009. This amount which is considered material to the financial statements, is not reported either as an expenditure or liability.

**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS**

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

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

**Public Employees' Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement healthcare coverage.

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

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

**Other Pension Funds**

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

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required contributions for the system.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

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

**Other Pension Funds (Continued)**

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

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

**Basis of Accounting**

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

**Investment Valuation**

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

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

**Significant Legislation**

P.L. 2009, c. 19, effective March 17, 2009 provides an option for local employers to contribute 50 percent of the normal and accrued liability contribution amounts certified by the PERS and PFRS for payments due in State fiscal year 2009. This law also provides that a local employer may pay 100 percent of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PERS and PFRS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

P.L. 2008, c. 89, effective November 1, 2008, increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; changed the early retirement provisions; increased the minimum annual compensation required for membership eligibility for new members on or after the effective date of this law.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

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

**Significant Legislation (Continued)**

P.L. 2007, c. 103, certain parts effective July 1, 2007, provided for the following: changed contribution rates of PERS, and Defined Contribution Retirement Program (DCRP) to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) which included the creation of the School Employees' Health Benefit Program (SEHBP) and established an employee contribution of 1.5 percent of the employee's base salary.

**Funded Status and Funding Progress**

As of June 30, 2008, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 72.6 percent with an unfunded actuarial accrued liability of \$34.4 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 69.6 percent and \$23.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.2 percent and \$11.4 billion.

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

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

**Actuarial Methods and Assumptions**

In the June 30, 2008 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for all the retirement systems except CPFPF; and (2) 5.45 percent for projected salary increases for all the retirement systems except PFRS.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 5.5% for PERS, 8.50% for PFRS and 5.5% for DCRP of employees' annual compensation.

**CITY OF SOUTH AMBOY  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2009**

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

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2009 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. However, due to the enactment of P.L. 2009, c.19, the City opted to contribute a PFRS and PERS amount that reflected a 50 percent reduction of the normal and accrued liability component of the PFRS and PERS obligations due in the year ended December 31, 2009. The unpaid or deferred amount of \$242,224 for PFRS and \$102,444 for PERS will be paid with interest starting in the 2012 year over a 15 year period. The City is allowed to payoff the deferred pension obligations at any time. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2009, 2008 and 2007, the City except for the amounts deferred during the year ended December 31, 2009, was required to contribute for normal cost pension contributions the following amounts which equaled the required contributions for each year:

Year Ended <u>June 30,</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2009	\$ 262,144	\$ 145,668	\$ 500
2008	480,278	161,226	
2007	281,422	85,700	

**NOTE 11 POST-RETIREMENT MEDICAL BENEFITS**

**Plan Description**

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

**Funding Policy**

The City funds its post retirement medical benefits on a pay-as-you-go basis. The amount paid by the City for post retirement health coverage premiums for eligible retirees and their dependents during the year ended December 31, 2009 was not available.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 12 RISK MANAGEMENT**

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

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

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

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

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

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

<u>Year Ended December 31</u>	<u>City Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance (Deficit)</u>
2009	\$ 30,000	\$ 11,327	\$ 75,620	\$ (16,908)

**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.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 13 CONTINGENT LIABILITIES (Continued)**

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2009. 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. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**Other Matters** - The City has condemned certain properties in connection with the redevelopment of waterfront properties in the City to provide for a ferry site. Pursuant to filed Declarations of Taking, the City, in June 2005, became the owner of such properties through the deposit of monies pursuant to the appraised values of such properties in the amount of \$721,500. Pursuant to court order, the City paid all appraised values into the court and the prior owners of such properties received such funds. On October 29, 2009, such prior owners presented appraisals totaling \$11,240,000 for such properties and are contesting the amount paid by the City for such properties. This matter is proceeding to a jury trial pursuant to the State's eminent domain statute. It is the City's position that such appraisals are inflated and not prepared in accordance with recognized land appraisal standards. In the event that the City is unsuccessful in the defense of such matters, the City could have an obligation to pay up to \$10,518,500 to the prior owners for such condemnation actions.

The City is vigorously defending against the landowner's appraisal. The major condemned parcel is part of a larger parcel purchased by the current owner on February 28, 2003 for \$1,675,000. The date of valuation for the part condemned is October 29, 2004, a year and eight months later. The landowner's appraisal is grossly inflated. Moreover, the City will be entitled to rents and profits for the landowner's continued occupancy and use after the City obtained ownership in June, 2005 to the present.

The City also has filed a law suit challenging the landowner's and tenants' commercial use of the property, which impacts negatively upon valuation.

**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, 2009, 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 obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2009, the City had no estimated arbitrage earnings due to the IRS.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

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

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

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

As of December 31, 2009 the City has established a reserve for LOSAP in the amount of \$180,000. The City is in the process of establishing its LOSAP liability for the calendar years 2000 through 2009. The City anticipates the reserve being sufficient to fund the outstanding liability based upon the eligibility records provided.

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

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.

All earnings, dividends and other distributions of the account shall be automatically reinvested.

**Vesting and Benefits**

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

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

**Reporting Requirements**

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 16 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of December 31, 2009 the City had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>Current Fund</u>		
Radford Ferry Road Improvements	\$334,204	2010
<u>General Capital Fund</u>		
Community Center	3,500,000	2010
Broadway Street Enhancement Improvements	334,808	2010
Various Road Improvements	189,842	2010

**NOTE 17 CAPITAL LEASE AGREEMENT**

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

The City of South Amboy has entered into several lease agreements with the MCIA over the years. Lease agreements outstanding at December 31, 2009 for which the City is still making payments are for the years 2001, 2006 and 2008 lease programs. Payments for these lease agreements continue through 2013 and are summarized as follows:

<u>Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>MCIA Fee</u>	<u>Trustee Fee</u>	<u>Total</u>
2010	\$ 53,843	\$ 4,624	\$ 2,686	\$ 916	\$ 62,069
2011	54,400	2,374	100	41	56,915
2012	16,129	998	74	46	17,247
2013	16,447	514	-	-	16,961
	<u>\$ 140,819</u>	<u>\$ 8,510</u>	<u>\$ 2,860</u>	<u>\$ 1,003</u>	<u>\$ 153,192</u>

**NOTE 18 SUBSEQUENT EVENTS**

**Serial Bonds**

On April 27, 2010 the City adopted a resolution for the issuance of \$7,920,000 General Improvement Bonds for the purpose of funding various capital improvements of the City of South Amboy. On April 29, 2010, the City awarded the sale of said bonds to the Depository Trust Company, New York, New York at an interest rate of 3.00% to 4.00%. These bonds dated May 6, 2010 will mature over 15 years with the first maturity due May 1, 2011.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 18 SUBSEQUENT EVENTS (Continued)**

**Debt Authorized**

On May 19, 2010 the City adopted a bond ordinance authorizing the issuance of \$427,500 in bonds or bond anticipation notes to fund the resurfacing of various streets. As of the date of this report the City has not issued nor awarded the sale of said bonds or notes.

On May 19, 2010 the City adopted a bond ordinance authorizing the issuance of \$47,500 in bonds or bond anticipation notes to fund certain environmental remediation costs. As of the date of this report the City has not issued nor awarded the sale of said bonds or notes.

**NOTE 19 TRANSITION FROM STATE FISCAL YEAR TO CALENDAR YEAR**

The City of South Amboy has presented its financial activities on the State fiscal year (June 30) since July 1, 1991, pursuant to P.L. 1991, c.75. In accordance with P.L. 2008, c.92 a municipality operating under the State fiscal year, and which has adopted an ordinance authorizing the reversion to a calendar year may apply to the Local Finance Board of the State of New Jersey for approval to revert back to a calendar year.

On December 3, 2008 the City Council adopted an ordinance authorizing the reversion to a calendar year and received approval from the Local Finance Board on December 10, 2008. As a result of this change the City prepared a transition year budget and audit for the period July 1, 2008 through December 31, 2008 immediately prior to the beginning of the calendar year 2009. The financial statements beginning January 1, 2009 are presented on a calendar year.

**CURRENT FUND**

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

Balance, December 31, 2008		\$ 1,593,031
Increased by Receipts:		
Taxes Receivable	\$ 18,281,527	
Non-Budget Revenue	100,517	
Due from State of NJ - Senior Citizens' and Veterans' Deductions	95,306	
Tax Title Liens	9,421	
Revenue Accounts Receivable	5,563,077	
Miscellaneous Payables and Reserves	15,041	
Sewer User Fees	1,034,398	
Prepaid Taxes	58,987	
Tax Anticipation Notes Payable	2,000,000	
Accounts Payable	213,350	
Tax and Sewer Overpayments	37,989	
Due to/from General Capital Fund	3,897,519	
CDBG Receivable	35,750	
Grants Receivable	1,029,411	
Petty Cash Received	1,050	
Due from Other Trust Fund	6,008	
	<u>32,379,351</u>	
		33,972,382
Decreased by Disbursements:		
Budget Appropriations	13,598,141	
Miscellaneous Reserves	5,055	
Appropriation Reserves	338,433	
County Taxes Payable	3,116,461	
Local District School Tax Payable	8,124,794	
Refund of Prior Year Revenue	273,789	
Tax and Sewer Overpayments	1,000	
Accounts Payable	15,892	
Due to CDBG Trust Fund	51,385	
Petty Cash Paid	1,050	
Encumbrances Payable	605,426	
	<u>26,131,426</u>	
Balance, December 31, 2009		<u>\$ 7,840,956</u>

EXHIBIT A-5

**STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance December 31, <u>2008</u>	Balance December 31, <u>2009</u>
Municipal Court	\$ 100	\$ 100
Registrar/Vital Statistics	45	45
Sewer Collector	145	145
Tax Collector	85	85
City Clerk	50	50
Construction Code Official	50	50
	<u>\$ 475</u>	<u>\$ 475</u>

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

<u>Office</u>	Balance, December 31, <u>2008</u>	<u>Increased by</u> Petty Cash <u>Issued</u>	<u>Decreased by</u> Petty Cash <u>Returned</u>	Balance, December 31, <u>2009</u>
City Administrator		\$ 200	\$ 200	
Police Department		500	500	
Department of Public Works	-	350	350	-
	<u>-</u>	<u>350</u>	<u>350</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 1,050</u>	<u>\$ 1,050</u>	<u>\$ -</u>

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

	Balance, December 31, <u>2008</u>	<u>Accrued</u>	Cash <u>Receipts</u>	<u>Cancelled</u>	Balance, December 31, <u>2009</u>
Body Armor					
HDSRF - Broadway Redevelopment	\$ 21,114				\$ 21,114
HDSRF - Wishey Property	65,705				65,705
Municipal Alliance on Alcoholism & Drug Abuse	7,299	\$ 8,899	\$ 5,039		11,159
Neighborhood Preservation-Homes	65,548		65,548		
Neighborhood Preservation	64,995		2,373	\$ 62,622	
Recycling Tonnage Grant		15,434	15,434		
Stormwater Grant	2,117			2,117	
Homeland Security - Firefighters Grant	12,466			12,466	
Federal Highway Administration Grant	2,282,751		929,738		1,353,013
Clean Communities		11,279	11,279		
NJDOT: Main St. 08	166,555	-	-	-	166,555
	<u>\$ 2,688,550</u>	<u>\$ 35,612</u>	<u>\$ 1,029,411</u>	<u>\$ 77,205</u>	<u>\$ 1,617,546</u>

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

Balance, December 31, 2008	\$ 2,250
Increased by:	
Senior Citizens and Veteran Deductions Per Tax Billings	\$ 98,250
Senior Citizens' Deductions Allowed Per Tax Collector	2,000
Veteran's Deductions Allowed	<u>3,250</u>
	<u>103,500</u>
	105,750
Decreased by:	
Received in Cash from State	95,306
Senior Citizens' Deductions Disallowed Per Tax Collector	2,750
Prior Year Senior Citizens' & Veterans' Disallowed	<u>6,194</u>
	<u>104,250</u>
Balance, December 31, 2009	<u>\$ 1,500</u>

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

Year	Balance, Dec. 31, 2008	2009 Levy	Added Taxes	Senior Citizens and Veterans Deductions Disallowed	Collected 2008	Calendar Year 2009	Senior Citizens and Veterans' Deductions Allowed	Transferred to Tax Title Liens	Overpayments Applied	Cancelled	Balance, Dec. 31, 2009
2008	\$ 182,060		\$ 49,944	\$ 6,194		\$ 152,284		\$ 18,053	\$ 12,194	\$ 698	\$ 54,969
2009	-	\$ 18,364,158	-	2,750	\$ 35,707	18,129,243	\$ 103,500	39,160	5,418	40,838	13,042
	<u>\$ 182,060</u>	<u>\$ 18,364,158</u>	<u>\$ 49,944</u>	<u>\$ 8,944</u>	<u>\$ 35,707</u>	<u>\$ 18,281,527</u>	<u>\$ 103,500</u>	<u>\$ 57,213</u>	<u>\$ 17,612</u>	<u>\$ 41,536</u>	<u>\$ 68,011</u>

Analysis of Calendar Year December 31, 2009 Property Tax Levy

Tax Levy:	
General Purpose Tax	\$ 18,177,639
Added Tax	186,519
	<u>\$ 18,364,158</u>
Local District School Tax Levy	\$ 8,124,794
County Taxes:	
County Tax	\$ 3,095,874
Due County for Added Taxes	20,587
	<u>3,116,461</u>
Local Tax for Municipal Purposes	6,950,979
Add: Excess in Tax Levied	171,924
	<u>7,122,903</u>
	<u>\$ 18,364,158</u>

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

Balance, December 31, 2008	\$ 54,387
Increased by:	
Transferred from Taxes Receivable	\$ 57,213
Interest and Costs - 2010 Tax Sale	<u>5,087</u>
	<u>62,300</u>
	116,687
Decreased By:	
Collections	<u>9,421</u>
Balance, December 31, 2009	<u>\$ 107,266</u>

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

	Balance, December 31, <u>2008</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2009</u>
Licenses:				
Alcoholic Beverage		\$ 22,544	\$ 22,544	
Other		20,064	20,064	
Fees and Permits		69,287	69,287	
Fines and Costs:				
Municipal Court	\$ 16,826	191,120	207,946	
Interest and Costs on Taxes		63,710	63,710	
Interest on Investments and Deposits		55,168	55,168	
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)		4,334,328	4,334,328	
Uniform Construction Code Fees		65,051	65,051	
Board of Education, City of South Amboy - Nonpublic School Nursing Aid		18,296	18,296	
Uniform Fire Safety Act		11,367	11,367	
Parking Fees		195,686	195,686	
Payment in Lieu of Taxes - Shoregate		163,376	163,376	
Sewer Connection Fees		2,129	2,129	
Reimbursement Agreement - South Amboy Redevelopment Agency		42,179	42,179	
Cable Television Fees		27,121	27,121	
Dish Rental		143,535	143,535	
N.J. Transit Parking Agreement		83,340	83,340	
Housing Inspection Program		37,950	37,950	
	-	-	-	-
	<u>\$ 16,826</u>	<u>\$ 5,546,251</u>	<u>\$ 5,563,077</u>	<u>\$ -</u>

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

	Added <u>in 2009</u>	Balance, December 31, <u>2009</u>
Emergency Authorizations (40A:4-47)	\$ 230,000	\$ 230,000
Operating Deficit	<u>68,014</u>	<u>68,014</u>
	<u>\$ 298,014</u>	<u>\$ 298,014</u>

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

	Balance December, <u>2009</u>	Balance After Transfers and Encumbrances <u>Cancelled</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
General Administration				
Salaries and Wages	\$ 96	\$ 1		\$ 1
Other Expenses	10,017	27,371	\$ 27,371	
Mayor and Council				
Salaries and Wages	40			
Other Expenses	776	510	510	
Municipal Clerk				
Salaries and Wages	437			
Other Expenses	2,317	906	906	
Financial Administration				
Salaries and Wages	731			
Other Expenses	1,648	4,899	4,899	
Audit Services				
Other Expenses		39,500	39,500	
Revenue Administration				
Salaries and Wages	10			
Other Expenses	814	55	55	
Tax Assessment Administration				
Salaries and Wages	76			
Other Expenses	651	297	297	
Legal Services				
Other Expenses	25,940	41,197	41,197	
Department of Engineering				
Salaries and Wages	1			
Other Expenses	2,831	8,331	7,688	643
Vital Statistics				
Salaries and Wages	164			
Other Expenses	462			
Planning Board				
Salaries and Wages	90			
Other Expenses	1,711	8,516	8,516	
Zoning Board of Adjustment				
Salaries and Wages	27			
Other Expenses	1,709	61	61	
Police Department				
Salaries and Wages	3,201			
Other Expenses	2,798	6,729	6,729	
Emergency Management				
Other Expenses	9			
Aid to Volunteer Fire Companies				
Other Expenses				

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

	<u>Balance</u> December, <u>2009</u>	<u>Balance</u> After Transfers and Encumbrances <u>Cancelled</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Department of Fire				
Other Expenses	\$ 404	\$ 9,611	\$ 5,542	\$ 4,069
Uniform Fire Official				
Salaries and Wages	665			
Other Expenses	113			
Municipal Prosecutor Office				
Salaries and Wages	174			
Streets and Roads				
Salaries and Wages	3,351			
Other Expenses	1,518	27,863	27,653	210
Redevelopment Agency				
Salaries and Wages	102			
Sewers				
Salaries and Wages	2,102			
Other Expenses	1,606	16,094	14,032	2,062
Parking Lot				
Salaries and Wages	439			
Recycling Coordinator				
Salaries and Wages	115			
Other Expenses	36			
Solid Waste				
Salaries and Wages	2,480			
Other Expenses	53,100	56,042	55,797	245
Buildings and Grounds				
Salaries and Wages	534			
Other Expenses	5,491	19,555	19,555	
Vehicle Maintenance				
Salaries and Wages	335			
Other Expenses	285	8,080	7,959	121
Board of Health				
Salaries and Wages	1,036			
Other Expenses	33			
Animal Control				
Salaries and Wages	184			
Municipal Court				
Salaries and Wages	787			
Other Expenses	536	87	87	
Public Defender				
Salaries and Wages	5			

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

	Balance December, <u>2009</u>	Balance After Transfers and Encumbrances <u>Cancelled</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Recreation				
Salaries and Wages	\$ 753			
Other Expenses	1,243	\$ 5,450	\$ 5,450	
Senior Citizens				
Salaries and Wages	596			
Other Expenses	676	66	66	
Celebration of Public Events				
Other Expenses	2,278	1,212	132	\$ 1,080
Main Street Project				
Other Expenses	460	4,880	3,660	1,220
Division of Code Enforcement				
Salaries and Wages	519			
Other Expenses	471	229	229	
Utilities	29,341	80,413	80,413	
Social Security System	3,247			
Insurance				
General Liability		49	49	
Employee Group Health	23,528	25,824	450	25,374
Middlesex County Utilities Authority	32	32	-	32
	<u>32</u>	<u>32</u>	<u>-</u>	<u>32</u>
 Grand Total	 <u>\$ 195,131</u>	 <u>\$ 393,859</u>	 <u>\$ 358,803</u>	 <u>\$ 35,056</u>
 Appropriation Reserves		 \$ 195,131		
Encumbrances Reappropriated		<u>198,728</u>		
		 <u>\$ 393,859</u>		
 Cash Disbursements			 \$ 338,433	
Accounts Payable			<u>20,370</u>	
			 <u>\$ 358,803</u>	

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

Balance, December 31, 2008		\$ 937,954
Increased by:		
Charges to Budget Appropriations	\$ 232,854	
Charges to Reserves for Grants Appropriated	<u>200,404</u>	
		433,258
		1,371,212
Decreased by:		
Cash Disbursements	605,426	
Transferred to Appropriation Reserves	<u>198,728</u>	
		804,154
Balance, December 31, 2009		<u>\$ 567,058</u>

**STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, 2008	Increases	Decreases	Balance, December 31, 2009
Marriage License/Domestic Partner	\$ 800	\$ 1,375	\$ 1,450	\$ 725
Burial Permits	760	1,100	1,430	430
Garnishees	7,520	2,648		10,168
Construction		2,175	2,175	
Unallocated Receipts	<u>-</u>	<u>7,743</u>	<u>-</u>	<u>7,743</u>
	<u>\$ 9,080</u>	<u>\$ 15,041</u>	<u>\$ 5,055</u>	<u>\$ 19,066</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF COUNTY TAXES PAYABLE**

Increased by:	
Tax Levy:	
General Taxes	\$ 2,780,545
Added and Omitted Taxes	20,587
Open Space Taxes	<u>315,329</u>
	<u>\$ 3,116,461</u>
Decreased by:	
Payments	<u>\$ 3,116,461</u>

EXHIBIT A-17

**STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE**

Increased by:	
Tax Levy (July 1 2009 to June 30, 2010)	<u>\$ 8,124,794</u>
Decreased by:	
Payments	<u>\$ 8,124,794</u>

EXHIBIT A-18

**STATEMENT OF SEWER USER FEES RECEIVABLE**

Balance, December 31, 2008	\$ 77,407
Increased by:	
Billings	<u>964,304</u>
	1,041,711
Decreased by:	
Collections	\$ 1,034,398
Overpayments Applied	<u>7,313</u>
	<u>1,041,711</u>
Balance, December 31, 2009	<u>\$ -</u>

EXHIBIT A-19

**STATEMENT OF TAX / SEWER OVERPAYMENTS**

	<u>Total</u>	<u>Taxes</u>	<u>Sewer</u>
Balance, December 31, 2008	\$ 13,224	\$ 5,911	\$ 7,313
Increased by:			
Cash Receipts	<u>37,989</u>	<u>37,989</u>	<u>-</u>
	51,213	43,900	7,313
Decreased By:			
Cash Disbursements	1,000	1,000	
Overpayments Applied	<u>24,925</u>	<u>17,612</u>	<u>7,313</u>
Balance, December 31, 2009	<u>\$ 25,288</u>	<u>\$ 25,288</u>	<u>\$ -</u>

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

	Balance December 31, <u>2008</u>	Budget Appropriation	Cancelled	Paid or Charged	Balance December 31, <u>2009</u>
Body Armor Replacement Fund	\$ 1,118			\$ 797	\$ 321
Body Armor Replacement Fund	2,732				2,732
Body Armor Replacement Fund - 2008	6,135				6,135
Clean Communities		\$ 11,279		11,279	
DWI	2		\$ 2		
HDSRF - Broadway Redevelopment	39,337				39,337
HDSRF - Wishey Property	65,705				65,705
Homeland Security	20,031		20,031		
Municipal Alliance					
2009		11,124			11,124
2008	5,388				5,388
2006	1,381				1,381
2007 State	8,899			1,049	7,850
2007 Local	1,827				1,827
Neighborhood Preservation - 2005	3,763		2,479	1,284	
Neighborhood Preservation-Homes	55,359		42,459	12,900	
Recycling Tonnage Grant	17,078	15,434		32,512	
Storm Water Grant	8,468		8,468		
Transportation Trust Fund - Main St. Drainage	21,055		21,055		
Homeland Security - Firefighter Assistance Grant	5,070		4,424	646	
Federal Highway Admin. Grant-Radford Ferry Road	<u>1,052,998</u>	<u>-</u>	<u>-</u>	<u>139,937</u>	<u>913,061</u>
	<u>\$ 1,316,346</u>	<u>\$ 37,837</u>	<u>\$ 98,918</u>	<u>\$ 200,404</u>	<u>\$ 1,054,861</u>
Transfer to Encumbrances Payable				<u>\$ 200,404</u>	
Grants Receivable			\$ 77,205		
Fund Balance			<u>21,713</u>		
			<u>\$ 98,918</u>		

EXHIBIT A-21

**STATEMENT OF PREPAID TAXES**

Balance, December 31, 2008	\$ 35,707
Increased by:	
2010 Taxes Received	<u>58,987</u>
	94,694
Decreased by:	
Applied to Taxes Receivable	<u>35,707</u>
Balance, December 31, 2009	<u>\$ 58,987</u>

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

Balance, December 31, 2008		\$ 58,266
Increased by:		
Charged to Appropriation Reserves	\$ 20,370	
Cash Receipt - Energy Tax Due to State	<u>213,350</u>	
		<u>233,720</u>
		291,986
Decreased by:		
Cash Disbursements	15,892	
Cancelled	<u>4,693</u>	
		<u>20,585</u>
Balance, December 31, 2009		<u>\$ 271,401</u>

**STATEMENT OF TAX ANTICIPATION NOTES PAYABLE**

Increased by:		
Cash Receipts		<u>\$ 2,000,000</u>
Balance, December 31, 2009		<u>\$ 2,000,000</u>

**STATEMENT OF DUE TO LOSAP TRUST FUND**

Balance, December 31, 2008		\$ 240,000
Increased by:		
Budget Appropriation		<u>60,000</u>
		300,000
Decreased by:		
Cancelled		<u>120,000</u>
Balance, December 31, 2009		<u>\$ 180,000</u>

**TRUST FUND**

**CITY OF SOUTH AMBOY  
STATEMENT OF CASH**

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>
Balance, December 31, 2008	\$ 4,081	\$ 422,493	\$ 17,543
Increased by Receipts:			
Reserve for Payroll		\$ 6,449,364	
Reserve for Payroll Deductions Payable		3,079,109	
Reserve for Miscellaneous Reserves		10,402	
Reserve for Escrow Deposits		452,420	
Reserve for Third Party Lienholders		4,791	
License Fees Collected	\$ 2,122		
Due to State of NJ - State Registration Fees	589		
City Contributions			\$ 30,000
Employee Contributions			11,327
Interest on Deposits	-	7,312	199
	<u>2,711</u>	<u>10,003,398</u>	<u>41,526</u>
	6,792	10,425,891	59,069
Decreased by Disbursements:			
Expenditures	250		
Due to State of NJ - Unemployment Claims			58,027
Due to State of NJ - State Registration Fees	589		
Due to Current Fund		6,008	
Reserve for Escrow Deposits		441,828	
Reserve for Payroll		6,449,255	
Reserve for Payroll Deductions Payable		3,087,219	
Reserve for Miscellaneous Reserves	-	16,019	-
	<u>839</u>	<u>10,000,329</u>	<u>58,027</u>
Balance, December 31, 2009	<u>\$ 5,953</u>	<u>\$ 425,562</u>	<u>\$ 1,042</u>

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

Balance, December 31, 2008		\$	4,081
Increased by:			
License Fees Collected			2,122
			6,203
Decreased by:			
Statutory Excess Due to Current Fund	\$	928	
Cash Disbursements		250	
			1,178
Balance, December 31, 2009		\$	5,025

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

Increased By:			
State Fees Collected		\$	589
Decreased by			
Payments		\$	589

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

Balance, December 31, 2008		\$	842
Increased By			
Interest on Deposits - Other Trust Account			7,312
			8,154
Decreased by:			
Payments to Current Fund			6,008
Balance, December 31, 2009		\$	2,146

**CITY OF SOUTH AMBOY  
STATEMENT OF RESERVE FOR THIRD PARTY LIENHOLDERS  
OTHER TRUST FUND**

Balance, December 31, 2008	\$ 3,840
Increased by Cash Receipts	<u>4,791</u>
Balance, December 31, 2009	<u>\$ 8,631</u>

**STATEMENT OF RESERVE FOR ESCROW DEPOSITS  
OTHER TRUST FUND**

Balance, December 31, 2008	\$ 276,314
Increased by Deposits Collected	<u>452,420</u>
	728,734
Decreased by: Deposits Refunded	<u>441,828</u>
Balance, December 31, 2009	<u>\$ 286,906</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF RESERVE FOR PAYROLL  
OTHER TRUST FUND**

Balance, December 31, 2008	\$	4,248
Increased by:		
Cash Receipts		6,449,364
		6,453,612
Decreased by:		
Cash Disbursements		6,449,255
Balance, December 31, 2009	\$	4,357

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

Balance, December 31, 2008	\$	55,307
Increased by:		
Cash Receipts		3,079,109
		3,134,416
Decreased by:		
Cash Disbursements		3,087,219
Balance, December 31, 2009	\$	47,197

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

	Balance December 31, <u>2008</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance December 31, <u>2009</u>
Recycling Program	\$ 20,675	\$ 1,357	\$ 2,823	\$ 19,209
Senior Citizen Transportation	1,035	1,200		2,235
Forfeited Funds	18,941	1,837		20,778
Recreation Trust	4,893			4,893
Parking Offense Adjudication Act	1,806	638	1,666	778
Raritan Bay Seafood Festival	7,060	3,900	4,700	6,260
Tax Sale Premium	18,700	400	4,700	14,400
Off Duty Police	496		372	124
Charter Celebration	4,586			4,586
Dedicated Penalties - Fire	3,750	1,070	1,758	3,062
	<u>\$ 81,942</u>	<u>\$ 10,402</u>	<u>\$ 16,019</u>	<u>\$ 76,325</u>

EXHIBIT B-10

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

Balance, December 31, 2008	\$ 17,186
Increased by:	
City Contribution	\$ 30,000
Employee Contribution	11,327
Interest on Deposits	<u>199</u>
	<u>41,526</u>
	58,712
Decreased by:	
Unemployment Claims	<u>75,620</u>
Balance (Deficit), December 31, 2009	<u>\$ (16,908)</u>

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

Balance, December 31, 2008	\$	357
Increased By:		
Claims		75,620
		75,977
Decreased by:		
Payments made to the State of NJ		58,027
Balance, December 31, 2009	\$	17,950

**STATEMENT OF COMMUNITY DEVELOPMENT BLOCK GRANTS RECEIVABLE  
COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND**

		2008 Façade <u>Improvements</u>
Balance, December 31, 2008	\$	167,100
Decreased by:		
Cash Receipts Received in Other Trust Fund		35,750
Balance, December 31, 2009	\$	131,350

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

Balance, December 31, 2008	\$	18,500
Increased by:		
Community Development Block Grant Expenditures Paid by Current Fund		51,385
		69,885
Decreased By:		
Community Development Grant Receipts Deposited in Current Fund		35,750
Balance, December 31, 2009	\$	34,135

EXHIBIT B-14

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

		2009 Façade <u>Improvements</u>
Balance, December 31, 2008	\$	148,600
Decreased by:		
Expenditures		51,385
Balance, December 31, 2009	\$	97,215

EXHIBIT B-15

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

Increased by:		
Statutory Excess	\$	928
Balance, December 31, 2009	\$	928

**GENERAL CAPITAL FUND**

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

Balance, December 31, 2008		\$ 39,752
Increased by Receipts:		
MCIA Capital Revenue Bond	\$ 452,063	
Bond Anticipation Notes Issued	7,920,250	
Grants Received	98,750	
Capital Improvement Fund	<u>50,000</u>	
		<u>8,521,063</u>
		8,560,815
Decreased by Disbursements:		
Bond Anticipation Notes Paid	4,040,250	
Encumbrances Paid	583,294	
Payments to Current Fund	<u>3,897,519</u>	
		<u>8,521,063</u>
Balance, December 31, 2009		<u>\$ 39,752</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2009</u>
	Grants Receivable	\$ (25,000)
	Accounts Payable	19,470
	Encumbrances Payable	4,111,323
	Capital Improvement Fund	30,330
	Due from Current Fund	(5,292,681)
8-02	Augusta St. - Phase III	19,411
7-07	Improvements to Sewer System on Cedar Street	10,674
9-08.1	Acquisition of Fire Apparatus	123,088
9-08.2	Acquisition of Vehicles	297,835
9-08.4	Building Improvements	248,067
24-08	Purchase of Generator	47,235
18-09	Purchase of Ambulance	200,000
18-09	Purchase of Bucket Truck	90,000
18-09	Purchase of Truck with Spreader	160,000
		<hr/>
		\$ 39,752

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

Balance, December 31, 2008	\$ 1,395,162
Increased By:	
Payments to Current Fund	3,897,519
Balance, December 31, 2009	\$ 5,292,681

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

Balance, December 31, 2008	\$ 7,985,985
Increased by:	
Issuance of Capital Revenue Bonds	452,063
	8,438,048
Decreased by:	
Budget Appropriation to Pay:	
Bond Principal	\$ 1,020,000
Loan Principal	4,239
	1,024,239
Balance, December 31, 2009	\$ 7,413,809



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

Balance, December 31, 2008	\$	330
Increased by:		
Current Fund Budget Appropriation		<u>50,000</u>
		50,330
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>20,000</u>
Balance, December 31, 2009	\$	<u>30,330</u>

EXHIBIT C-8

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

Balance, December 31, 2008	\$	123,750
Decreased by:		
Cash Receipts Deposited in Current Fund		<u>98,750</u>
Balance, December 31, 2009	\$	<u>25,000</u>

Analysis of Balance

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

EXHIBIT C-9

**STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2008	\$	<u>19,470</u>
Balance, December 31, 2009	\$	<u>19,470</u>

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

Ord. No.	Improvement Description	Amount Appropriated	Balance, December 31, 2008		Improvement Authorizations	Paid or Charged	Canceled	Balance, December 31, 2009	
			Funded	Unfunded				Funded	Unfunded
8-02	Augusta St. - Phase III	\$ 377,000	\$ 19,411					\$ 19,411	
12-03	Acquisition of Land	1,500,000	8,200			\$ 8,200			
2-04	Acquisition of Vehicles and a Traffic Monitoring Device	100,000	20,377			20,377			
25-06	Broadway Street Enhancement Improvements	650,000		\$ 374,012		374,012			
7-07	Improvements to Sewer System on Cedar Street	65,000		10,674				\$ 10,674	
9-08.1	Acquisition of Fire Apparatus	475,000		123,088					123,088
9-08.2	Acquisition of Vehicles	300,000		298,600		765			297,835
9-08.4	Building Improvements	350,000		331,813		83,746			248,067
33-08	Construction of Main St. Bridge	500,000		20,584		20,584			
24-08	Purchase of Generator	60,000	48,000			765		47,235	
2-09	Community Center	3,500,000			\$ 3,500,000	3,500,000			
13-09	Resurfacing of Various Streets	400,000			400,000	400,000			
18-09	Purchase of Ambulance	225,000			225,000	1,064	\$ 23,936	200,000	
18-09	Purchase of Bucket Truck	100,000			100,000		10,000	90,000	
18-09	Purchase of Truck with Spreader	175,000			175,000	999	14,001	160,000	
			<u>\$ 95,988</u>	<u>\$ 1,158,771</u>	<u>\$ 4,400,000</u>	<u>\$ 4,410,512</u>	<u>\$ 47,937</u>	<u>\$ 516,646</u>	<u>\$ 679,664</u>
					Deferred Charges - Unfundec \$ 4,380,000				
					Capital Improvement Fund 20,000				
					<u>\$ 4,400,000</u>				
					Transfer to Encumbrances Payable	<u>\$ 4,410,512</u>			

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

Balance, December 31, 2008	\$ 284,105
Increased by:	
Commitments	<u>4,410,512</u>
	4,694,617
Decreased by:	
Cash Disbursements	<u>583,294</u>
Balance, December 31, 2009	<u>\$ 4,111,323</u>

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

Ord. No.	<u>Improvement Description</u>	Original Issue	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, <u>2008</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2009</u>
25-06	Broadway Street Enhancement Improvements	\$ 617,500	6/28/2007	5/14/2008 5/12/2009	5/13/2009 5/11/2010	3.00 2.20	% \$ 617,500	\$ 617,500	\$ 617,500	\$ 617,500
7-07	Improvements to Sewer System on Cedar Street	61,750	6/28/2007	5/14/2008 5/12/2009	5/13/2009 5/11/2010	3.00 2.20	61,750	61,750	61,750	61,750
8-07	Environmental Remediation of the Intermodal Ferry Transportation center and the construction of the Intermodal Ferry Transportation Center, Ferry Terminal, and Bridge	950,000	6/28/2007	5/14/2008 5/12/2009	5/13/2009 5/11/2010	3.00 2.20	950,000	950,000	950,000	950,000
9-08	Various Improvements	1,636,000	5/14/2008	5/14/2008 5/12/2009	5/13/2009 5/11/2010	3.00 2.20	1,636,000	1,636,000	1,636,000	1,636,000
8-08	Redevelopment Agency Improvements	300,000	12/30/2008	12/30/2008 5/12/2009	5/13/2009 5/11/2010	2.00 2.20	300,000	300,000	300,000	300,000
33-08	Construction of Main St. Bridge	475,000	12/30/2008	12/30/2008 5/12/2009	5/13/2009 5/11/2010	2.00 2.20	475,000	475,000	475,000	475,000
2-09	Community Center	3,500,000	8/5/2009	8/5/2009	5/11/2010	1.75	-	3,500,000	-	3,500,000
13-09	Resurfacing of Various Streets	380,000	8/5/2009	8/5/2009	5/11/2010	1.75	-	380,000	-	380,000
							<u>\$ 4,040,250</u>	<u>\$ 7,920,250</u>	<u>\$ 4,040,250</u>	<u>\$ 7,920,250</u>

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

Purpose	Date of Issue	Original Issue	Maturity of Bonds Outstanding at December 31, 2009		Interest Rate	Balance, December 31, 2008	Decreased	Balance, December 31, 2009
			Date	Amount				
General Improvements	1/15/1994	\$ 3,673,000	12/15/2010	\$ 260,000	4.80%	\$ 773,000	\$ 260,000	\$ 513,000
			12/15/11	253,000				
Fiscal Year Adjustment Refunding Bonds	6/1/2001	2,480,000	12/1/10	355,000	4.125	695,000	340,000	355,000
General Obligation Bonds	12/15/2002	2,998,000	12/15/10	320,000	3.600	1,278,000	320,000	958,000
			12/15/11	320,000	3.800			
			12/15/12	318,000	3.900			
General Obligation Bonds	8/1/2006	5,290,000	8/1/2010-11	100,000	4.375	5,190,000	100,000	5,090,000
			8/1/12-13	200,000	4.375			
			8/1/14	440,000	4.375			
			8/1/15-18	450,000	4.375			
			8/1/19-23	450,000	4.500			
						<u>\$ 7,936,000</u>	<u>\$ 1,020,000</u>	<u>\$ 6,916,000</u>

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

Balance, December 31, 2008	\$ 49,985
Increased by:	
Loans Issued	<u>452,063</u>
	502,048
Decreased by:	
Payments	<u>4,239</u>
Balance, December 31, 2009	<u><u>\$ 497,809</u></u>

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

<u>Ord. No.</u>	<u>Purpose</u>	<u>Balance, December 31, 2008</u>	<u>Authorized in 2009</u>	<u>Bond Anticipation Notes Issued</u>	<u>Balance, December 31, 2009</u>
2-09	Community Center		\$ 3,500,000	\$ 3,500,000	
13-09	Resurfacing of Various Streets		380,000	380,000	
18-09	Various Improvements	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
		<u>\$ -</u>	<u>\$ 4,380,000</u>	<u>\$ 4,380,000</u>	<u>\$ -</u>

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

---

**PART II  
GOVERNMENT AUDITING STANDARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208  
FAIR LAWN, NJ 07410  
TELEPHONE (201) 791-7100  
FACSIMILE (201) 791-3035  
WWW.LVHCPA.COM

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH KOZAK, CPA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA

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

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

We have audited the financial statements – regulatory basis of the City of South Amboy as of and for the year ended December 31, 2009, and have issued our report thereon dated June 28, 2010 which indicated that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared using the regulatory basis of accounting prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. In addition, our report on the financial statements – regulatory basis was qualified because of the presentation of the unaudited LOSAP Trust Fund financial statements. Also, the City's footnotes to the financial statements do not disclose the other post employment benefit obligations related to post retirement medical benefits provided to its eligible retirees and their dependents as required by Government Accounting Standards Board Statement 45 and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Except as discussed in the preceding two sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of South Amboy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

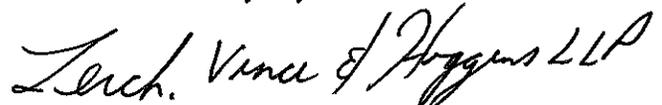
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of South Amboy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and responses as item 2009-1.

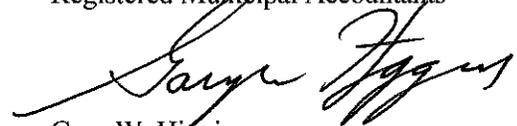
We also noted certain matters that we reported to management of the City of South Amboy in Part III of this report of audit entitled "Letter of Comments and Recommendations".

The City of South Amboy's responses to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body, management, New Jersey Department of Community Affairs and is not intended to be and should not be used by anyone other than these specified parties.



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



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
June 28, 2010

**CITY OF SOUTH AMBOY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Federal CFDA <u>No.</u>	Grant Award <u>Received</u>	Balance, December 31, <u>2008</u>	Revenue <u>Realized</u>	<u>Expenditures</u>	Balance, December 31, <u>2009</u>	Memo Cumulative Total <u>Expenditures</u>
Pass Through New Jersey Department of Transportation Trust Fund							
Department of Transportation							
Highway Planning and Construction							
Radford Ferry Road	20.205	\$ 929,738	\$ 1,052,998		\$ 139,937	\$ 913,061	\$ 2,865,217
Department of Housing and Urban Development							
Community Development Block Grant							
2007 Program Year							
Façade Improvements	14.219	35,750	<u>148,600</u>	<u>-</u>	<u>51,385</u>	<u>97,215</u>	<u>114,785</u>
			<u>\$ 1,201,598</u>	<u>\$ -</u>	<u>\$ 191,322</u>	<u>\$ 1,010,276</u>	<u>\$ 2,980,002</u>

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

**CITY OF SOUTH AMBOY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>State Grant Program</u>	<u>Account Numbers</u>	<u>Grant Year</u>	<u>Grant Award Received</u>	<u>Balance, December 31, 2008</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Adjustments/ Canceled</u>	<u>Balance, December 31, 2009</u>	<u>Memo Cumulative Total Expenditures</u>
Department of Transportation Trust Fund August St. - Phase III	63204800786320AFGTCAP6010	2002	\$ 98,750	\$ 19,536				\$ 19,536	\$ 175,464
Main Street Drainage	06480-078-6320-AJL-6010	2006		21,055			\$ 21,055		1,078,945
Body Armor Replacement Fund	066-1020-718-001-04	2006 2007 2008		1,118 2,732 6,135		\$ 797		321 2,732 6,135	1,949
Clean Communities Program	4900-765-178900	2009	11,279		\$ 11,279	11,279			11,279
Drunk Driving Enforcement	N/A	2004		2				2	990
HDSRF - Broadway Redevelopment	N/A	2005		39,337				39,337	78,605
HDSRF - Wishey Property	N/A	2005		65,705				65,705	-
Homeland Security-Firefighter Assistance Grant	N/A	2007		5,070		646	4,424		237,713
Municipal Drug & Alcohol Alliance Pgm.	N/A	2006 2007 2008 2009		1,381 8,899 5,388				1,381 7,850 5,388 8,899	9,743 1,049 5,736 -
Neighborhood Preservation	100-022-8020-092-03	2005	2,373	3,763		1,284	2,479		119,854
Neighborhood Preservation-Homes	100-022-8020-092-03	2003	65,548	55,359		12,900	42,459		12,900
Recycling Tonnage Grant	4830-752-050550-50	2009 2008	15,434	17,078	15,434	15,434 17,078			15,434 17,078
Municipal Stormwater Regulation Program	100-042-4840-091	2007		8,468	-	-	8,468	-	-
				<u>\$ 261,026</u>	<u>\$ 35,612</u>	<u>\$ 60,467</u>	<u>\$ 78,885</u>	<u>\$ 157,286</u>	<u>\$ 1,766,739</u>

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

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

**CITY OF SOUTH AMBOY  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2009**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are 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(B) to the City's financial statements.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

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

	<u>State</u>	<u>Total</u>
Current Fund	\$ <u>35,612</u>	\$ <u>35,612</u>

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

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

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

---

**PART III  
SUPPORTING DATA  
LETTER OF COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -  
CURRENT FUND FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>		
Fund Balance Appropriated		
Miscellaneous - From Other Than Local		
Property Tax Levies	\$ 6,749,157	26.58%
Collection of Delinquent Taxes and Tax Title Liens	173,899	0.68%
Collection of Current Tax Levy	18,271,118	71.95%
Other Credits to Income	<u>199,962</u>	<u>0.79%</u>
Total Income	<u>25,394,136</u>	<u>100.00%</u>
<b>EXPENDITURES</b>		
Budget Expenditures		
Municipal Purposes	14,134,545	55.02%
County Taxes	3,116,461	12.13%
Local School Taxes	8,124,794	31.62%
Other Expenditures	<u>316,350</u>	<u>1.23%</u>
Total Expenditures	<u>25,692,150</u>	<u>100.00%</u>
Deficit in Revenue	(298,014)	
Adjustments to Income before Surplus		
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	<u>230,000</u>	
Deficit in Operations to be Raised in Budget of Succeeding Year	<u>\$ (68,014)</u>	
Fund Balance, Beginning of Year	<u>83,436</u>	
Fund Balance, End of Year	<u>\$ 83,436</u>	

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

	<u>Calendar Year Tax Rate</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Tax Rate</u>	<u>\$2.06</u>	<u>\$1.81</u>	<u>\$1.72</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	\$.79	\$.57	\$.50
County	.35	.34	.33
Local School	.92	.90	.89
 <u>Assessed Valuation</u>			
2009	<u>\$883,696,509</u>		
2008	<u>\$878,548,200</u>		
2007	<u>\$861,510,236</u>		

**COMPARISON OF TAX LEVIES AND COLLECTIONS**

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

<u>For the Period Ended</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
Calendar Year, December 31, 2009	\$ 18,364,158	\$ 18,271,118	99.49%
Six Months Ended December 31, 2008	8,204,559	7,994,283	97.43%
S/F/Y June 30, 2008	15,899,396	15,675,104	98.59%

**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 year ended December 31, 2009, for the six months ended December 31, 2008 and the state fiscal year ending June 30, 2008.

	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
December 31, 2009	\$ 107,266	\$ 68,011	\$ 175,277	0.10%
December 31, 2008	54,386	182,060	236,446	0.29%
June 30, 2008	46,715	2,614	49,329	0.31%

**PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

The City has not acquired by liquidation of tax title liens any properties as of December 31, 2009.

**COMPARATIVE SCHEDULE OF FUND BALANCES**

	<u>For the Period Ended</u>	<u>Balance</u>	<u>Utilized In Budget of Succeeding Year</u>
<u>Current Fund</u>	December 31, 2009	\$83,436	\$-0-
	December 31, 2008	83,436	-0-
	June 30, 2008	50,770	-0-
	June 30, 2007	50,770	-0-
	June 30, 2006	244,770	194,000

**OFFICIALS IN OFFICE AND SURETY BONDS**

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
John T. O'Leary, Jr.	Mayor	
Fred A. Henry	Council President	
Joseph E. Connors	Councilman – At-Large	
William Schwarick	Councilman	
Russell Stillwagon	Councilman	
Mark Noble	Councilman	
Kathleen Vigilante	Municipal Clerk	
Camille Tooker	Business Administrator	
Terance O'Neill	Chief Financial Officer	\$100,000 (B)
Joseph Hoffman (1/1/2009-9/30/2009)	Municipal Court Judge	
Temporary Judge (10/1/2009-12/31/2009)	Municipal Court Judge	
Mary Kate Vacca	Court Administrator	100,000 (C)
Joanne Katko	Tax Collector/Registrar	125,000 (A)
Thomas Downs	Municipal Prosecutor	
Mark Rasimowicz	City Engineer	
Mary Lou DeBlis	Superintendent of Recreation	
John R. Lanza	Director of Law	
Tom Kelly	Construction Code Official/Building Inspector	
Kevin Krushinski	Fire Official	
Brian Enright	Tax Assessor	
Mary Sue Felice	Purchasing Assistant/QPA	
James V. Wallis	Chief of Police	
Kathleen O'Grady	Payroll Clerk/Bookkeeper	
Ann Mazanec	Sewer Cashier/Deputy Registrar	

All employees were insured for employee dishonesty in the amount of \$1,000,000 with the Middlesex County Municipal Joint Insurance Fund.

The following additional separate coverage was obtained by the City:

- A – Selective Insurance Company of America Public Official Bond No. 1001441.
- B - Selective Insurance Company of America Public Official Bond No. 189723.
- C - Selective Insurance Company of America Public Official Bond No. 1001787.

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Finding 2009-1:**

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

**Criteria or specific requirement:**

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

**Condition:**

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

**Context:**

See Finding 2009-1.

**Effect:**

Qualified auditors' opinion due to the omission of the note disclosure.

**Cause:**

Unknown.

**Recommendation:**

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

**Management's Response:**

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

## GENERAL COMMENTS

### Prior Year Findings – Unresolved

The audit of the Municipal Court revealed that the "Tickets Assigned But Not Issued" report issued from the Automated Traffic System included tickets in excess of six months from the date assigned. It is recommended that reports issued from the Automated Traffic System be reviewed monthly and tickets be disposed of accordingly.

The audit revealed that several purchase orders were issued subsequent to incurring the expenditure. It is recommended that the encumbrance system be enhanced to ensure that purchase orders are issued prior to incurring expenditures.

### Current Year

Our audit noted that certain vouchers were missing a receipt of goods signature. It is recommended that a receipt of goods signature be obtained on all vouchers prior to payment.

The audit revealed the City does not have a formal policy manual pertaining to employee benefits. It is recommended the City develop and implement a formal policy manual pertaining to employee benefits.

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

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

If the City's purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c. 198 (c.40A:11-9), the City may establish the bid threshold up to \$29,000. The City's certified Municipal Finance Officer is qualified and the City, by resolution number 2007-8 on March 7, 2007, has increased the bid threshold to \$29,000.

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

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

Purchase of Gasoline  
Lawn Maintenance

Improvements to Intersection of  
Broadway and Bordentown

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

**GENERAL COMMENTS (Continued)**

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 5, 2009 adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

Delinquent Taxes and Tax Title Liens

A tax sale was held on December 28, 2009.

The following comparison is made of the number of tax title liens receivable outstanding at December 31, 2009 and 2008.

<u>Year Ended</u>	<u>Number of Liens</u>
December 31, 2009	20
December 31, 2008	9

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

**RECOMMENDATIONS**

It is recommended that:

- \* 1) Reports issued from the Automated Traffic System be reviewed monthly and tickets be disposed of accordingly.
- \* 2) The encumbrance system be enhanced to ensure that purchase orders are issued prior to incurring expenditures.
- 3) The City obtain the actuarial report for valuations of Other Post-Employment Benefit (OPEB) obligations for disclosures required to be made in the notes to the financial statements.
- 4) A receipt of goods signature be obtained on all vouchers prior to payment.
- 5) The City develop and implement a formal policy manual pertaining to employee benefits.

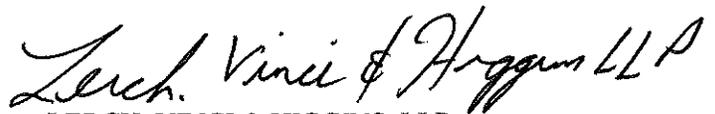
**Status of Prior Year's Audit Findings/Recommendations**

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

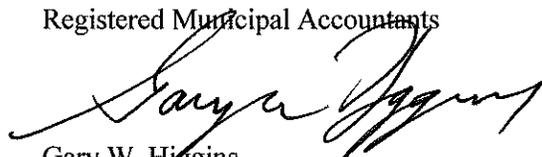
\*\*\*\*\*

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

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



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



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405