

CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2010

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CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2010

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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, 2010 and 2009 and the related statements of operations and changes in fund balance - regulatory basis for the years then ended and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the current fund for the year ended December 31, 2010. 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 audits.

Except as discussed in the fourth paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 audits provide 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 Awards Program (LOSAP) 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 Fund financial statements as part of our audit of the City's financial statements. The LOSAP Fund financial activities are included in the City's Trust Fund, and represent 17 and 24 percent of the assets and liabilities, respectively, of the City's Trust Funds as of December 31, 2010 and 2009.

INDEPENDENT AUDITOR'S 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, 2010 and 2009, or the changes in its financial position for the years then ended. 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.

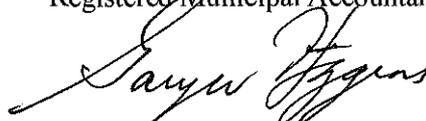
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited and by the omission of the footnote disclosure regarding the other post employment benefit obligations discussed in the fifth paragraph, 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, 2010 and 2009 and the results of operations and changes in fund balance - regulatory basis of such funds for the years then ended and the revenues - regulatory basis and the expenditures - regulatory basis of the Current Fund for the year ended December 31, 2010 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 29, 2011 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 29, 2011

CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2010 AND 2009

	<u>Reference</u>	<u>2010</u>	<u>2009</u>
ASSETS			
Cash	A-4	\$ 2,868,381	\$ 7,840,956
Change Fund	A-5	475	475
Grants Receivable	A-7	851,042	1,617,546
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	A-8	<u>2,000</u>	<u>1,500</u>
		<u>3,721,898</u>	<u>9,460,477</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-9	53,787	68,011
Tax Title Liens	A-10	69,346	107,266
Due from Community Development Block Grant Trust Fund	B-13	21,000	34,135
Due from Other Trust Fund	B-4		2,146
Due from Animal Control Trust Fund	B-15	<u>3,087</u>	<u>928</u>
		<u>147,220</u>	<u>212,486</u>
Deferred Charges			
Emergency Authorizations	A-12	200,000	230,000
Operating Deficit	A-12	<u>-</u>	<u>68,014</u>
		<u>200,000</u>	<u>298,014</u>
Total Assets		<u>\$ 4,069,118</u>	<u>\$ 9,970,977</u>

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2010 AND 2009**

	<u>Reference</u>	<u>2010</u>	<u>2009</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-13	\$ 168,304	\$ 205,713
Encumbrances Payable	A-14	300,178	567,058
Tax Anticipation Note	A-23	3,000,000	2,000,000
Due to General Capital Fund	C-4		5,292,681
Prepaid Taxes	A-21	80,902	58,987
Grants Appropriated	A-20	167,733	1,054,861
Grants Unappropriated	A-25	15,863	
Accounts Payable	A-22	19,253	271,401
Tax Overpayments	A-19	34,808	25,288
Due to LOSAP Trust Fund	A-24		180,000
Due to South Amboy Redevelopment Agency	A-26	1,519	
Miscellaneous Reserves	A-15	46,060	19,066
		<u>3,834,620</u>	<u>9,675,055</u>
Reserve for Receivables and Other Assets	A	147,220	212,486
Fund Balance	A-1	87,278	83,436
		<u>4,069,118</u>	<u>9,970,977</u>
Total Liabilities, Reserves and Fund Balance		\$ 4,069,118	\$ 9,970,977

CITY OF SOUTH AMBOY
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>Reference</u>	<u>2010</u>	<u>2009</u>
REVENUE AND OTHER INCOME REALIZED			
Miscellaneous Revenue Anticipated	A-2	\$ 7,159,983	\$ 6,647,712
Receipts from Delinquent Taxes	A-2	68,614	173,899
Receipts from Current Taxes	A-2	19,248,473	18,271,118
Non-Budget Revenues	A-2	32,261	101,445
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	A-13	113,611	35,056
Prior Year Interfund Returned	A	36,281	18,500
Cancellation of Payable Due to LOSAP Trust Fund	A-1		120,000
Cancellation of Appropriated Grant Reserves - Net	A-1		21,713
Cancellation of Accounts Payable	A-22	<u>250,965</u>	<u>4,693</u>
 Total Income		 <u>26,910,188</u>	 <u>25,394,136</u>
EXPENDITURES			
Budget Appropriations:			
Operations			
Salaries and Wages	A-3	5,569,344	5,940,354
Other Expenses	A-3	6,779,660	5,868,814
Capital Improvements	A-3	25,000	50,000
Municipal Debt Service	A-3	1,664,637	1,583,462
Deferred Charges and Regulatory Expenditures	A-3	1,546,817	691,915
County Taxes	A-16	2,832,670	2,780,545
County Open Space Taxes	A-16	204,353	315,329
Due County for Added Taxes	A-16	2,381	20,587
Local District School Taxes	A-17	8,422,893	8,124,794
Refund of Prior Year Revenue	A-4	34,144	273,789
Prior Year Senior Citizens and Veterans Disallowed	A-8	1,288	6,194
Interfund Originating	A	<u>23,159</u>	<u>36,367</u>
 Total Expenditures		 <u>27,106,346</u>	 <u>25,692,150</u>
 Deficit in Revenue		 (196,158)	 (298,014)
 Adjustments to Income before Surplus			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-12	<u>200,000</u>	<u>230,000</u>
 Deficit in Operations to be Raised in Budget of Succeeding Year	A-12		 <u>\$ (68,014)</u>
 Statutory Excess Fund Balance		 3,842	 -
 Fund Balance, Beginning of Year	A	 <u>83,436</u>	 <u>83,436</u>
 Fund Balance, End of Year	A	 <u>\$ 87,278</u>	 <u>\$ 83,436</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, 2010

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverage	A-11	\$ 27,000	\$ 27,142	\$ 142
Other	A-2	20,064	14,184	(5,880)
Fees and Permits	A-2	69,287	71,393	2,106
Fines and Costs:				
Municipal Court	A-11	267,946	218,885	(49,061)
Interest and Costs on Taxes	A-11	63,000	53,333	(9,667)
Interest on Investments and Deposits	A-2	62,000	61,927	(73)
Sewer User Fees	A-18	1,141,710	1,092,638	(49,072)
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)	A-11	3,872,278	3,872,278	
Uniform Construction Code Fees	A-11	97,500	124,028	26,528
Municipal Alliance	A-7	8,899	8,899	
Jewish Renaissance Foundation Grant	A-7	10,000	10,000	
Middlesex County Open Space Recreation Fund	A-7	465,000	465,000	
NJ Transportation Trust Fund - Boardway Enhancement	A-7	260,000	260,000	
Uniform Fire Safety Act	A-11	1,618	1,618	
Parking Fees	A-11	279,000	279,923	923
Payment in Lieu of Taxes - Shoregate	A-11	163,376	164,889	1,513
Payment in Lieu of Taxes - SA Housing Authority	A-11	42,179		(42,179)
Cable Television Fees	A-11	29,743	29,743	
Dish Rental	A-11	60,000	60,000	
JIFF Reimbursement	A-11	28,000	28,103	103
Reimbursement Agreement -				
South Amboy Redevelopment Agency	A-11	273,680	283,680	10,000
Sewer Connection Fees	A-11	102,128		(102,128)
Tidelands Escrow	A-11	190,000		(190,000)
Housing Inspection Program	A-11	37,950	32,320	(5,630)
Total Miscellaneous Revenues	A-1	<u>7,572,358</u>	<u>7,159,983</u>	<u>(412,375)</u>
Receipts from Delinquent Taxes	A-2	<u>62,000</u>	<u>68,614</u>	<u>6,614</u>
Amount to be Raised by Taxes for Support of Municipal				
Budget Local Tax for Municipal Purposes	A-2	<u>7,852,001</u>	<u>7,886,176</u>	<u>34,175</u>
		<u>\$15,486,359</u>	15,114,773	<u>\$ (371,586)</u>
Non-Budget Revenues	A-2		<u>32,261</u>	
			<u>\$ 15,147,034</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, 2010
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenues from Collections	A-9	\$ 19,248,473
Allocated School and County Taxes	A-16,A-17	<u>11,462,297</u>
Balance for Support of Municipal Budget Appropriations		7,786,176
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>100,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$ 7,886,176</u></u>
Delinquent Taxes		
Delinquent Tax Collections	A-9	\$ 16,933
Tax Title Liens Collections	A-10	<u>51,681</u>
	A-2	<u><u>\$ 68,614</u></u>
Other Licenses		
Bingo Licenses		\$ 4,080
Food Licenses		1,550
Mercantile Licenses		6,700
Outdoor Café Licenses		125
Cat Licenses		291
Taxi License		188
Video License		<u>1,250</u>
	A-2, A-11	<u><u>\$ 14,184</u></u>
Fees and Permits - Other		
Copy of Tax Map		\$ 3
Fire Registration		35
Photo Copies		5,393
Planning Bd. Of Adj.		6,704
Road Opening Permits		5,510
Sidewalk and Curbs		3,044
Tax Collector Fees		32,144
Marriage/Local		183
Copy of Birth Cert.		2,772
Copy of Death Cert.		13,785
Copy of Marriage Lic.		<u>1,820</u>
	A-2, A-11	<u><u>\$ 71,393</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, 2010
(Continued)

	<u>Reference</u>	
Non-Budget Revenues		
2% Administration Fee - Senior Citizen and Veterans		\$ 2,404
Insurance Reimbursement		5,000
Marriage Fees		4,500
NJ Division of Motor Vehicle Fees		1,290
Self Defense Registration Fees		530
Unused Umpire Fees		3,325
Reimbursed School Board Election		1,780
Retiree Drug Subsidy		1,652
DMG Light Post		3,651
Miscellaneous		<u>8,129</u>
	A-2	<u>\$ 32,261</u>
Analysis of Non-Budget Revenues		
Cash Receipts	A-4	\$ 30,102
Due from Animal Control Trust Fund - Statutory Excess	B-15	<u>2,159</u>
		<u>\$ 32,261</u>
Interest on Investments		
Cash Receipts	A-11	\$ 60,672
Due from Other Trust Fund	B-4	<u>1,255</u>
	A-2	<u>\$ 61,927</u>

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 184,950	\$ 185,450	\$ 185,087	\$ 363	
Other Expenses	77,000	77,000	70,883	6,117	
Mayor and Council					
Salaries and Wages	42,830	42,830	42,829	1	
Other Expenses	5,250	4,500	4,428	72	
Municipal Clerk					
Salaries and Wages	92,070	93,695	92,546	1,149	
Other Expenses	21,900	15,900	12,902	2,998	
Financial Administration					
Salaries and Wages	121,200	121,200	119,661	1,539	
Other Expenses	18,950	13,950	10,443	3,507	
Audit Services					
Other Expenses	39,500	39,500	39,500	-	
Revenue Administration					
Salaries and Wages	77,215	79,945	79,542	403	
Other Expenses	10,275	10,275	8,963	1,312	
Tax Assessment Administration					
Salaries and Wages	29,000	29,000	28,954	46	
Other expenses	5,000	5,000	4,918	82	
Legal Services					
Other Expenses	300,000	340,000	339,470	530	
Department of Engineering					
Other Expenses	150,000	196,782	160,978	35,804	
Vital Statistics					
Salaries and Wages	8,890	8,890	8,889	1	
Other Expenses	1,000	1,000	961	39	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	17,310	17,310	17,305	5	
Other Expenses	27,975	22,975	22,975	-	
Zoning Board of Adjustment					
Salaries and Wages	7,215	7,215	7,214	1	
Other Expenses	8,150	6,734	6,733	1	
PUBLIC SAFETY					
Police Department					
Salaries and Wages	3,204,783	3,289,783	3,264,719	25,064	
Other Expenses	65,350	65,350	64,684	666	
Office of Emergency Management					
Other Expenses	1,200	1,200	1,200	-	
Aid to Volunteer Fire Companies					
Other Expenses	85,000	85,000	84,490	510	
Aid to Volunteer Ambulance Squad					
Other Expenses	35,000	35,000	35,000	-	
Department of Fire					
Other Expenses	55,050	55,050	50,776	4,274	
Uniform Fire Official					
Salaries and Wages	5,540	5,540	5,540	-	
Municipal Prosecutor Office					
Salaries and Wages	14,000	14,000	13,945	55	

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance <u>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	\$ 304,000	\$ 314,000	\$ 312,543	\$ 1,457	
Other Expenses	54,000	54,000	44,757	9,243	
Other Public Works Functions					
Shade Tree					
Other Expenses	10,000	2,675	2,675	-	
Sewers					
Salaries and Wages	232,500	228,500	227,931	569	
Other Expenses	33,600	33,600	33,434	166	
Parking Lot					
Salaries and Wages	12,500	12,500	12,459	41	
Other Expenses	275,000	275,000	275,000	-	
Recycling Coordinator					
Salaries and Wages	9,181	9,181	9,180	1	
Other Expenses	100	100	-	100	
Solid Waste Collection					
Salaries and Wages	227,500	238,000	237,418	582	
Other Expenses	404,750	344,750	333,489	11,261	
Buildings and Grounds					
Salaries and Wages	298,500	297,000	296,279	721	
Other Expenses	91,500	91,500	88,056	3,444	
Vehicle Maintenance					
Salaries and Wages	50,000	49,000	47,262	1,738	
Other Expenses	83,000	73,000	70,779	2,221	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	51,450	51,300	51,278	22	
Other Expenses	57,000	57,000	55,468	1,532	
Animal Control Services					
Salaries and Wages	6,000	5,404	5,403	1	
Other Expenses	25,000	18,000	13,417	4,583	
Municipal Court					
Salaries and Wages	128,400	124,400	123,468	932	
Other Expenses	10,500	10,500	10,170	330	
Public Defender					
Salaries and Wages	6,251	6,251	6,249	2	
PARK AND RECREATION FUNCTIONS					
Department of Recreation					
Recreation Services and Programs					
Salaries and Wages	55,700	53,700	53,148	552	
Other Expenses	30,400	20,400	17,969	2,431	
Senior Citizen Activities					
Salaries and Wages	121,000	120,000	119,560	440	
Other Expenses	14,000	14,000	13,274	726	
OTHER COMMON OPERATING FUNCTIONS (Unclassified)					
Celebration of Public Events					
Other Expenses	19,500	17,500	15,111	2,389	
Main Street Project	5,000	-	-	-	
Sayreville Assoc. of Brain Injured Children (40:5-2.9)	3,000	3,000	3,000	-	

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<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	\$ 191,000	\$ 188,000	\$ 185,732	\$ 2,268	
Workers Compensation	349,000	349,000	348,709	291	
Employee Group Health	1,716,755	1,916,755	1,901,930	14,825	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Division of Code Enforcement					
Salaries and Wages	165,250	165,250	164,364	886	
Other Expenses	9,200	8,200	6,672	1,528	
Unclassified					
Utilities	<u>568,000</u>	<u>518,000</u>	<u>506,613</u>	<u>11,387</u>	<u>-</u>
Total Operations Within "CAPS"	<u>10,330,140</u>	<u>10,539,540</u>	<u>10,378,332</u>	<u>161,208</u>	<u>-</u>
Detail:					
Salaries and Wages	5,473,235	5,569,344	5,532,773	36,571	-
Other Expenses	<u>4,856,905</u>	<u>4,970,196</u>	<u>4,845,559</u>	<u>124,637</u>	<u>-</u>
DEFERRED CHARGES AND REGULATORY EXPENDITURES -					
MUNICIPAL WITHIN "CAPS"					
Operating Deficit	68,014	68,014	68,014	-	-
Prior Year Bill (AJV Inc.; Engineering; 2008)	9,293	9,293	9,293	-	-
Deficit - Unemployment Trust	16,908	16,908	16,908	-	-
Unemployment Insurance	115,000	115,000	115,000	-	-
Defined Contribution Retirement Program	500	500	500	-	-
REGULATORY Expenditures					
Social Security System (O.A.S.I.)	260,000	250,000	242,942	7,058	
Police and Firemen's Retirement System of NJ	271,319	271,319	271,319	-	
Public Employees' Retirement System	<u>150,766</u>	<u>150,766</u>	<u>150,766</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Regulatory Expenditures - Municipal Within "CAPS"	<u>891,800</u>	<u>881,800</u>	<u>874,742</u>	<u>7,058</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,221,940</u>	<u>11,421,340</u>	<u>11,253,074</u>	<u>168,266</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Middlesex County Utilities Authority - Payment	580,000	580,600	580,562	38	
Maintenance of Free Public Library	335,303	335,303	335,303	-	
Length of Service Awards Program	60,000	60,000	60,000	-	
Contribution to:					
Public Employees' Retirement System	119,107	119,107	119,107	-	
Police and Firemen's Retirement System of N.J.	315,660	315,660	315,660	-	
Employee Group Health	<u>87,437</u>	<u>87,437</u>	<u>87,437</u>	<u>-</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>1,497,507</u>	<u>1,498,107</u>	<u>1,498,069</u>	<u>38</u>	<u>-</u>

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Public and Private Programs Offset by Revenues					
Municipal Alliance Against Drug & Alcohol Abuse	\$ 11,124	\$ 11,124	\$ 11,124		
Jewish Renaissance Foundation Grant	10,000	10,000	10,000		
Middlesex County Open Space Recreation Fund	465,000	465,000	465,000		
NJ Transportation Trust Fund - Broadway Enhancement	260,000	260,000	260,000	-	-
Total Public and Private Programs Offset by Revenues	746,124	746,124	746,124	-	-
Total Operations - Excluded from "CAPS"	2,243,631	2,244,231	2,244,193	\$ 38	-
Detail:					
Other Expenses	2,243,631	2,244,231	2,244,193	38	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	25,000	25,000	25,000	-	-
Total Capital Improvements Excluded from "CAPS"	25,000	25,000	25,000	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond & Loan Principal	1,101,281	1,101,281	1,101,281		
Interest on Bonds	313,656	313,656	313,655		\$ 1
Interest on Notes	180,585	180,585	180,205		380
Capital Lease Obligations					
Principal	60,993	60,993	60,991		2
Interest	9,023	9,023	8,505	-	518
Total Municipal Debt Service - Excluded from "CAPS"	1,665,538	1,665,538	1,664,637	-	901
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorizations	230,000	230,000	230,000	-	
Deferred Charge to Future Taxation Unfunded: Resurfacing of Various Streets	250	250	250	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	230,250	230,250	230,250	-	-
Total General Appropriations - Excluded from "CAPS"	4,164,419	4,165,019	4,164,080	38	901
Subtotal General Appropriations	15,386,359	15,586,359	15,417,154	168,304	901
Reserve for Uncollected Taxes	100,000	100,000	100,000	-	-
Total General Appropriations	\$ 15,486,359	\$ 15,686,359	\$ 15,517,154	\$ 168,304	\$ 901

Reference

A-2

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CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>Reference</u>	<u>Appropriations Budget After Modification</u>	<u>Expended Paid or Charged</u>
Original Budget	A-3	\$ 15,486,359	
Emergency Appropriations 40A:4-47	A-12	<u>200,000</u>	
		<u>\$ 15,686,359</u>	
Cash Disbursements	A-4		\$ 14,080,099
Due to General Capital Fund:			
Capital Improvement Fund	C-4		25,000
Deferred Charge to Future Taxation Unfunded:			
Resurfacing of Various Streets	C-4		250
Deferred Charges			
Emergency Authorizations	A-12		230,000
Operating Deficit	A-12		68,014
Encumbrances Payable	A-14		207,667
Reserve for Uncollected Taxes	A-2		100,000
Appropriated Grants	A-20		746,124
Due to LOSAP Trust Fund	A-24		<u>60,000</u>
			<u>\$ 15,517,154</u>

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2010 AND 2009**

ASSETS	<u>Reference</u>	<u>2010</u>	<u>2009</u>
ANIMAL CONTROL TRUST FUND			
Cash	B-1	\$ 7,740	\$ 5,953
OTHER TRUST FUND			
Cash	B-1	520,759	425,562
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	80,533	1,042
Due from Other Trust Fund	B-16	7,203	-
		<u>87,736</u>	<u>1,042</u>
COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND			
Community Development Block Grants Receivable	B-12	272,585	131,350
LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)			
Investments	B	181,559	
Due from Current Fund	A-24	-	180,000
		<u>181,559</u>	<u>180,000</u>
 Total Assets		 <u>\$ 1,070,379</u>	 <u>\$ 743,907</u>

CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2010 AND 2009

LIABILITIES AND RESERVES	<u>Reference</u>	<u>2010</u>	<u>2009</u>
ANIMAL CONTROL TRUST FUND			
Reserve for Animal Control Expenditures	B-2	\$ 4,653	\$ 5,025
Due to Current Fund	B-15	<u>3,087</u>	<u>928</u>
		<u>7,740</u>	<u>5,953</u>
OTHER TRUST FUND			
Reserve for			
Third Party Lienholders	B-5	5,939	8,631
Escrow Deposits	B-6	300,107	286,906
Miscellaneous Reserves	B-9	156,708	76,325
Payroll	B-7	4,357	4,357
Payroll Deductions Payable	B-8	46,445	47,197
Due to Current Fund	B-4	-	2,146
Due to Unemployment Trust Fund	B-16	<u>7,203</u>	<u>-</u>
		<u>520,759</u>	<u>425,562</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to State of New Jersey	B-11	3,004	17,950
Reserve(Deficit) for Unemployment Compensation Insurance	B-10	<u>84,732</u>	<u>(16,908)</u>
		<u>87,736</u>	<u>1,042</u>
COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND			
Reserve for Community Development Programs	B-14	251,585	97,215
Due to Current Fund	B-13	<u>21,000</u>	<u>34,135</u>
		<u>272,585</u>	<u>131,350</u>
LENGTH OF SERVICE AWARD PROGRAM			
TRUST FUND (UNAUDITED)			
Reserve for LOSAP	B	<u>181,559</u>	<u>180,000</u>
Total Liabilities and Reserves		<u>\$ 1,070,379</u>	<u>\$ 743,907</u>

CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2010 AND 2009

ASSETS	<u>Reference</u>	<u>2010</u>	<u>2009</u>
Cash	C-2,C-3	\$ 553,747	\$ 39,752
Due from State Department of Transportation	C-8	25,000	25,000
Due From Current Fund	C-4		5,292,681
Deferred Charges to Future Taxation:			
Funded	C-5	14,232,529	7,413,809
Unfunded	C-6	<u>900,000</u>	<u>7,920,250</u>
 Total Assets		 <u>\$ 15,711,276</u>	 <u>\$ 20,691,492</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-13	\$ 13,801,000	\$ 6,916,000
Middlesex County Improvement Authority Loans	C-14	431,529	497,809
Bond Anticipation Notes	C-12		7,920,250
Encumbrances Payable	C-11	633,873	4,111,323
Accounts Payable	C-9	19,470	19,470
Capital Improvement Fund	C-7	5,330	30,330
Reserve for Payment of Debt	C-15	113,870	
Improvement Authorizations			
Funded	C-10	424,988	516,646
Unfunded	C-10	<u>281,216</u>	<u>679,664</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 15,711,276</u>	 <u>\$ 20,691,492</u>

There were bonds and notes authorized but not issued on December 31, 2010 and 2009 in the amount of \$900,000 and \$-0- respectively (Exhibit C-16).

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Buildings and Land	\$ 9,625,300	\$ 9,625,300
Machinery and Equipment	<u>5,981,624</u>	<u>5,155,603</u>
	<u>\$ 15,606,924</u>	<u>\$ 14,780,903</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 15,606,924</u>	<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
YEARS ENDED DECEMBER 31, 2010 AND 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 incorporated in 1808 and operates under an elected Mayor/Council form of government. The City's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 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 - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the City as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

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

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

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

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

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

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

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

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

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 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 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The City may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

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

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

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 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 2010 and 2009 the City Council increased the original budget by \$200,000 and \$256,713. The 2010 increase was attributable to an emergency resolution totaling \$200,000. The 2009 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 totaling \$230,000. In addition, the governing body approved several budget transfers during 2010 and 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
YEARS ENDED DECEMBER 31, 2010 AND 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
YEARS ENDED DECEMBER 31, 2010 AND 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 General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

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

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

Reclassifications - Certain reclassifications have been made to the December 31, 2009 balances to conform to the December 31, 2010 presentation.

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

**CITY OF SOUTH AMBOY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2010 and 2009, the book value of the City's deposits were \$4,031,635 and \$8,313,740 and bank and brokerage firm balances of the City's deposits amounted to \$4,175,392 and \$8,493,192, respectively. The City's deposits which are displayed on the various fund balance sheets "cash" as are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2010</u>	<u>2009</u>
Insured	<u>\$ 4,175,392</u>	<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, 2010 and 2009, the City's had no bank balances exposed to custodial credit risk.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 2 DEPOSITS AND INVESTMENTS

Investments

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

As of December 31, 2010 and 2009, the City had the following investments:

	<u>Fair Value</u>
<u>2010</u>	
Investment:	
Length of Service Award Program (Fair Value - Unaudited)	<u>\$ 181,559</u>

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

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by an outside party. The City does not have a policy for custodial risk. As of December 31, 2010 and 2009 of the City’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>
<u>2010</u>	
Uninsured and Collateralized:	
Collateral held by pledging financial institution's trust department but nt in the City's name	<u>\$ 181,559</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

NOTE 3 TAXES RECEIVABLE

Receivables at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Property Taxes	\$ 53,787	\$ 68,011
Tax Title Liens	<u>69,346</u>	<u>107,266</u>
	<u>\$ 123,133</u>	<u>\$ 175,277</u>

In 2010 and 2009, the City collected \$68,614 and \$173,899 from delinquent taxes, which represented 39% and 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
YEARS ENDED DECEMBER 31, 2010 AND 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 both general capital funds. 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>2010</u>	<u>2009</u>
Issued		
General		
Bonds, Notes and Loans	\$ 14,232,529	\$ 15,334,059
Net Debt Issued	<u>14,232,529</u>	<u>15,334,059</u>
Authorized But Not Issued		
General		
Bonds and Notes	<u>900,000</u>	<u>-</u>
Net Bonds, Notes and Loans Issued and Authorized But Not Issued	<u>\$ 15,132,529</u>	<u>\$ 15,334,059</u>

Statutory Net Debt

The statement of debt condition that follows is extracted from the City's Annual Debt Statement and indicates a statutory net debt of 1.50% and 1.49% at December 31, 2010 and 2009, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2010</u>			
General Debt	\$ 20,042,529	\$ 4,910,000	\$ 15,132,529
School Debt	<u>2,491,579</u>	<u>2,491,579</u>	<u>-</u>
Total	<u>\$ 22,534,108</u>	<u>\$ 7,401,579</u>	<u>\$ 15,132,529</u>
	<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>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT

Statutory Borrowing Power

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

	<u>2010</u>	<u>2009</u>
3 1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 35,227,374 <u>15,132,529</u>	\$ 35,911,298 <u>15,334,059</u>
Remaining Borrowing Power	<u>\$ 20,094,845</u>	<u>\$ 20,577,239</u>

Long-Term Debt

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

General Obligation Bonds

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

	<u>2010</u>	<u>2009</u>
\$3,673,000, 1994 Bonds, due in annual installments of \$253,000 to \$260,000 through December 15, 2011, interest at 4.8%	\$ 253,000	\$ 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%	638,000	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%	4,990,000	5,090,000
\$7,920,000, 2010 Bonds due in annual installments of \$100,000 to \$770,000 through May 1, 2025, interest at 3.0% to 4.0%	<u>7,920,000</u>	<u>-</u>
	<u>\$ 13,801,000</u>	<u>\$ 6,916,000</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

General Intergovernmental Loans Payable

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

	<u>2010</u>	<u>2009</u>
\$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%	\$ 41,354	\$ 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>390,175</u>	<u>452,063</u>
	<u>\$ 431,529</u>	<u>\$ 497,809</u>

The City's principal and interest for long-term debt issued and outstanding as of December 31, 2010 is as follows:

Calendar Year	<u>General</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 773,000	\$ 672,517	\$ 66,611	\$ 11,566	\$ 1,523,694
2012	968,000	499,452	68,016	10,189	1,545,657
2013	950,000	460,300	69,769	8,464	1,488,533
2014	940,000	432,800	71,568	6,690	1,451,058
2015	950,000	398,550	30,375	4,863	1,383,788
2016-2020	4,750,000	1,453,751	125,190	9,632	6,338,573
2021-2025	<u>4,470,000</u>	<u>465,100</u>	<u>-</u>	<u>-</u>	<u>4,935,100</u>
	<u>\$ 13,801,000</u>	<u>\$ 4,382,470</u>	<u>\$ 431,529</u>	<u>\$ 51,404</u>	<u>\$ 18,666,403</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The City's long-term capital debt activity for the years 2010 and 2009 were as follows:

	Balance, December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>	Due Within <u>One Year</u>
<u>2010</u>					
General Capital Fund					
Bonds Payable	\$ 6,916,000	\$ 7,920,000	\$ 1,035,000	\$ 13,801,000	\$ 773,000
Intergovernmental					
Loans Payable	<u>497,809</u>	<u>-</u>	<u>66,280</u>	<u>431,529</u>	<u>66,611</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 7,413,809</u>	<u>\$ 7,920,000</u>	<u>\$ 1,101,280</u>	<u>\$ 14,232,529</u>	<u>\$ 839,611</u>
	Balance, December 31, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2009</u>	Due Within <u>One Year</u>
<u>2009</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 15th for the years 2010 through 2038.

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

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The City's short-term capital debt activity for the years 2010 and 2009 was as follows:

	Balance, December 31, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Bond Anticipation Notes				
General Capital Fund	\$ 7,920,250	\$ -	\$ 7,920,250	\$ -
	Balance, December 31, <u>2008</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2009</u>
<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 years 2010 and 2009 as follows:

	Balance, December 31, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2010</u>
Tax Anticipation Notes	\$ 2,000,000	\$ 3,000,000	\$ 2,000,000	\$ 3,000,000
	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
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years 2010 and 2009.

	Balance June 30, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Land and Buildings	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	<u>5,155,603</u>	\$ 826,021	-	<u>5,981,624</u>
	<u>\$ 14,780,903</u>	<u>\$ 826,021</u>	<u>\$ -</u>	<u>\$ 15,606,924</u>
	Balance, December 31, <u>2008</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2009</u>
<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, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2010</u>		<u>2009</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 24,087		\$ 37,209	\$ 5,472,681
Trust Fund:				
Animal Control		\$ 3,087		928
Unemployment	7,203			
Other Trust		7,203		2,146
Community Development Block Grant		21,000		34,135
LOSAP			180,000	
General Capital Fund	-	-	<u>5,292,681</u>	-
Total	<u>\$ 31,290</u>	<u>\$ 31,290</u>	<u>\$ 5,509,890</u>	<u>\$ 5,509,890</u>

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

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

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 7 FUND BALANCES APPROPRIATED

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

	Fund Balance December 31, <u>2010</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2009</u>	Utilized in Subsequent Year's Budget
Current Fund				
Non-Cash Surplus	\$ 87,278	\$ -	\$ 83,436	\$ -

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, the following deferred charges are reported on the balance sheets of the following funds:

	Balance, <u>December 31,</u>	Subsequent Year Budget Appropriation	Balance to Succeeding Budgets
<u>2010</u>			
Current Fund			
Emergency Authorizations	\$200,000	\$200,000	\$ -
<u>2009</u>			
Current Fund			
Emergency Authorizations	\$230,000	\$230,000	
Operating Deficit	<u>68,014</u>	<u>68,014</u>	
	<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>	
	<u>\$315,026</u>	<u>\$314,922</u>	\$ -

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 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 \$1,306,515 and \$1,398,893 at December 31, 2010 and 2009, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

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

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

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, if applicable, 25 years for post-retirement healthcare coverage.

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

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

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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.

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.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation

P.L. 2010, c.1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

This new legislation changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from this plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 72.1 percent and \$15.1 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.

**CITY OF SOUTH AMBOY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions

In the June 30, 2009 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 CPFPPF; 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 5.50% for PERS, 8.50% for PFRS and 5.50% for DCRP of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2010 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2010, 2009 and 2008, the City, except for the amounts deferred during the year ended December 31, 2009, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums 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>
2010	\$ 586,979	\$ 269,873	\$ 500
2009	262,144	145,668	500
2008	480,278	161,226	

During the year ended December 31, 2009 the City elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$344,668 and will be paid back with interest over 15 years beginning in the 2012 year. The City is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total liability including accrued interest (at 8.25%) at December 31, 2010 and 2009 is \$394,429 and \$365,994, respectively.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

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

Funding Policy

The required contribution is funded on a pay-as-you-go basis with an additional amount to prefund benefits as determined annually by the City. The amount paid by the City for post-retirement health coverage premiums for eligible retirees and their dependents during the year ended December 31, 2010 and 2009 was not available.

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.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 12 RISK MANAGEMENT (Continued)

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

<u>Year Ended December 31</u>	<u>City Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance (Deficit)</u>
2010	\$ 131,908	\$ 7,203	\$ 37,960	\$ 84,732
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.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2010 and 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 for the above referenced condemnation cases, in June 2005, the City became the owner for the sum of \$652,300 plus an additional \$69,200 for the settlement with the State of New Jersey, Department of Environmental Protection, Tidelands Bureau, or a total of \$721,500. The sum of \$652,300 had been deposited with the Court and paid over to the owners of the properties. The additional sum of \$69,200 to the State of New Jersey is unpaid, to date. The property owners have presented appraisals for the property on October 29, 2009 claiming the property is worth \$11,240,000, a difference of \$10,518,500, and are contesting the amount paid by the City. This matter is proceeding to a jury trial pursuant to the State's eminent domain statute. 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, it could have an obligation to pay up to \$10,518,500.

The matter was still in pretrial discovery with discussions of a global settlement. The Defendants submitted a settlement offer to the City; the parties' representatives met personally and are obtaining additional data and information necessary for the settlement.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 13 CONTINGENT LIABILITIES

Other Matters (Continued)

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, 2010 and 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, 2010 and 2009, the City had no estimated arbitrage earnings due to the IRS.

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

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

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

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.

As of December 31, 2010 the City has established a reserve for LOSAP in the amount of \$72,666. The City is in the process of establishing its LOSAP liability for the calendar year 2010. The City anticipates the reserve being sufficient to fund the outstanding liability based upon the eligibility records provided.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (If Applicable) (Continued)

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.

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.

NOTE 16 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction/ Acquisition/ Commitment</u>	<u>Estimated Date of Completion</u>
2010		
<u>Current Fund</u>		
Transit Village – Broadway Enhancements	\$ 92,511	2011
<u>General Capital Fund</u>		
Broadway Improvements	182,490	2011
Building Improvements	127,898	2011
Acquisition of Vehicles	54,745	2011
Fire Apparatus	30,618	2011
Improvements to Various Streets	185,819	2011
2009		
<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

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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, 2010 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</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>MCIA</u> <u>Fee</u>	<u>Trustee</u> <u>Fee</u>	<u>Total</u>
2011	\$ 54,400	\$ 2,374	\$ 100	\$ 41	\$ 56,915
2012	16,129	998	74	46	17,247
2013	<u>16,447</u>	<u>514</u>	<u>-</u>	<u>-</u>	<u>16,961</u>
	<u>\$ 86,976</u>	<u>\$ 3,886</u>	<u>\$ 174</u>	<u>\$ 87</u>	<u>\$ 91,123</u>

NOTE 18 SUBSEQUENT EVENTS

Tax Anticipation Notes

On March 2, 2011 the City authorized the Chief Financial Officer to issue \$3,000,000 of Tax Anticipation Notes to temporarily finance the City's operating expenditures. As of the date of this report, the Chief Financial Officer has not issued nor awarded the sale of said notes.

Debt Authorized

On March 16, 2011, the City adopted a Bond Ordinance authorizing the issuance \$950,000 in Bonds or Bond Anticipation Notes to fund certain capital projects. As of the date of this report the City has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

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

Balance, December 31, 2009		\$ 7,840,956
Increased by Receipts:		
Taxes Receivable	\$ 19,100,176	
Non-Budget Revenue	30,102	
Due from State of NJ - Senior Citizens' and Veterans' Deductions	95,212	
Tax Title Liens	51,681	
Revenue Accounts Receivable	5,322,191	
Miscellaneous Payables and Reserves	44,082	
Unappropriated Reserve for Grants	15,863	
Sewer User Fees	1,092,638	
Prepaid Taxes	80,902	
Tax Anticipation Notes Payable	3,000,000	
Tax and Sewer Overpayments	38,107	
Due to South Amboy Redevelopment Agency	41,215	
General Capital Receipts Deposited in Current Fund	8,033,870	
Refund of Appropriated Grant	86,921	
CDBG Receivable	34,135	
Grants Receivable	176,216	
Petty Cash Received	1,050	
Due from Other Trust Fund	<u>3,401</u>	
		<u>37,247,762</u>
		45,088,718
Decreased by Disbursements:		
Budget Appropriations	14,080,099	
Tax Anticipation Notes Payable	2,000,000	
Miscellaneous Reserves	17,088	
Grants Appropriated	627,679	
Appropriation Reserves	324,956	
County Taxes Payable	3,039,404	
Local District School Tax Payable	8,422,893	
Refund of Prior Year Revenue	34,144	
Tax and Sewer Overpayments	19,344	
Accounts Payable	1,183	
General Capital Cash Disbursements made by Current Fund	12,837,806	
Cash Disbursements to General Capital Fund	513,995	
CDBG Trust Fund Expenditures Paid by Current Fund	21,000	
Due to LOSAP Trust Fund	240,000	
Petty Cash Paid	1,050	
Due to South Amboy Redevelopment Agency	<u>39,696</u>	
		<u>42,220,337</u>
Balance, December 31, 2010		<u>\$ 2,868,381</u>

EXHIBIT A-5

STATEMENT OF CHANGE FUND

<u>Office</u>	Balance December 31, 2009	Balance December 31, 2010
Municipal Court	\$ 100	\$ 100
Registrar/Vital Statistics	45	45
Sewer Collector	145	145
Tax Collector	85	85
City Clerk	50	50
Construction Code Official	<u>50</u>	<u>50</u>
	<u>\$ 475</u>	<u>\$ 475</u>

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

<u>Office</u>	<u>Balance,</u> <u>December 31,</u> <u>2009</u>	<u>Increased by</u> <u>Petty Cash</u> <u>Issued</u>	<u>Decreased by</u> <u>Petty Cash</u> <u>Returned</u>	<u>Balance,</u> <u>December 31,</u> <u>2010</u>
City Administrator		\$ 200	\$ 200	
Police Department		500	500	
Department of Public Works	-	350	350	-
	<u>\$ -</u>	<u>\$ 1,050</u>	<u>\$ 1,050</u>	<u>\$ -</u>

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

	Balance, December 31, <u>2009</u>	<u>Accrued</u>	Cash <u>Receipts</u>	Cancelled Against Appropriated Grant <u>Reserve</u>	Balance, December 31, <u>2010</u>
HDSRF - Broadway Redevelopment	\$ 21,114				\$ 21,114
HDSRF - Wishey Property	65,705				65,705
Municipal Alliance on Alcoholism & Drug Abuse	11,159	\$ 8,899	\$ 4,661		15,397
County of Middlesex - Construction/Imp Recreation Facilities (Open Space)		465,000			465,000
NJDOT : TTF Transit Village		260,000			260,000
Jewish Renaissance Foundation		10,000	5,000		5,000
Federal Highway Administration Grant	1,353,013			\$ 1,334,187	18,826
NJDOT: Main St. 08	<u>166,555</u>	<u>-</u>	<u>166,555</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,617,546</u>	<u>\$ 743,899</u>	<u>\$ 176,216</u>	<u>\$ 1,334,187</u>	<u>\$ 851,042</u>

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

Balance, December 31, 2009		\$ 1,500
Increased by:		
Senior Citizens and Veteran Deductions Per Tax Billings	\$ 94,500	
Senior Citizens' Deductions Allowed Per Tax Collector	1,000	
Veteran's Deductions Allowed	<u>1,500</u>	
		<u>97,000</u>
		98,500
Decreased by:		
Received in Cash from State	95,212	
Prior Year Senior Citizens' & Veterans' Disallowed	<u>1,288</u>	
		<u>96,500</u>
Balance, December 31, 2010		<u>\$ 2,000</u>

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

Year	Balance, Dec. 31, 2009	2010 Levy	Added Taxes	Senior Citizens and Veterans Deductions Disallowed	Collected		Senior Citizens and Veterans' Deductions Allowed	Transferred to Tax Title Liens	Overpayments Applied	Cancelled	Balance, Dec. 31, 2010
					2009	2010					
2008	\$ 54,969					\$ 2,604					\$ 52,365
2009	13,042	\$ -	-	\$ 1,288	\$ -	14,329	\$ -	-	-	\$ 1	-
	68,011	-	-	1,288	-	16,933	-	-	-	1	52,365
2010	-	\$ 19,330,888	\$ 13,954	-	\$ 58,987	19,083,243	\$ 97,000	\$ 11,171	\$ 9,243	83,776	1,422
	<u>\$ 68,011</u>	<u>\$ 19,330,888</u>	<u>\$ 13,954</u>	<u>\$ 1,288</u>	<u>\$ 58,987</u>	<u>\$ 19,100,176</u>	<u>\$ 97,000</u>	<u>\$ 11,171</u>	<u>\$ 9,243</u>	<u>\$ 83,777</u>	<u>\$ 53,787</u>

Analysis of Calendar Year December 31, 2010 Property Tax Levy

Tax Levy:	
General Purpose Tax	\$ 19,330,888
Added Tax	<u>13,954</u>
	<u>\$ 19,344,842</u>
Local District School Tax Levy	\$ 8,422,893
County Taxes:	
County Tax	\$ 3,037,023
Due County for Added Taxes	<u>2,381</u>
	3,039,404
Local Tax for Municipal Purposes	7,852,001
Add: Excess in Tax Levied	<u>30,544</u>
	<u>7,882,545</u>
	<u>\$ 19,344,842</u>

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

Balance, December 31, 2009		\$ 107,266
Increased by:		
Transferred from Taxes Receivable	\$ 11,171	
Fees and Costs	<u>2,590</u>	
		<u>13,761</u>
		121,027
Decreased By:		
Collections		<u>51,681</u>
Balance, December 31, 2010		<u>\$ 69,346</u>

CITY OF SOUTH AMBOY
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2009</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2010</u>
Licenses:				
Alcoholic Beverage		\$ 27,142	\$ 27,142	
Other		14,184	14,184	
Fees and Permits		71,393	71,393	
Fines and Costs:				
Municipal Court		218,885	218,885	
Interest and Costs on Taxes		53,333	53,333	
Interest on Investments and Deposits		60,672	60,672	
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)		3,872,278	3,872,278	
Uniform Construction Code Fees		124,028	124,028	
Uniform Fire Safety Act		1,618	1,618	
Parking Fees		279,923	279,923	
Payment in Lieu of Taxes - Shoregate		164,889	164,889	
Cable Television Fees		29,743	29,743	
Dish Rental		60,000	60,000	
JIFF Reimbursement		28,103	28,103	
Reimbursement Agreement - South Amboy Redevelopment Agency		283,680	283,680	
Housing Inspection Program	-	32,320	32,320	-
	<u>-</u>	<u>\$ 5,322,191</u>	<u>\$ 5,322,191</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 5,322,191</u>	<u>\$ 5,322,191</u>	<u>\$ -</u>

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

	Balance, December 31, <u>2009</u>	2010 <u>Budget</u>	Added <u>in 2010</u>	Balance, December 31, <u>2010</u>
Emergency Authorizations (40A:4-47)	\$ 230,000	\$ 230,000	\$ 200,000	\$ 200,000
Operating Deficit	<u>68,014</u>	<u>68,014</u>	<u>-</u>	<u>-</u>
	<u>\$ 298,014</u>	<u>\$ 298,014</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>

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

	Balance December, <u>2010</u>	Balance After Transfers and Encumbrances <u>Cancelled</u>	Paid or Charged	Balance <u>Lapsed</u>
General Administration				
Other Expenses	\$ 31,661	\$ 38,786	\$ 26,311	\$ 12,475
Mayor and Council				
Other Expenses	216	266	266	-
Municipal Clerk				
Other Expenses	783	783	783	-
Financial Administration				
Other Expenses	720	1,590	870	720
Revenue Administration				
Other Expenses	-	882	882	-
Legal Services				
Other Expenses	30,353	33,981	33,956	25
Department of Engineering				
Other Expenses	15,000	20,299	20,299	-
Vital Statistics				
Other Expenses	125	125	-	125
Planning Board				
Other Expenses	3,922	8,371	1,764	6,607
Zoning Board of Adjustment				
Other Expenses	1,612	1,612	892	720
Police Department				
Salaries and Wages	4,527	4,527	(4,402)	8,929
Other Expenses	2,996	6,796	2,595	4,201
Emergency Management				
Other Expenses	83	83	-	83
Department of Fire				
Other Expenses	809	37,960	37,131	829
Uniform Fire Official				
Other Expenses	505	505	7	498
Streets and Roads				
Salaries and Wages	7,658	7,658	-	7,658
Other Expenses	7,348	9,196	1,523	7,673
Sewers				
Other Expenses	7,930	11,905	5,802	6,103
Parking Lot				
Other Expenses	-	75,000	75,000	-
Solid Waste				
Other Expenses	40,774	40,976	40,976	-
Buildings and Grounds				
Other Expenses	16,255	25,514	14,467	11,047
Vehicle Maintenance				
Other Expenses	1,728	2,665	1,595	1,070
Board of Health				
Salaries and Wages	3	3	-	3
Other Expenses	3,665	3,665	-	3,665
Municipal Court				
Other Expenses	620	900	619	281

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

	Balance December, <u>2010</u>	Balance After Transfers and Encumbrances <u>Cancelled</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Senior Citizens				
Other Expenses	\$ 1,988	\$ 2,428	\$ 2,117	\$ 311
Celebration of Public Events				
Other Expenses		1,175	260	915
Division of Code Enforcement				
Other Expenses	278	278	-	278
Utilities	6,311	82,795	61,163	21,632
Insurance				
Employee Group Health	6,340	6,340	80	6,260
Nonpublic School Aid	<u>11,503</u>	<u>11,503</u>	<u>-</u>	<u>11,503</u>
 Grand Total	 <u>\$ 205,713</u>	 <u>\$ 438,567</u>	 <u>\$ 324,956</u>	 <u>\$ 113,611</u>
 Appropriation Reserves		 \$ 205,713		
Encumbrances Reappropriated		<u>232,854</u>		
		 <u>\$ 438,567</u>		
 Cash Disbursements			 <u>\$ 324,956</u>	

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

Balance, December 31, 2009		\$ 567,058
Increased by:		
Charges to Budget Appropriations	\$ 207,667	
Charges to Reserves for Grants Appropriated	<u>92,511</u>	
		<u>300,178</u>
		867,236
Decreased by:		
Transferred to Appropriated Grants	334,204	
Transferred to Appropriation Reserves	<u>232,854</u>	
		<u>567,058</u>
Balance, December 31, 2010		<u>\$ 300,178</u>

EXHIBIT A-15

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, 2009	Increases	Decreases	Balance, December 31, 2010
Marriage License/Domestic Partner	\$ 725	\$ 1,500	\$ 1,975	\$ 250
Burial Permits	430	170	600	-
Civil Union		25		25
Garnishees	10,168	2,695		12,863
Construction		6,770	6,770	-
Off-Duty		32,922		32,922
Unallocated Receipts	<u>7,743</u>	<u>-</u>	<u>7,743</u>	<u>-</u>
	<u>\$ 19,066</u>	<u>\$ 44,082</u>	<u>\$ 17,088</u>	<u>\$ 46,060</u>

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

Increased by:		
Tax Levy:		
General Taxes	\$ 2,832,670	
Added and Omitted Taxes	2,381	
Open Space Taxes	<u>204,353</u>	
		<u>\$ 3,039,404</u>
Decreased by:		
Payments		<u>\$ 3,039,404</u>

EXHIBIT A-17

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:		
Tax Levy		<u>\$ 8,422,893</u>
Decreased by:		
Payments		<u>\$ 8,422,893</u>

EXHIBIT A-18

STATEMENT OF SEWER USER FEES RECEIVABLE

Increased by:		
Billings		<u>\$ 1,092,638</u>
Decreased by:		
Collections		<u>\$ 1,092,638</u>

EXHIBIT A-19

STATEMENT OF TAX OVERPAYMENTS

		<u>Taxes</u>
Balance, December 31, 2009		\$ 25,288
Increased by:		
Cash Receipts		<u>38,107</u>
		63,395
Decreased By:		
Cash Disbursements	\$ 19,344	
Overpayments Applied	<u>9,243</u>	
		<u>28,587</u>
Balance, December 31, 2010		<u>\$ 34,808</u>

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

	Balance December 31, <u>2009</u>	Budget Appropriation	Cash Receipts	Encumbrances Cancelled	Cancelled Against Receivable	Paid or Charged	Balance December 31, <u>2010</u>
Body Armor Replacement Fund	\$ 321					\$ 321	
Body Armor Replacement Fund	2,731					471	\$ 2,260
Body Armor Replacement Fund - 2008	6,135						6,135
HDSRF - Broadway Redevelopment	39,337						39,337
HDSRF - Wishey Property	65,705						65,705
Municipal Alliance							
2010		\$ 11,124					11,124
2009	11,124						11,124
2008	5,388						5,388
2006	1,381						1,381
2007 State	7,850					4,661	3,189
2007 Local	1,827						1,827
Construction/Imp Recreation Facilities		465,000				465,000	
TTF Transit Village		260,000				245,090	14,910
Jewish Renaissance Foundation		10,000				4,647	5,353
Federal Highway Admin. Grant-Radford Ferry Road	<u>913,062</u>	<u>-</u>	<u>\$ 86,921</u>	<u>\$ 334,204</u>	<u>\$1,334,187</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,054,861</u>	<u>\$ 746,124</u>	<u>\$ 86,921</u>	<u>\$ 334,204</u>	<u>\$1,334,187</u>	<u>\$ 720,190</u>	<u>\$ 167,733</u>
Transfer to Encumbrances Payable						\$ 92,511	
Cash Disbursements						<u>627,679</u>	
						<u>\$ 720,190</u>	

EXHIBIT A-21

STATEMENT OF PREPAID TAXES

Balance, December 31, 2009	\$ 58,987
Increased by:	
2011 Taxes Received	<u>80,902</u>
	139,889
Decreased by:	
Applied to Taxes Receivable	<u>58,987</u>
Balance, December 31, 2010	<u>\$ 80,902</u>

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

Balance, December 31, 2009		\$	271,401
Decreased by:			
Cash Disbursements			1,183
Cancelled			<u>250,965</u>
			<u>252,148</u>
Balance, December 31, 2010		\$	<u>19,253</u>

STATEMENT OF TAX ANTICIPATION NOTES PAYABLE

Balance, December 31, 2009		\$	2,000,000
Increased by:			
Cash Receipts			<u>3,000,000</u>
			5,000,000
Decreased by:			
Cash Disbursements			<u>2,000,000</u>
Balance, December 31, 2010		\$	<u>3,000,000</u>

STATEMENT OF DUE TO LOSAP TRUST FUND

Balance, December 31, 2009		\$	180,000
Increased by:			
Charges to Budget Appropriation			<u>60,000</u>
			240,000
Decreased by:			
Cash Disbursements			<u>240,000</u>
Balance, December 31, 2010		\$	<u>-</u>

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

Increased by:		
Cash Receipts		\$ 15,863
		<u>15,863</u>
Balance, December 31, 2010		<u>\$ 15,863</u>
Analysis of Balances:		
Body Armor		\$ 4,098
Clean Communities		<u>11,765</u>
		<u>\$ 15,863</u>

STATEMENT OF DUE TO SOUTH AMBOY REDEVELOPMENT AGENCY

Increased by:		
Cash Receipts - Reimbursed from Redevelopment Agency		\$ 41,215
Decreased by:		
Payroll Expenditures Paid by City of South Amboy		<u>39,696</u>
Balance, December 31, 2010		<u>\$ 1,519</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, 2009	\$ 5,953	\$ 425,562	\$ 1,042
Increased by Receipts:			
Reserve for Payroll		\$ 3,723,825	
Reserve for Payroll Deductions Payable		3,303,776	
Reserve for Miscellaneous Reserves		80,908	
Reserve for Escrow Deposits		146,958	
Reserve for Third Party Lienholders		291,689	
License Fees Collected	\$ 1,686		
Late Fees Collected	101		
Due to State of NJ - State Registration Fees	445		
City Contributions			\$ 131,908
Employee Contributions-Due to Unemployment		7,203	
Interest on Deposits	-	1,255	489
	<u>2,232</u>	<u>7,555,614</u>	<u>132,397</u>
	8,185	7,981,176	133,439
Decreased by Disbursements:			
Expenditures			
Due to State of NJ - Unemployment Claims			52,906
Due to State of NJ - State Registration Fees	445		
Due to Current Fund		3,401	
Reserve for Escrow Deposits		133,757	
Reserve for Payroll		3,723,825	
Reserve for Payroll Deductions Payable		3,304,528	
Reserve for Third Party Lienholders		294,381	
Reserve for Miscellaneous Reserves	-	525	-
	<u>445</u>	<u>7,460,417</u>	<u>52,906</u>
Balance, December 31, 2010	<u>\$ 7,740</u>	<u>\$ 520,759</u>	<u>\$ 80,533</u>

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

Balance, December 31, 2009		\$	5,025
Increased by:			
License Fees Collected	\$	1,686	
Late Fees Collected		<u>101</u>	
			<u>1,787</u>
			6,812
Decreased by:			
Statutory Excess Due to Current Fund			<u>2,159</u>
Balance, December 31, 2010		\$	<u><u>4,653</u></u>

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

Increased By:			
State Fees Collected		\$	<u>445</u>
Decreased by			
Payments		\$	<u><u>445</u></u>

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

Balance, December 31, 2009		\$	2,146
Increased By			
Interest on Deposits - Other Trust Account			<u>1,255</u>
			3,401
Decreased by:			
Payments to Current Fund			<u>3,401</u>
Balance, December 31, 2010		\$	<u><u>-</u></u>

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

Balance, December 31, 2009	\$ 8,631
Increased by Cash Receipts	<u>291,689</u>
	300,320
Decreased by Cash Disbursements	<u>294,381</u>
Balance, December 31, 2010	<u><u>\$ 5,939</u></u>

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

Balance, December 31, 2009	\$ 286,906
Increased by Deposits Collected	<u>146,958</u>
	433,864
Decreased by: Deposits Refunded	<u>133,757</u>
Balance, December 31, 2010	<u><u>\$ 300,107</u></u>

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

Balance, December 31, 2009	\$ 4,357
Increased by:	
Cash Receipts	<u>3,723,825</u>
	3,728,182
Decreased by:	
Cash Disbursements	<u>3,723,825</u>
Balance, December 31, 2010	<u>\$ 4,357</u>

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

Balance, December 31, 2009	\$ 47,197
Increased by:	
Cash Receipts	<u>3,303,776</u>
	3,350,973
Decreased by:	
Cash Disbursements	<u>3,304,528</u>
Balance, December 31, 2010	<u>\$ 46,445</u>

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

	Balance December 31, <u>2009</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance December 31, <u>2010</u>
Recycling Program	\$ 19,209	\$ 1,346		\$ 20,555
Senior Citizen Transportation	2,235	1,210		3,445
Forfeited Funds	20,778	3,199		23,977
Recreation Trust	4,893			4,893
Parking Offense Adjudication Act	778	562		1,340
Raritan Bay Seafood Festival	6,260	1,575	\$ 225	7,610
Tax Sale Premium	14,400	100	300	14,200
Off Duty Police	124			124
Charter Celebration	4,586			4,586
Dedicated Penalties - Fire	3,062	250		3,312
LOSAP	-	72,666	-	72,666
	<u>\$ 76,325</u>	<u>\$ 80,908</u>	<u>\$ 525</u>	<u>\$ 156,708</u>

EXHIBIT B-10

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

Balance (Deficit), December 31, 2009	\$ (16,908)
Increased by:	
City Contribution	\$ 131,908
Employee Contribution	7,203
Interest on Deposits	489
	<u>139,600</u>
	122,692
Decreased by:	
Unemployment Claims	<u>37,960</u>
Balance (Deficit), December 31, 2010	<u>\$ 84,732</u>

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

Balance, December 31, 2009	\$	17,950
Increased By:		
Claims		37,960
		55,910
Decreased by:		
Payments made to the State of NJ		52,906
Balance, December 31, 2010	\$	3,004

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

Balance, December 31, 2009	\$	131,350
Increased by:		
Grant Allocations		175,370
		306,720
Decreased by:		
Cash Receipts Received in Current Fund		34,135
Balance, December 31, 2010	\$	272,585

<u>Analysis of Balance</u>		
2009 Façade Improvements	\$	47,215
Community Center		225,370
	\$	272,585

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

Balance, December 31, 2009	\$	34,135
Increased by:		
Community Development Block Grant Expenditures Paid by Current Fund		21,000
		55,135
Decreased By:		
Community Development Grant Receipts Deposited in Current Fund		34,135
Balance, December 31, 2010	\$	21,000

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

		2010 Façade <u>Improvements</u>
Balance, December 31, 2009	\$	97,215
Increased by:		
Grant Awards Senior Area/Community Center		175,370
		272,585
Decreased by:		
Expenditures		21,000
Balance, December 31, 2010	\$	251,585

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

Balance, December 31, 2009	\$ 928
Increased by:	
Statutory Excess	<u>2,159</u>
Balance, December 31, 2010	<u>\$ 3,087</u>

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

Increased by:	
Payroll Deductions Not Transferred	<u>\$ 7,203</u>
Balance, December 31, 2010	<u>\$ 7,203</u>

GENERAL CAPITAL FUND

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

Balance, December 31, 2009	\$ 39,752
Increased by Receipts:	
Receipts from Current Fund	<u>513,995</u>
Balance, December 31, 2010	<u>\$ 553,747</u>

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

		Balance, December 31, <u>2010</u>
Grants Receivable		\$ (25,000)
Accounts Payable		19,470
Encumbrances Payable		633,873
Capital Improvement Fund		5,330
Reserve for Payment of Debt		113,870
<u>Ord. No.</u>	<u>Improvement Description</u>	
8-02	Augusta St. - Phase III	16,098
12-03	Acquisition of Land	21,741
25-06	Broadway Street Enhancement Improvements	42,817
7-07	Improvements to Sewer System on Cedar Street	10,674
9-08.1	Acquisition of Fire Apparatus	31,334
9-08.2	Acquisition of Vehicles	218,868
9-08.4	Building Improvements	22,513
24-08	Purchase of Generator	21
18-09	Purchase of Bucket Truck	26,982
18-09	Purchase of Truck with Spreader	33,940
10-10	Improvements to Various Streets	(422,069)
11-10	Environmental Remediation	(35,896)
28-10	Improvements to Various Streets	<u>(160,819)</u>
		 <u>\$ 553,747</u>

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

Balance, December 31, 2009		\$ 5,292,681
Increased By:		
Cash Receipts deposited in Current Fund		
Proceeds from Sale of Bonds	\$ 8,033,870	
Budget Appropriation		
Capital Improvement Fund	25,000	
Deferred Charges Unfunded	<u>250</u>	
		<u>25,250</u>
		<u>13,351,801</u>
Decreased by:		
Cash Disbursements made by Current Fund:		
Improvement Authorizations	\$ 870,792	
Encumbrances Payable	4,046,764	
Bond Anticipation Notes	<u>7,920,250</u>	
		12,837,806
Cash Received from Current Fund	<u>513,995</u>	
		<u>13,351,801</u>
Balance, December 31, 2010		<u>\$ -</u>

EXHIBIT C-5

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2009		\$ 7,413,809
Increased by:		
Issuance of General Improvement Bonds		<u>7,920,000</u>
		15,333,809
Decreased by:		
Budget Appropriation to Pay:		
Bond Principal	\$ 1,035,000	
Loan Principal	<u>66,280</u>	
		<u>1,101,280</u>
Balance, December 31, 2010		<u>\$ 14,232,529</u>

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

Ord. No.	Improvement Description	Increased by		Decreased by		Analysis of Balance		
		Balance, December 31, 2009	Authori- zations	Bonds Issued	Budget Appropriation	Balance, December 31, 2010	Expenditures	Unexpended Improvement Authorization
25-06	Broadway Street Enhancement Improvements	\$ 617,500		\$ 617,500				
7-07	Improvements to Sewer System on Cedar Street	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		950,000				
8-08	Redevelopment Agency Improvements	300,000		300,000				
9-08.1	Fire Apparatus	265,500		265,500				
9-08.2	Acquisition of Vehicles	285,500		285,500				
9-08.3	Road Improvements	752,000		752,000				
9-08.4	Building Improvements	333,000		333,000				
33-08	Construction of Main St. Bridge	475,000		475,000				
2-09	Community Center	3,500,000		3,500,000				
13-09	Resurfacing of Various Streets	380,000		379,750	\$ 250			
10-10	Improvements to Various Streets		\$ 427,500			\$ 427,500	\$ 422,069	\$ 5,431
11-10	Environmental Remediation		47,500			47,500	35,896	11,604
28-10	Improvements to Various Streets	-	425,000	-	-	425,000	160,819	264,181
		<u>\$ 7,920,250</u>	<u>\$ 900,000</u>	<u>\$ 7,920,000</u>	<u>\$ 250</u>	<u>\$ 900,000</u>	<u>\$ 618,784</u>	<u>\$ 281,216</u>
Improvement Authorizations - Unfunded								<u>\$ 281,216</u>

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

Balance, December 31, 2009	\$ 30,330
Increased by:	
Current Fund Budget Appropriation	25,000
	55,330
Decreased by:	
Appropriated to Finance Improvement Authorizations	50,000
Balance, December 31, 2010	\$ 5,330

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

Balance, December 31, 2009	\$ 25,000
Balance, December 31, 2010	\$ 25,000

Analysis of Balance

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

Balance, December 31, 2009	\$ 19,470
Balance, December 31, 2010	\$ 19,470

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

Ord. No.	Improvement Description	Amount Appropriated	Balance, December 31, 2009		Improvement Authorizations	Paid or Charged	Encumbrances Canceled	Balance, December 31, 2010	
			Funded	Unfunded				Funded	Unfunded
8-02	Augusta St. - Phase III	\$ 377,000	\$ 19,411			\$ 3,313		\$ 16,098	
12-03	Acquisition of Land	1,500,000					\$ 21,741	21,741	
25-06	Broadway Street Enhancement Improvements	650,000					42,817	42,817	
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		91,754			31,334
9-08.2	Acquisition of Vehicles	300,000		297,835		78,967			218,868
9-08.4	Building Improvements	350,000		248,067		225,554			22,513
24-08	Purchase of Generator	60,000	47,235			47,214			21
18-09	Purchase of Ambulance	225,000	200,000			200,000			-
18-09	Purchase of Bucket Truck	100,000	90,000			63,018			26,982
18-09	Purchase of Truck with Spreader	175,000	160,000			126,060			33,940
10-10	Improvements to Various Streets	450,000			\$ 450,000	444,569			\$ 5,431
11-10	Environmental Remediation	50,000			50,000	38,396			11,604
28-10	Improvements to Various Streets	450,000	-	-	450,000	185,819	-	-	264,181
			<u>\$ 516,646</u>	<u>\$ 679,664</u>	<u>\$ 950,000</u>	<u>\$ 1,504,664</u>	<u>\$ 64,558</u>	<u>\$ 424,988</u>	<u>\$ 281,216</u>
	Deferred Charges - Unfunded				\$ 900,000				
	Capital Improvement Fund				<u>50,000</u>				
					<u>\$ 950,000</u>				
						\$ 870,792			
						<u>633,872</u>			
						<u>\$ 1,504,664</u>			

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

Balance, December 31, 2009		\$ 4,111,323
Increased by:		
Commitments		<u>633,872</u>
		4,745,195
Decreased by:		
Disbursements Paid by Current Fund	\$ 4,046,764	
Cancelled	<u>64,558</u>	
		<u>4,111,322</u>
Balance, December 31, 2010		<u>\$ 633,873</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Original Issue</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2009</u>	<u>Decreased</u>	<u>Balance, December 31, 2010</u>
25-06	Broadway Street Enhancement Improvements	\$ 617,500	6/28/2007	5/12/2009	5/11/2010	2.20 %	\$ 617,500	\$ 617,500	
7-07	Improvements to Sewer System on Cedar Street	61,750	6/28/2007	5/12/2009	5/11/2010	2.20	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	5/12/2009	5/11/2010	2.20	950,000	950,000	
9-08	Various Improvements	1,636,000	5/14/2008	5/12/2009	5/11/2010	2.20	1,636,000	1,636,000	
8-08	Redevelopment Agency Improvements	300,000	12/30/2008	5/12/2009	5/11/2010	2.20	300,000	300,000	
33-08	Construction of Main St. Bridge	475,000	12/30/2008	5/12/2009	5/11/2010	2.20	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	<u>380,000</u>	<u>380,000</u>	<u>-</u>
							<u>\$ 7,920,250</u>	<u>\$ 7,920,250</u>	<u>\$ -</u>
						Serial Bonds Issued	\$ 7,920,000		
						Paid by Budget Appropriatic	<u>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, 2010		Interest Rate	Balance, December 31, 2009	Increased	Decreased	Balance, December 31, 2010
			Date	Amount					
General Improvements	1/15/1994	\$ 3,673,000	12/15/2011	\$ 253,000	4.80%	\$ 513,000		\$ 260,000	\$ 253,000
Fiscal Year Adjustment Refunding Bonds	6/1/2001	2,480,000				355,000		355,000	-
General Obligation Bonds	12/15/2002	2,998,000	12/15/11 12/15/12	320,000 318,000	3.800 3.900	958,000		320,000	638,000
General Obligation Bonds	8/1/2006	5,290,000	8/1/2011 8/1/12-13 8/1/14 8/1/15-18 8/1/19-23	100,000 200,000 440,000 450,000 450,000	4.375 4.375 4.375 4.375 4.500	5,090,000		100,000	4,990,000
General Improvement Bonds	5/1/2010	7,920,000	5/1/2011 5/1/2012 5/1/2013 5/1/2014-21 5/1/2022 5/1/2023 5/1/2024 5/1/2025	100,000 450,000 750,000 500,000 525,000 550,000 775,000 770,000	3.000 3.000 3.000 3.00-4.00 4.000 4.000 4.000 4.000	-	\$ 7,920,000	-	7,920,000
						<u>\$ 6,916,000</u>	\$ 7,920,000	<u>\$ 1,035,000</u>	<u>\$ 13,801,000</u>
							Paid by Budget Appropriation	\$ 1,035,000	

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

Balance, December 31, 2009	\$ 497,809
Decreased by:	
Paid by Budget Appropriation	<u>66,280</u>
Balance, December 31, 2010	<u>\$ 431,529</u>

**CITY OF SOUTH AMBOY
STATEMENT OF RESERVE FOR PAYMENT OF DEBT**

Increased by:

Premium Received on Sale of Bonds	\$ <u>113,870</u>
Balance, December 31, 2010	\$ <u>113,870</u>

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

<u>Ord.</u> <u>No.</u>	<u>Purpose</u>	Balance, December 31, <u>2009</u>	Bond Anticipation <u>Notes Issued</u>	Balance, December 31, <u>2010</u>
10-10	Improvements to Various Roads	\$ 427,500		\$ 427,500
11-10	Environmental Remediation	47,500		47,500
28-10	Improvements to Various Roads	<u>425,000</u>	<u>-</u>	<u>425,000</u>
		<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ 900,000</u>

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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, 2010, and have issued our report thereon dated June 29, 2011 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 Fund financial statements. Also, the City's footnotes to the financial statements do not disclose the other post-employment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents as required by Government Accounting Standards Board Statement 45 and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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 Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 Borough'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.

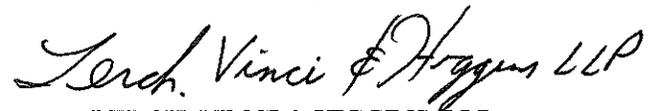
Compliance and Other Matters

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 2010-1.

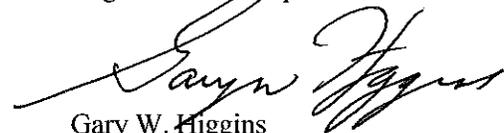
We also noted certain matters that we reported to management of the City of South Amboy in Part III of this report of audit entitled “Letter of Comments and Recommendations”.

The City of South Amboy’s response 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 the response.

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 29, 2011

**CITY OF SOUTH AMBOY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Federal CFDA No.	Grant Award Received	Balance, December 31, 2009	Revenue Realized	Expenditures	Refund	Encumbrance Cancelled	Grant Cancelled	Balance, December 31, 2010	Memo Cumulative Total Expenditures
Pass Through New Jersey Department of Transportation Trust Fund										
Department of Transportation										
Highway Planning and Construction										
Radford Ferry Road	20.205	\$ 929,738	\$ 913,062			\$ 86,921	\$ 334,204	\$ 1,334,187		\$ 2,778,296
Department of Housing and Urban Development										
Community Development Block Grant										
2007 Program Year										
Façade Improvements	14.219	34,135	97,215		\$ 21,000				\$ 76,215	135,785
Senior Area/Community Center	14.219	175,370	-	\$ 175,370	-	-	-	-	175,370	
			<u>\$ 1,010,277</u>	<u>\$ 175,370</u>	<u>\$ 21,000</u>	<u>\$ 86,921</u>	<u>\$ 334,204</u>	<u>\$ 1,334,187</u>	<u>\$ 251,585</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, 2010**

<u>State Grant Program</u>	<u>Account Numbers</u>	<u>Grant Year</u>	<u>Grant Award Received</u>	<u>Balance, December 31, 2009</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Adjustments/ Canceled</u>	<u>Balance, December 31, 2010</u>	<u>Memo Cumulative Total Expenditures</u>
Department of Transportation Trust Fund August St. - Phase III	63204800786320AFGTCP6010	2002		\$ 19,536				\$ 19,536	\$ 175,464
Main Street Drainage	06480-078-6320-AJL-6010	2006	\$ 166,555						
TTF Transit Village	N/A	2010			\$ 260,000	\$ 245,090		14,910	245,090
Body Armor Replacement Fund	066-1020-718-001-04	2006		321		321			2,270
		2007		2,731		471		2,260	
		2008		6,135				6,135	
Clean Communities Program	4900-765-178900	2009							
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							
Municipal Drug & Alcohol Alliance Pgm.	N/A	2006		1,381				1,381	9,743
		2007		7,850		4,661		3,189	1,049
		2008		5,388				5,388	5,736
		2009	4,661	8,899				8,899	
		2010			11,124			11,124	
Jewish Renaissance Foundation		2010	5,000	-	10,000	4,647	-	5,353	4,647
				<u>\$ 157,285</u>	<u>\$ 281,124</u>	<u>\$ 255,190</u>	<u>\$ 2</u>	<u>\$ 183,217</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, 2010**

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>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund		\$ 281,124	\$ 281,124
Community Development Trust Fund	<u>\$ 175,370</u>	<u>-</u>	<u>175,370</u>
	<u>\$ 175,370</u>	<u>\$ 281,124</u>	<u>\$ 456,494</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, 2010**

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Year 2010</u>		<u>Year 2009</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Appropriated				
Miscellaneous - From Other Than Local				
Property Tax Levies	\$ 7,192,244	26.73%	\$ 6,749,157	26.58%
Collection of Delinquent Taxes and Tax Title Liens	68,614	0.25%	173,899	0.68%
Collection of Current Tax Levy	19,248,473	71.53%	18,271,118	71.95%
Other Credits to Income	<u>400,857</u>	<u>1.49%</u>	<u>199,962</u>	<u>0.79%</u>
Total Income	<u>26,910,188</u>	<u>100.00%</u>	<u>25,394,136</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	15,585,458	57.50%	14,134,545	55.02%
County Taxes	3,039,404	11.21%	3,116,461	12.13%
Local School Taxes	8,422,893	31.07%	8,124,794	31.62%
Other Expenditures	<u>58,591</u>	<u>0.22%</u>	<u>316,350</u>	<u>1.23%</u>
Total Expenditures	<u>27,106,346</u>	<u>100.00%</u>	<u>25,692,150</u>	<u>100.00%</u>
Deficit in Revenue	(196,158)		(298,014)	
Adjustments to Income before Surplus				
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	<u>200,000</u>		<u>230,000</u>	
Deficit in Operations to be Raised in Budget of Succeeding Year			<u>\$ (68,014)</u>	
Statutory Excess to Fund Balance	3,842		-	
Fund Balance, Beginning of Year	<u>83,436</u>		<u>83,436</u>	
Fund Balance, End of Year	<u>\$ 87,278</u>		<u>\$ 83,436</u>	

COMPARATIVE SCHEDULE OF CALENDAR YEAR TAX RATE INFORMATION

	<u>Calendar Year Tax Rate</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Tax Rate</u>	<u>\$2.167</u>	<u>\$2.06</u>	<u>\$1.81</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	.881	\$.79	\$.57
County	.341	.35	.34
Local School	.945	.92	.90
 <u>Assessed Valuation</u>			
2010	<u>\$891,469,430</u>		
2009	<u>\$883,696,509</u>		
2008	<u>\$878,548,200</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, 2010	\$ 19,344,842	\$ 19,248,473	99.50%
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%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the years ended December 31, 2010 and 2009 for the six months ended December 31, 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, 2010	\$ 69,346	\$ 53,787	\$ 123,133	0.64%
December 31, 2009	107,266	68,011	175,277	0.10%
December 31, 2008	54,386	182,060	236,446	0.29%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The City has not acquired by liquidation of tax title liens any properties as of December 31, 2010.

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, 2010	\$87,278	\$ -0-
	December 31, 2009	83,436	-0-
	December 31, 2008	83,436	-0-
	June 30, 2008	50,770	-0-
	June 30, 2007	50,770	-0-

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 (1/2010-6/2010)	Councilman	
Donald Applegate	Councilman	
Mark Noble (7/2010-12/2010)	Councilman	
Kathleen Vigilante	Municipal Clerk	
Camille Tooker	Business Administrator	
Terance O'Neill	Chief Financial Officer	\$100,000 (B)
Maria Del Valle-Koch (1/2010-6/2010)	Municipal Court Judge (Acting)	
John Leonard (1/2010-5/2010)	Municipal Court Judge (Acting)	
Emery Toth (7/2010-12/2010)	Municipal Court Judge (Acting)	
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	
Borough of Sayreville	Fire Official	
Brian Enright	Tax Assessor	
Mary Sue Felice	Purchasing Agent/QPA	
Darren LaVigne	Chief of Police	
Kathleen O'Grady	Payroll Clerk/Bookkeeper	
Ann Mazanec	Sewer Cashier/Deputy Registrar	
Angelo Valetutto	Zoning Officer	

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.

**CITY OF SOUTH AMBOY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Finding 2010-1:

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 2010-1.

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.

**CITY OF SOUTH AMBOY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

STATUS OF PRIOR YEAR FINDINGS

Finding 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.

Status of Finding

See Finding 2010-1.

GENERAL COMMENTS

Prior Year Findings – Unresolved

The audit of the Municipal Court revealed that the "Tickets Assigned But Not Issued" report issued for 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.

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.

Current Year

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

The audit indicated a cooperative purchasing agreement for road improvements was approved and executed without the receipt of a certification of funds. It is recommended that a certification of funds be obtained and on file prior to entering into any financial agreements.

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 through June 30, 2010 and up to \$36,000 as of July 1, 2010. The City's purchasing agent is qualified and the City, by resolution effective July 1, 2010, has increased the bid threshold to \$36,000.

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

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

First Aid Generator Replacement
Lawn Maintenance
City Park Improvements
Downtown Parking Improvements

Single Axle Dump, Snow Plow, Hitch, Hydraulics,
and Spreader Control Truck
18-Passenger Wheelchair Accessible Bus

GENERAL COMMENTS (Continued)

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

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

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

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 6, 2010 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 30, 2010.

The following comparison is made of the number of tax title liens receivable outstanding at December 31, 2010, 2009 and 2008.

<u>Year Ended</u>	<u>Number of Liens</u>
December 31, 2010	11
December 31, 2009	9
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) The City obtain the actuarial report for valuations of Other Post-Employment Benefits (OPEB) obligations for disclosures required to be made in the Notes to the Financial Statements.
- * 2) Reports issued from the Automated Traffic System be reviewed monthly and tickets be disposed of accordingly.
- * 3) A receipt of goods signature be obtained on all vouchers prior to payment.
- 4) The fee ordinance be updated to reflect the current administrative fee for Police Outside Duty being billed and that Police Outside Duty transactions be accounted for in the Other Trust Fund.
- 5) A certification of funds be obtained and on file prior to entering into any financial agreements.

Status of Prior Year's Audit Findings/Recommendations

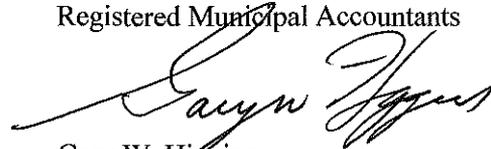
A review was performed on all prior year's recommendations. The recommendations denoted with an asterisk (*) have not been corrected.

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
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RMA Number CR00405