

CITY OF SOUTH AMBOY
MIDDLESEX COUNTY, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2011

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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, 2011

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INDEPENDENT AUDITOR'S 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, 2011 and 2010 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, 2011. 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 21 and 17 percent of the assets and liabilities, respectively, of the City's Trust Funds as of December 31, 2011 and 2010.

INDEPENDENT AUDITOR'S REPORT (Continued)

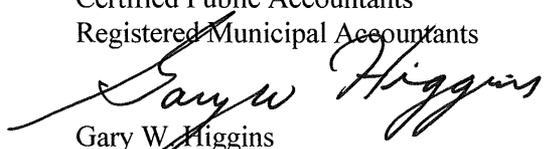
In addition, the footnotes to the City's financial statements do not disclose the other post employment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents as required by Government Accounting Standards Board Statement Number 45 and the 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, 2011 and 2010, 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, 2011 and 2010 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, 2011 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 15, 2012 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 as a whole. 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. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 15, 2012

CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Cash	A-4	\$ 3,467,676	\$ 2,868,381
Change Fund	A-5	475	475
Grants Receivable	A-7	6,830,668	851,042
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	A-8	<u>4,500</u>	<u>2,000</u>
		<u>10,303,319</u>	<u>3,721,898</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-9	65,265	53,787
Tax Title Liens	A-10	145,284	69,346
Due from Community Development Block Grant Trust Fund	B-13		21,000
Due from Animal Control Trust Fund	B-15	-	3,087
Revenue Accounts Receivable	A-11	<u>17,848</u>	<u>-</u>
		<u>228,397</u>	<u>147,220</u>
Deferred Charges			
Emergency Authorizations	A-12	433,050	200,000
Operating Deficit	A-12	<u>43,039</u>	<u>-</u>
		<u>476,089</u>	<u>200,000</u>
Total Assets		<u>\$ 11,007,805</u>	<u>\$ 4,069,118</u>

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-13	\$ 234,746	\$ 168,304
Encumbrances Payable	A-14	2,617,289	300,178
Tax Anticipation Note Payable	A-23	3,000,000	3,000,000
Due to Other Trust Fund	B-4	47,600	
Prepaid Taxes	A-21	113,357	80,902
Grants Appropriated	A-20	4,275,639	167,733
Grants Unappropriated	A-25		15,863
Accounts Payable	A-22	19,253	19,253
Tax Overpayments	A-19	18,042	34,808
Emergency Note Payable	A-24	350,000	
Due to South Amboy Redevelopment Agency	A-26		1,519
Miscellaneous Reserves	A-15	<u>16,204</u>	<u>46,060</u>
		10,692,130	3,834,620
Reserve for Receivables and Other Assets	A	228,397	147,220
Fund Balance	A-1	<u>87,278</u>	<u>87,278</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 11,007,805</u>	<u>\$ 4,069,118</u>

CITY OF SOUTH AMBOY
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
REVENUE AND OTHER INCOME REALIZED			
Miscellaneous Revenue Anticipated	A-2	\$ 13,131,458	\$ 7,159,983
Receipts from Delinquent Taxes	A-2	3,138	68,614
Receipts from Current Taxes	A-2	19,835,713	19,248,473
Non-Budget Revenues	A-2	118,776	32,261
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	A-13	96,466	113,611
Prior Year Interfund Returned	A	24,087	36,281
Cancellation of Appropriated Grant Reserves - Net	A-20	343	
Cancellation of Accounts Payable	A-1	<u>-</u>	<u>250,965</u>
 Total Income		 <u>33,209,981</u>	 <u>26,910,188</u>
EXPENDITURES			
Budget Appropriations:			
Operations			
Salaries and Wages	A-3	5,557,989	5,569,344
Other Expenses	A-3	12,914,087	6,779,660
Capital Improvements	A-3	75,000	25,000
Municipal Debt Service	A-3	1,623,214	1,664,637
Deferred Charges and Regulatory Expenditures	A-3	1,619,941	1,546,817
County Taxes	A-16	2,969,159	2,832,670
County Open Space Taxes	A-16	290,807	204,353
Due County for Added Taxes	A-16	11,430	2,381
Local District School Taxes	A-17	8,573,622	8,422,893
Refund of Prior Year Revenue	A-4	67,771	34,144
Prior Year Senior Citizens and Veterans Disallowed	A-1		1,288
Interfunds Originating	A	<u>-</u>	<u>23,159</u>
 Total Expenditures		 <u>33,703,020</u>	 <u>27,106,346</u>
 Deficit in Revenue		 (493,039)	 (196,158)
Adjustments to Income before Surplus			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-12	<u>450,000</u>	<u>200,000</u>
 Deficit in Operations to be Raised in Budget of Succeeding Year	A-12	 <u>\$ 43,039</u>	
 Statutory Excess Fund Balance			 3,842
Fund Balance, Beginning of Year	A	\$ <u>87,278</u>	\$ <u>83,436</u>
Fund Balance, End of Year	A	<u>\$ 87,278</u>	<u>\$ 87,278</u>

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF SOUTH AMBOY
STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Reference</u>	<u>Budget</u>	<u>Added by N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverage	A-11	\$ 27,142		\$ 27,772	\$ 630
Other	A-2	14,183		20,567	6,384
Fees and Permits	A-2	71,391		47,521	(23,870)
Fines and Costs:					
Municipal Court	A-11	218,884		248,229	29,345
Interest and Costs on Taxes	A-11	53,333		47,079	(6,254)
Interest on Investments and Deposits	A-2	61,927		27,647	(34,280)
Sewer User Fees	A-18	1,092,637		1,150,202	57,565
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)	A-11	3,872,278		3,872,278	
Uniform Construction Code Fees	A-11	124,028		60,864	(63,164)
Clean Communities Program	A-7	11,765	\$ 12,240	24,005	
Municipal Alliance on Alcoholism and Drug Abuse	A-7	8,899		8,899	
Recycling Tonnage Grant	A-7		25,911	25,911	
Body Armor	A-7	4,098	2,630	6,728	
Radford Ferry Road, Phase 2	A-7	955,879		955,879	
NJ Transportation Trust Fund - Pine Ave & Portia Street	A-7	250,000		250,000	
NJ DOT Intermodal Transportation Center	A-7		5,000,000	5,000,000	
Middlesex County Law Enforcement Grant	A-7		5,000	5,000	
Main St. Engineering	A-7		399,990	399,990	
Uniform Fire Safety Act	A-11	1,618			(1,618)
Parking Fees	A-11	279,923		269,799	(10,124)
Payment in Lieu of Taxes - Shoregate	A-11	164,888		186,740	21,852
Cable Television Fees	A-11	29,743		33,880	4,137
Dish Rental	A-11	60,000		60,000	
Reimbursement Agreement -					
South Amboy Redevelopment Agency	A-11	200,000		100,000	(100,000)
Reserve for Debt Service	A-11	113,870		113,870	
FEMA Reimbursement	A-11	145,128		145,128	
Housing Inspection Program	A-11	32,320		43,470	11,150
Total Miscellaneous Revenues	A-1	7,793,934	5,445,771	13,131,458	(108,247)
Receipts from Delinquent Taxes	A-9	40,000		3,138	(36,862)
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes Including Reserve for					
Uncollected Taxes	A-9	7,848,534		7,766,917	(81,617)
Minimum Library Tax	A-9	323,778		323,778	-
		<u>8,172,312</u>	<u>-</u>	<u>8,090,695</u>	<u>(81,617)</u>
		<u>\$ 16,006,246</u>	<u>\$ 5,445,771</u>	<u>21,225,291</u>	<u>\$ (226,726)</u>
Non-Budget Revenues	A-2			118,776	
				<u>\$ 21,344,067</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, 2011
(Continued)

Reference

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections		
Revenues from Collections	A-9	\$ 19,835,713
Allocated School and County Taxes	A-16,A-17	<u>11,845,018</u>
Balance for Support of Municipal Budget Appropriations		7,990,695
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>100,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 8,090,695</u>
Delinquent Taxes		
Delinquent Tax Collections	A-9	<u>\$ 3,138</u>
Other Licenses		
Bingo Licenses		\$ 3,090
Food Licenses		3,400
Mercantile Licenses		8,450
Outdoor Café Licenses		450
Cat Licenses		223
Taxi License		254
Video License		<u>4,700</u>
	A-2, A-11	<u>\$ 20,567</u>
Fees and Permits - Other		
Copy of Tax Map		\$ 1
Photo Copies		4,073
Planning Bd. Of Adj.		6,480
Road Opening Permits		3,836
Sidewalk and Curbs		1,451
Tax Collector Fees		15,831
Marriage/Local		1,124
Copy of Birth Cert.		3,265
Copy of Death Cert.		10,160
Copy of Marriage Lic.		<u>1,300</u>
	A-2, A-11	<u>\$ 47,521</u>

CITY OF SOUTH AMBOY
STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Reference</u>		
Non-Budget Revenues			
2% Administration Fee - Senior Citizen and Veterans		\$	1,866
Housing Authority - Prior Year			45,974
Marriage Fees			2,050
NJ Division of Motor Vehicle Fees			894
Self Defense Registration Fees			720
Middlesex Water			8,530
Restitution			311
Prior Year County Grant - Prevention Bias Police Department			5,000
Refunds/Reimbursements			2,450
Animal Control Trust Fund - Statutory Excess			6,087
Miscellaneous			44,894
			<hr/>
	A-2	\$	<u><u>118,776</u></u>
Analysis of Non-Budget Revenues			
Cash Receipts	A-4	\$	115,770
Due from Animal Control Trust Fund - Statutory Excess	B-15		3,006
			<hr/>
		\$	<u><u>118,776</u></u>
Interest on Investments			
Cash Receipts	A-11	\$	26,073
Due from Other Trust Fund	B-4		1,574
			<hr/>
	A-2	\$	<u><u>27,647</u></u>

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<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	\$ 187,006	\$ 184,706	\$ 184,617	\$ 89	
Other Expenses	70,500	70,400	65,004	5,396	
Mayor and Council					
Salaries and Wages	43,212	43,212	43,086	126	
Other Expenses	5,250	5,250	5,227	23	
Municipal Clerk					
Salaries and Wages	104,442	95,942	95,836	106	
Other Expenses	18,900	18,900	17,676	1,224	
Financial Administration					
Salaries and Wages	123,934	120,084	119,983	101	
Other Expenses	18,950	18,950	14,379	4,571	
Audit Services					
Other Expenses	39,500	39,500	39,500	-	
Revenue Administration					
Salaries and Wages	79,239	81,239	77,011	4,228	
Other Expenses	10,275	10,275	10,242	33	
Tax Assessment Administration					
Salaries and Wages	49,669	45,869	45,818	51	
Other expenses	5,000	5,000	4,832	168	
Legal Services					
Other Expenses	275,000	245,000	243,933	1,067	
Department of Engineering					
Other Expenses	100,000	130,000	115,075	14,925	
Vital Statistics					
Salaries and Wages	9,116	9,116	9,116	-	
Other Expenses	1,000	1,100	1,037	63	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	25,036	25,036	25,036	-	
Other Expenses	17,975	17,975	15,426	2,549	
PUBLIC SAFETY					
Police Department					
Salaries and Wages	3,248,363	3,382,893	3,346,285	36,608	
Other Expenses	65,350	65,350	64,339	1,011	
Office of Emergency Management					
Other Expenses	1,200	1,200	1,176	24	
Aid to Volunteer Fire Companies					
Other Expenses	85,000	85,000	78,297	6,703	
Aid to Volunteer Ambulance Squad					
Other Expenses	35,000	35,000	35,000	-	
Department of Fire					
Other Expenses	55,050	55,050	53,382	1,668	
Uniform Fire Official					
Other Expenses	1,500	1,500	1,500	-	
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, 2011

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC WORKS					
Streets and Roads Maintenance					
Salaries and Wages	\$ 311,427	\$ 316,427	\$ 316,403	\$ 24	
Other Expenses	54,000	54,000	41,146	12,854	
Other Public Works Functions					
Shade Tree					
Other Expenses	5,000	5,000	4,904	96	
Sewers					
Salaries and Wages	227,412	227,412	226,289	1,123	
Other Expenses	33,600	33,600	30,488	3,112	
Parking Lot					
Salaries and Wages	12,500	12,510	12,507	3	
Other Expenses	200,000	200,000	200,000	-	
Recycling Coordinator					
Salaries and Wages	9,181	9,181	9,180	1	
Other Expenses	100	100	100	-	
Solid Waste Collection					
Salaries and Wages	255,889	256,786	256,786	-	
Other Expenses	404,750	349,750	307,063	42,687	
Buildings and Grounds					
Salaries and Wages	245,107	245,107	242,109	2,998	
Other Expenses	91,500	191,500	185,121	6,379	
Vehicle Maintenance					
Salaries and Wages	50,000	48,980	48,977	3	
Other Expenses	83,000	83,000	82,989	11	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	16,133	16,193	16,187	6	
Other Expenses	57,000	57,000	55,468	1,532	
Animal Control Services					
Other Expenses	25,000	10,000	9,929	71	
Municipal Court					
Salaries and Wages	124,918	119,391	119,023	368	
Other Expenses	10,500	10,500	6,010	4,490	
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	48,994	52,494	50,662	1,832	
Other Expenses	30,400	20,400	16,803	3,597	
Senior Citizen Activities					
Salaries and Wages	130,880	119,380	119,163	217	
Other Expenses	14,000	13,000	11,854	1,146	
OTHER COMMON OPERATING FUNCTIONS (Unclassified)					
Celebration of Public Events					
Other Expenses	19,500	19,500	15,709	3,791	

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
Insurance (N.J.S.A. 40A:4-45.3(00))					
General Liability	\$ 202,350	\$ 187,350	\$ 185,402	\$ 1,948	
Workers Compensation	347,000	347,000	346,966	34	
Employee Group Health	1,954,800	2,304,800	2,257,886	46,914	
Health Benefit Waivers	6,300	6,300	6,300		
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Division of Code Enforcement					
Salaries and Wages	134,280	125,780	124,215	1,565	
Other Expenses	10,200	5,200	3,385	1,815	
Unclassified					
Utilities	<u>568,000</u>	<u>568,000</u>	<u>565,742</u>	<u>2,258</u>	<u>-</u>
Total Operations Within "CAPS"	<u>10,379,439</u>	<u>10,829,439</u>	<u>10,607,773</u>	<u>221,666</u>	<u>-</u>
Detail:					
Salaries and Wages	5,456,989	5,557,989	5,508,483	49,506	-
Other Expenses	<u>4,922,450</u>	<u>5,271,450</u>	<u>5,099,290</u>	<u>172,160</u>	<u>-</u>
DEFERRED CHARGES AND REGULATORY EXPENDITURES -					
MUNICIPAL WITHIN "CAPS"					
Unemployment Insurance	75,000	75,000	75,000	-	
Defined Contribution Retirement Program	500	500	500	-	
Regulatory Expenditures					
Social Security System (O.A.S.I.)	260,000	260,000	249,132	10,868	
Police and Firemen's Retirement System of NJ	778,249	778,249	778,249	-	
Public Employees' Retirement System	<u>306,192</u>	<u>306,192</u>	<u>306,192</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Regulatory Expenditures - Municipal Within "CAPS"	<u>1,419,941</u>	<u>1,419,941</u>	<u>1,409,073</u>	<u>10,868</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,799,380</u>	<u>12,249,380</u>	<u>12,016,846</u>	<u>232,534</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Middlesex County Utilities Authority - Payment	580,000	580,000	577,788	2,212	
Maintenance of Free Public Library	324,000	324,000	324,000	-	
Length of Service Awards Program	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>964,000</u>	<u>964,000</u>	<u>961,788</u>	<u>2,212</u>	<u>-</u>

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriated</u>	<u>Expended</u>	<u>Unexpended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Public and Private Programs Offset by Revenues					
Recycling Tonnage Grant		\$ 25,911	\$ 25,911		
Municipal Alliance Against Drug & Alcohol Abuse	\$ 11,124	11,124	11,124		
Body Armor Replacement Program	4,098	6,728	6,728		
Clean Communities	11,765	24,005	24,005		
Radford Ferry Road, Phase 2	955,879	955,879	955,879		
NJ Transportation Trust Fund - Pine Ave & Portia St.	250,000	250,000	250,000		
NJ DOT Intermodal Transportation Center		5,000,000	5,000,000		
Middlesex County Law Enforcement Grant		5,000	5,000		
Main St. Engineering - Svcs.	-	399,990	399,990	-	-
Total Public and Private Programs Offset by Revenues	<u>1,232,866</u>	<u>6,678,637</u>	<u>6,678,637</u>	<u>-</u>	<u>-</u>
Total Operations - Excluded from "CAPS"	<u>2,196,866</u>	<u>7,642,637</u>	<u>7,640,425</u>	<u>\$ 2,212</u>	<u>-</u>
Detail:					
Other Expenses	<u>2,196,866</u>	<u>7,642,637</u>	<u>7,640,425</u>	<u>2,212</u>	<u>-</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements Excluded from "CAPS"	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond & Loan Principal	840,000	840,000	839,611		\$ 389
Interest on Bonds	685,000	685,000	684,875		125
Interest on Notes	45,000	45,000	34,375		10,625
Capital Lease Obligations					
Principal	62,000	62,000	61,608		392
Interest	3,000	3,000	2,745	-	255
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,635,000</u>	<u>1,635,000</u>	<u>1,623,214</u>	<u>-</u>	<u>11,786</u>
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorizations	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations - Excluded from "CAPS"	<u>4,106,866</u>	<u>9,552,637</u>	<u>9,538,639</u>	<u>2,212</u>	<u>11,786</u>
Subtotal General Appropriations	15,906,246	21,802,017	21,555,485	234,746	11,786
Reserve for Uncollected Taxes	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 16,006,246</u>	<u>\$ 21,902,017</u>	<u>\$ 21,655,485</u>	<u>\$ 234,746</u>	<u>\$ 11,786</u>

Reference A-2

A

CITY OF SOUTH AMBOY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Reference</u>	<u>Appropriations Budget After Modification</u>	<u>Expended Paid or Charged</u>
Original Budget	A-3	\$ 16,006,246	
Appropriations Added by N.J.S.A. 40A:4-87 (Chap. 159)	A-2	5,445,771	
Emergency Appropriations 40A:4-47	A-12	<u>450,000</u>	
		<u>\$ 21,902,017</u>	
Cash Disbursements	A-4		\$ 14,436,916
Due to General Capital Fund:			
Capital Improvement Fund	C-4		75,000
Deferred Charges			
Emergency Authorizations	A-12		200,000
Encumbrances Payable	A-14		164,932
Reserve for Uncollected Taxes	A-2		100,000
Appropriated Grants	A-20		<u>6,678,637</u>
			<u>\$ 21,655,485</u>

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2011 AND 2010**

ASSETS	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ANIMAL CONTROL TRUST FUND			
Cash	B-1	\$ 3,348	\$ 7,740
OTHER TRUST FUND			
Cash	B-1	485,215	520,759
Due from Current Fund	B-4	<u>47,600</u>	<u>-</u>
		<u>532,815</u>	<u>520,759</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	119,371	80,533
Due from Other Trust Fund	B-16	<u>14,647</u>	<u>7,203</u>
		<u>134,018</u>	<u>87,736</u>
COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND			
Community Development Block Grants Receivable	B-12	<u>137,007</u>	<u>272,585</u>
LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)			
Investments	B	180,602	181,559
Contribution Receivable	B	<u>36,000</u>	<u>-</u>
		<u>216,602</u>	<u>181,559</u>
Total Assets		<u>\$ 1,023,790</u>	<u>\$ 1,070,379</u>

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2011 AND 2010**

LIABILITIES AND RESERVES	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ANIMAL CONTROL TRUST FUND			
Reserve for Animal Control Expenditures	B-2	\$ 3,341	\$ 4,653
Due to Current Fund	B-15		3,087
Due to State of New Jersey	B-3	<u>7</u>	<u>-</u>
		<u>3,348</u>	<u>7,740</u>
OTHER TRUST FUND			
Reserve for			
Third Party Lienholders	B-5	9,182	5,939
Escrow Deposits	B-6	175,371	300,107
Miscellaneous Reserves	B-9	262,946	156,708
Payroll	B-7	8,067	4,357
Payroll Deductions Payable	B-8	62,602	46,445
Due to Unemployment Trust Fund	B-16	<u>14,647</u>	<u>7,203</u>
		<u>532,815</u>	<u>520,759</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to State of New Jersey	B-11	141	3,004
Reserve(Deficit) for Unemployment Compensation Insurance	B-10	<u>133,877</u>	<u>84,732</u>
		<u>134,018</u>	<u>87,736</u>
COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND			
Reserve for Community Development Programs	B-14	137,007	251,585
Due to Current Fund	B-13	<u>-</u>	<u>21,000</u>
		<u>137,007</u>	<u>272,585</u>
LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)			
Reserve for LOSAP	B	<u>216,602</u>	<u>181,559</u>
Total Liabilities and Reserves		<u>\$ 1,023,790</u>	<u>\$ 1,070,379</u>

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2011 AND 2010**

ASSETS	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Cash	C-2,C-3	\$ 1,032,293	\$ 553,747
Due from State Department of Transportation	C-8	25,000	25,000
Deferred Charges to Future Taxation:			
Funded	C-5	13,477,843	14,232,529
Unfunded	C-6	<u>2,325,000</u>	<u>900,000</u>
 Total Assets		 <u>\$ 16,860,136</u>	 <u>\$ 15,711,276</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-13	\$ 13,028,000	\$ 13,801,000
Middlesex County Improvement Authority Loans Payable	C-14	449,843	431,529
Bond Anticipation Notes Payable	C-12	1,850,000	
Encumbrances Payable	C-11	460,292	633,873
Accounts Payable	C-9	19,470	19,470
Capital Improvement Fund	C-7	30,330	5,330
Reserve for Payment of Debt	C-15	-	113,870
Improvement Authorizations			
Funded	C-10	208,579	424,988
Unfunded	C-10	<u>813,622</u>	<u>281,216</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 16,860,136</u>	 <u>\$ 15,711,276</u>

There were bonds and notes authorized but not issued on December 31, 2011 and 2010 in the amount of \$475,000 and \$900,000, respectively (Exhibit C-16).

**CITY OF SOUTH AMBOY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Buildings and Land	\$ 9,625,300	\$ 9,625,300
Machinery and Equipment	<u>6,333,666</u>	<u>5,981,624</u>
	<u>\$ 15,958,966</u>	<u>\$ 15,606,924</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 15,958,966</u>	<u>\$ 15,606,924</u>

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NOTES TO FINANCIAL STATEMENTS

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 AND 2010

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

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

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

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

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, 2011 AND 2010

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, 2011 AND 2010**

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 2011 and 2010 the City Council increased the original budget by \$5,895,771 and \$200,000, respectively. The 2011 increase was attributable to an emergency resolution totaling \$450,000 and additional grants and state aid totaling \$5,445,771. The 2010 increase was attributable to an emergency resolution totaling \$200,000. In addition, the governing body approved several budget transfers during 2011 and 2010.

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, 2011 AND 2010

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, 2011 AND 2010

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 may have been made to the December 31, 2010 balances to conform to the December 31, 2011 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, 2011 AND 2010**

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 the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2011 and 2010, the book value of the City's deposits were \$5,108,378 and \$4,031,635 and bank and brokerage firm balances of the City's deposits amounted to \$5,510,499 and \$4,175,392, 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>2011</u>	<u>2010</u>
Insured	\$ <u>5,510,499</u>	\$ <u>4,175,392</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, 2011 and 2010, the City's had no bank balances exposed to custodial credit risk.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010, the City had the following investments:

	<u>2011</u>	<u>2010</u>
Investment:		
Length of Service Award Program		
(Fair Value - Unaudited)	\$ <u>180,602</u>	\$ <u>181,559</u>

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, 2011 and 2010 of the City’s investments was exposed to custodial credit risk as follows:

	<u>2011</u>	<u>2010</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's		
trust department but not in the City's name (Fair Value)	\$ <u>180,602</u>	\$ <u>181,559</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Property Taxes	\$ 65,265	\$ 53,787
Tax Title Liens	<u>145,284</u>	<u>69,346</u>
	<u>\$ 210,549</u>	<u>\$ 123,133</u>

In 2011 and 2010, the City collected \$3,138 and \$68,614 from delinquent taxes, which represented 2.5% and 39% of the adjusted prior year delinquent taxes receivable balance.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT

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

The City's debt is summarized as follows:

	<u>2011</u>	<u>2010</u>
Issued		
General		
Bonds, Notes and Loans	\$ 15,327,843	\$ 14,232,529
Net Debt Issued	<u>15,327,843</u>	<u>14,232,529</u>
Authorized But Not Issued		
General		
Bonds and Notes	<u>475,000</u>	<u>900,000</u>
Net Bonds, Notes and Loans Issued and Authorized But Not Issued	<u>\$ 15,802,843</u>	<u>\$ 15,132,529</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 1.63% and 1.50% at December 31, 2011 and 2010, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2011</u>			
General Debt	\$ 20,617,843	\$ 4,815,000	\$ 15,802,843
School Debt	<u>1,104,000</u>	<u>1,104,000</u>	<u>-</u>
Total	<u>\$ 21,721,843</u>	<u>\$ 5,919,000</u>	<u>\$ 15,802,843</u>
	<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>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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>2011</u>	<u>2010</u>
3 1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 33,862,168 <u>15,802,843</u>	\$ 35,227,374 <u>15,132,529</u>
Remaining Borrowing Power	<u>\$ 18,059,325</u>	<u>\$ 20,094,845</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>2011</u>	<u>2010</u>
\$3,673,000, 1994 Bonds, due in annual installments of \$253,000 through December 15, 2011, interest at 4.8%		\$ 253,000
\$2,998,000, 2002 Bonds, due in annual installments of \$318,000 through December 15, 2012, interest at 3.90%	\$ 318,000	638,000
\$5,290,000, 2006 Bonds, due in annual installments of \$200,000 to \$450,000 through August 1, 2023, interest at 4.375% to 4.500%	4,890,000	4,990,000
\$7,920,000, 2010 Bonds, due in annual installments of \$450,000 to \$770,000 through May 1, 2025, interest at 3.0% to 4.0%	<u>7,820,000</u>	<u>7,920,000</u>
	<u>\$ 13,028,000</u>	<u>\$ 13,801,000</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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>2011</u>	<u>2010</u>
\$49,985, 2008 Loan, due in annual installments of \$4,715 to \$5,833 through September 15, 2018, interest at 3.50% to 4.20%	\$ 36,802	\$ 41,354
\$452,063, 2009 Loan, due in annual installments of \$63,301 to \$61,888 through July 15, 2019, interest at 1.00% to 3.00%	328,115	390,175
\$84,926, 2011 Loan, due in annual installments of \$16,290 to \$17,927 through July 15, 2016, interest at 1.25% to 3.00%	<u>84,926</u>	<u>-</u>
	<u>\$ 449,843</u>	<u>\$ 431,529</u>

The City's principal and interest for long-term debt issued and outstanding as of December 31, 2011 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>	
2012	\$ 968,000	\$ 499,452	\$ 84,307	\$ 13,341	\$ 1,565,100
2013	950,000	460,300	86,175	11,496	1,507,971
2014	940,000	432,800	88,465	9,266	1,470,531
2015	950,000	398,550	47,780	6,882	1,403,212
2016	950,000	363,863	49,246	5,126	1,368,235
2017-2021	4,750,000	1,265,438	93,870	6,534	6,115,842
2022-2025	<u>3,520,000</u>	<u>289,550</u>	<u>-</u>	<u>-</u>	<u>3,809,550</u>
	<u>\$ 13,028,000</u>	<u>\$ 3,709,953</u>	<u>\$ 449,843</u>	<u>\$ 52,645</u>	<u>\$ 17,240,441</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The City's long-term capital debt activity for the years 2011 and 2010 were as follows:

	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<u>2011</u>					
General Capital Fund					
Bonds Payable	\$ 13,801,000		\$ 773,000	\$ 13,028,000	\$ 968,000
Intergovernmental					
Loans Payable	<u>431,529</u>	<u>\$ 84,926</u>	<u>66,612</u>	<u>449,843</u>	<u>84,307</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 14,232,529</u>	<u>\$ 84,926</u>	<u>\$ 839,612</u>	<u>\$ 13,477,843</u>	<u>\$ 1,052,307</u>
	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>66,612</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>\$ 839,612</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, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The City's short-term capital debt activity for the years 2011 and 2010 was as follows:

	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Bond Anticipation Notes				
General Capital Fund	\$ -	\$ 1,850,000	\$ -	\$ 1,850,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	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	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 2011 and 2010 as follows:

	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2011</u>
Tax Anticipation Notes	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Emergency Notes	-	350,000	-	350,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 3,000,000</u>	<u>\$ 3,350,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,350,000</u>
	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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years 2011 and 2010.

	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Buildings and Land	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	<u>5,981,624</u>	<u>\$ 371,275</u>	<u>\$ 19,233</u>	<u>6,333,666</u>
	<u>\$ 15,606,924</u>	<u>\$ 371,275</u>	<u>\$ 19,233</u>	<u>\$ 15,958,966</u>
	Balance June 30, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Buildings and Land	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	<u>5,155,603</u>	<u>\$ 826,021</u>	<u>-</u>	<u>5,981,624</u>
	<u>\$ 14,780,903</u>	<u>\$ 826,021</u>	<u>\$ -</u>	<u>\$ 15,606,924</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>2011</u>		<u>2010</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund		\$ 47,600	\$ 24,087	
Trust Funds:				
Animal Control				\$ 3,087
Unemployment	\$ 14,647		7,203	
Other Trust	47,600	14,647		7,203
Community Development Block Grant	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
Total	<u>\$ 62,247</u>	<u>\$ 62,247</u>	<u>\$ 31,290</u>	<u>\$ 31,290</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, 2011 AND 2010**

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>2011</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2010</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Non-Cash Surplus	\$ 87,278	\$ -	\$ 87,278	\$ -

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:

	<u>Balance, December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2011</u>			
Current Fund			
Emergency Authorizations	\$433,050	\$433,050	
Operating Deficit	<u>43,039</u>	<u>43,039</u>	—
	<u>\$476,089</u>	<u>\$476,089</u>	—
<u>2010</u>			
Current Fund			
Emergency Authorizations	<u>\$200,000</u>	<u>\$200,000</u>	<u>\$ -</u>

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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 \$1,499,653 and \$1,306,515 at December 31, 2011 and 2010, 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 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, 2011 AND 2010**

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/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits 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, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and to attain age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years, PFRS and PERS Prosecutors Part active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 78.5 percent and \$10.7 billion, respectively.

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

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual 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, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2010 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 6.50% 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, 2011 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, 2011, 2010 and 2009, 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:

<u>Year Ended</u> <u>December 31,</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2011	\$ 778,249	\$ 306,192	\$ 500
2010	586,979	269,873	500
2009	262,144	145,668	500

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, 2011 and 2010 is \$428,876 and \$396,190, respectively.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010 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, 2011 AND 2010**

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>
2011	\$ 75,000	\$ 7,444	\$ 34,154	\$ 133,877
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, 2011 and 2010. 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 parties are in discussions of a global settlement with no additional payments by the City.

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 13 CONTINGENT LIABILITIES

Other Matters (Continued)

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, 2011 and 2010, 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.

Deferred Liabilities – As of December 31, 2011, the City has deferred the payment of its December 2011 health benefits bill in the amount of \$116,417. This policy is consistent with prior years. This amount is not recorded as an expenditure or liability in the City's financial statements. The bill will be paid in the 2012 budget year.

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, 2011 and 2010, 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, 2011 and 2010, the City has established a reserve for LOSAP in the amount of \$132,666 and \$72,666. The City is in the process of establishing its LOSAP liability for the calendar years 2011 and 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, 2011 AND 2010**

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (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>
2011		
<u>Current Fund</u>		
Intermodal RFRRII	\$ 2,449,834	2012
<u>General Capital Fund</u>		
Broadway Improvements	93,552	2012
Acquisitions of Vehicles	180,399	2012
Improvements to Building and Grounds	144,314	2012
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

**CITY OF SOUTH AMBOY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 17 CAPITAL LEASE AGREEMENT

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

The City of South Amboy has entered into several lease agreements with the MCIA over the years. Lease agreements outstanding at December 31, 2011 for which the City is still making payments are for the years 2006, 2008 and 2011 lease programs. Payments for these lease agreements continue through 2016 and are summarized as follows:

<u>Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>MCIA Fee</u>	<u>Trustee Fee</u>	<u>Total</u>
2012	\$ 28,958	\$ 2,670	\$ 136	\$ 304	\$ 32,068
2013	29,359	2,059	62	211	31,691
2014	13,266	1,147	32	128	14,573
2015	12,482	760	32	128	13,402
2016	<u>12,857</u>	<u>386</u>	<u>-</u>	<u>-</u>	<u>13,243</u>
	<u>\$ 96,922</u>	<u>\$ 7,022</u>	<u>\$ 262</u>	<u>\$ 771</u>	<u>\$ 104,977</u>

NOTE 18 SUBSEQUENT EVENTS

Tax Anticipation Notes

On April 18, 2012 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.

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CURRENT FUND

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

Balance, December 31, 2010		\$ 2,868,381
Increased by Receipts:		
Taxes Receivable	\$ 19,656,342	
Non-Budget Revenue	115,770	
Due from State of NJ - Senior Citizens' and Veterans' Deductions	93,284	
Tax Title Liens		
Revenue Accounts Receivable	5,189,400	
Miscellaneous Payables and Reserves	7,662	
Emergency Notes Payable	350,000	
Sewer User Fees	1,150,202	
Prepaid Taxes	113,357	
Tax Anticipation Notes Payable	3,000,000	
Tax and Sewer Overpayments	3,090	
Due to South Amboy Redevelopment Agency	145,897	
Due from Animal Control Fund	6,093	
General Capital Fund Receipts Deposited in Current Fund	1,936,453	
CDBG Receivable	21,000	
Grants Receivable	675,913	
Petty Cash Received	1,050	
FEMA Refund	16,950	
Other Trust Fund Receipts Deposited in Current Fund	47,600	
Due from Other Trust Fund	1,574	
	<u>32,531,637</u>	
		35,400,018
Decreased by Disbursements:		
Budget Appropriations	14,436,916	
Tax Anticipation Notes Payable	3,000,000	
Miscellaneous Reserves	37,518	
Grants Appropriated	205,532	
Appropriation Reserves	279,505	
County Taxes Payable	3,271,396	
Local District School Tax Payable	8,573,622	
Refund of Prior Year Revenue	67,771	
Tax and Sewer Overpayments	14,033	
General Capital Cash Disbursements made by Current Fund	1,419,036	
Cash Disbursements to General Capital Fund	478,547	
Petty Cash Paid	1,050	
Due to South Amboy Redevelopment Agency	147,416	
	<u>31,932,342</u>	
Balance, December 31, 2011		<u>\$ 3,467,676</u>

EXHIBIT A-5

STATEMENT OF CHANGE FUND

<u>Office</u>	Balance December 31, <u>2010</u>	Balance December 31, <u>2011</u>
Municipal Court	\$ 100	\$ 100
Registrar/Vital Statistics	45	45
Sewer Collector	145	145
Tax Collector	85	85
City Clerk	50	50
Construction Code Official	50	50
	<u>\$ 475</u>	<u>\$ 475</u>

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

<u>Office</u>	Balance, December 31, <u>2010</u>	<u>Increased by</u> Petty Cash <u>Issued</u>	<u>Decreased by</u> Petty Cash <u>Returned</u>	Balance, December 31, <u>2011</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>2010</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2011</u>
HDSRF - Broadway Redevelopment	\$ 21,114				\$ 21,114
HDSRF - Wishey Property	65,705				65,705
Municipal Alliance on Alcoholism & Drug Abuse	15,397	\$ 8,899	\$ 2,620		21,676
County of Middlesex - Construction/Imp Recreation Facilities (Open Space)	465,000		465,000		-
NJDOT : TTF Transit Village	260,000		148,696		111,304
Jewish Renaissance Foundation	5,000			\$ 5,000	-
Federal Highway Administration Grant	18,826		18,816	10	-
Body Armor		6,728	6,728		-
Clean Communities		24,005	24,005		-
Recycling Tonnage		25,911	25,911		-
Main St. - Engineering		399,990			399,990
Radford Ferry Road (Phase II)		955,879			955,879
NJ TTF Pine Ave & Portia		250,000			250,000
Intermodal RFR II		5,000,000			5,000,000
Middlesex County Law Enf. Grant	-	5,000	-	-	5,000
	<u>\$ 851,042</u>	<u>\$ 6,676,412</u>	<u>\$ 691,776</u>	<u>\$ 5,010</u>	<u>\$ 6,830,668</u>
Transferred from Unappropriated Grants			\$ 15,863		
Cash Receipts			<u>675,913</u>		
			<u>\$ 691,776</u>		

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

Balance, December 31, 2010		\$ 2,000
Increased by:		
Senior Citizens and Veteran Deductions Per Tax Billings	\$ 90,500	
Senior Citizens' Deductions Allowed Per Tax Collector	2,000	
Veteran's Deductions Allowed Per Tax Collector	<u>5,500</u>	
		<u>98,000</u>
		100,000
Decreased by:		
Received in Cash from State	93,284	
Senior Citizens Deductions Disallowed	<u>2,216</u>	
		<u>95,500</u>
Balance, December 31, 2011		<u>\$ 4,500</u>

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

Year	Balance,	2011	Added	Senior	Collected	Senior Citizens	Transferred	Overpayments	Balance,		
	Dec. 31,			Citizens and						and Veterans'	to Tax Title
	2010	Levy	Taxes	Veterans	2010	2011	Liens	Cancelled	2011		
				Deductions							
				Disallowed							
2008	\$ 52,365								\$ 52,365		
2010	1,422	-	\$ 1,716	-	-	\$ 3,138	-	-	-		
	53,787	-	1,716	-	-	3,138	-	-	52,365		
2011	-	\$ 20,093,951	-	\$ 2,216	\$ 80,902	19,653,204	\$ 98,000	\$ 71,127	\$ 5,823	\$ 174,211	12,900
	\$ 53,787	\$ 20,093,951	\$ 1,716	\$ 2,216	\$ 80,902	\$ 19,656,342	\$ 98,000	\$ 71,127	\$ 5,823	174,211	\$ 65,265

Analysis of Calendar Year December 31, 2011 Property Tax Levy

Tax Levy:	
General Purpose Tax	\$ 20,022,098
Added Tax	71,853
	<u>\$ 20,093,951</u>
Local District School Tax Levy	\$ 8,573,622
County Taxes:	
County Tax	\$ 3,259,966
Due County for Added Taxes	11,430
	<u>3,271,396</u>
Local Tax for Municipal Purposes	7,848,534
Minimum Library Tax	323,778
Add: Excess in Tax Levied	76,621
	<u>8,248,933</u>
	<u>\$ 20,093,951</u>

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

Balance, December 31, 2010	\$ 69,346
Increased by:	
Transferred from Taxes Receivable	\$ 71,127
Fees and Costs	<u>4,811</u>
	<u>75,938</u>
Balance, December 31, 2011	<u>\$ 145,284</u>

CITY OF SOUTH AMBOY
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2010</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2011</u>
Licenses:				
Alcoholic Beverage		\$ 27,772	\$ 27,772	
Other		20,567	20,567	
Fees and Permits		47,521	47,521	
Fines and Costs:				
Municipal Court		266,077	248,229	\$ 17,848
Interest and Costs on Taxes		47,079	47,079	
Interest on Investments and Deposits		26,073	26,073	
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)		3,872,278	3,872,278	
Uniform Construction Code Fees		60,864	60,864	
Parking Fees		269,799	269,799	
Payment in Lieu of Taxes - Shoregate		186,740	186,740	
Cable Television Fees		33,880	33,880	
Dish Rental		60,000	60,000	
Reimbursement Agreement - South Amboy Redevelopment Agency		100,000	100,000	
Reserve for Payment of Debt		113,870	113,870	
FEMA Reimbursement		145,128	145,128	
Housing Inspection Program	-	43,470	43,470	-
	<u>-</u>	<u>\$ 5,321,118</u>	<u>\$ 5,303,270</u>	<u>\$ 17,848</u>
			Reserve for Payment of Debt \$ 113,870	
			Cash Receipts <u>5,189,400</u>	
			<u>\$ 5,303,270</u>	

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

	Balance, December 31, <u>2010</u>	Added in <u>2011</u>	Raised in 2011 <u>Budget</u>	FEMA <u>Refunds</u>	Balance, December 31, <u>2011</u>
Emergency Authorizations (40A:4-47)	\$ 200,000	\$ 450,000	\$ 200,000	\$ 16,950	\$ 433,050
Operating Deficit	<u>-</u>	<u>43,039</u>	<u>-</u>	<u>-</u>	<u>43,039</u>
	<u>\$ 200,000</u>	<u>\$ 493,039</u>	<u>\$ 200,000</u>	<u>\$ 16,950</u>	<u>\$ 476,089</u>

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

	Balance December, <u>2011</u>	Balance After Transfers and Encumbrances <u>Cancelled</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
General Administration				
Salaries and Wages	\$ 363			
Other Expenses	6,117	\$ 16,483	\$ 16,483	
Mayor and Council				
Salaries and Wages	1			
Other Expenses	72	355	355	
Municipal Clerk				
Salaries and Wages	1,149			
Other Expenses	2,998	3,049	2,114	\$ 935
Financial Administration				
Salaries and Wages	1,539			
Other Expenses	3,507	4,345	1,372	2,973
Revenue Administration				
Salaries and Wages	403			
Other Expenses	1,312	1,499	174	1,325
Tax Assessment Administration				
Salaries and Wages	46			
Other Expenses	82	84	2	82
Legal Services				
Other Expenses	530	106,415	91,616	14,799
Department of Engineering				
Other Expenses	35,804	49,802	17,729	32,073
Vital Statistics				
Salaries and Wages	1			
Other Expenses	39	178	139	39
Planning Board				
Salaries and Wages	5	5		5
Other Expenses		13,872	13,872	
Zoning Board of Adjustment				
Salaries and Wages	1			
Other Expenses	1			
Police Department				
Salaries and Wages	25,064			
Other Expenses	666	3,947	3,787	160
Emergency Management				
Other Expenses		28		28
Aid to Volunteer Fire Companies				
Other Expenses	510	510		510
Department of Fire				
Other Expenses	4,274	8,568	4,294	4,274
Municipal Prosecutor Office				
Other Expenses	55			
Streets and Roads				
Salaries and Wages	1,457			
Other Expenses	9,243	18,315	18,315	
Sewers				
Salaries and Wages	569			
Other Expenses	166	2,778	203	2,575
Parking Lot				
Salaries and Wages	41			

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

	Balance December, 2011	Balance After Transfers and Encumbrances Cancelled	Paid or Charged	Balance Lapsed
Recycling Coordinator				
Salaries and Wages	\$ 1			
Other Expenses	100			
Solid Waste				
Salaries and Wages	582			
Other Expenses	11,261	\$ 16,261	\$ 15,902	\$ 359
Buildings and Grounds				
Salaries and Wages	721			
Other Expenses	3,444	10,970	9,445	1,525
Vehicle Maintenance				
Salaries and Wages	1,738	1,738		1,738
Other Expenses	2,221	11,935	4,986	6,949
Board of Health				
Salaries and Wages	22			
Other Expenses	1,532			
Animal Control Services				
Salaries and Wages	1			
Other Expenses	4,583	1,333	1,333	
Municipal Court				
Salaries and Wages	932			
Other Expenses	330	423	93	330
Public Defender				
Salaries and Wages	2			
Recreation Services and Programs				
Salaries and Wages	552			
Other Expenses	2,431	431		431
Senior Citizens				
Salaries and Wages	440			
Other Expenses	726	833	107	726
Celebration of Public Events				
Other Expenses	2,389	2,814	633	2,181
Division of Code Enforcement				
Salaries and Wages	886			
Other Expenses	1,528	1,535	7	1,528
Utilities	11,387	82,759	76,386	6,373
Insurance				
General Liability	2,268			
Workers Compensation	291			
Employee Group Health	14,825	14,668	120	14,548
Deferred Charges and Regulatory Expenditures				
Social Security Systems (O.A.S.I.)	7,058			
Middlesex County Utilities Authority - Payment	38	38	38	-
Grand Total	\$ 168,304	\$ 375,971	\$ 279,505	\$ 96,466
Appropriation Reserves		\$ 168,304		
Encumbrances Reappropriated		<u>207,667</u>		
		<u>\$ 375,971</u>		
Cash Disbursements			<u>\$ 279,505</u>	

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

Balance, December 31, 2010		\$ 300,178
Increased by:		
Charges to Budget Appropriations		\$ 164,932
Charges to Reserves for Grants Appropriated		<u>2,452,357</u>
		2,617,289
		2,917,467
Decreased by:		
Transferred to Appropriated Grants		92,511
Transferred to Appropriation Reserves		<u>207,667</u>
		<u>300,178</u>
Balance, December 31, 2011		<u>\$ 2,617,289</u>

EXHIBIT A-15

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, 2010	Increases	Decreases	Balance, December 31, 2011
Marriage License/Domestic Partner	\$ 250	\$ 875	\$ 1,100	\$ 25
Burial Permits		10	10	
Civil Union	25	75		100
Construction		3,486	3,486	
Garnishees	12,863	3,216		16,079
Off-Duty	<u>32,922</u>	<u>-</u>	<u>32,922</u>	<u>-</u>
	<u>\$ 46,060</u>	<u>\$ 7,662</u>	<u>\$ 37,518</u>	<u>\$ 16,204</u>

EXHIBIT A-16

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
Tax Levy:		
General Taxes		\$ 2,969,159
Added and Omitted Taxes		11,430
Open Space Taxes		<u>290,807</u>
		<u>\$ 3,271,396</u>
Decreased by:		
Payments		<u>\$ 3,271,396</u>

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

Increased by:		
Tax Levy		<u>\$ 8,573,622</u>
Decreased by:		
Payments		<u>\$ 8,573,622</u>

STATEMENT OF SEWER USER FEES RECEIVABLE

Increased by:		
Billings		<u>\$ 1,150,202</u>
Decreased by:		
Collections		<u>\$ 1,150,202</u>

STATEMENT OF TAX OVERPAYMENTS

	<u>Taxes</u>
Balance, December 31, 2010	\$ 34,808
Increased by:	
Cash Receipts	<u>3,090</u>
	37,898
Decreased By:	
Cash Disbursements	\$ 14,033
Overpayments Applied	<u>5,823</u>
	<u>19,856</u>
Balance, December 31, 2011	<u>\$ 18,042</u>

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

	Balance December 31, <u>2010</u>	Budget <u>Appropriation</u>	Encumbrances <u>Cancelled</u>	Cancelled to <u>Operations</u>	Paid or <u>Charged</u>	Balance December 31, <u>2011</u>
Body Armor Replacement Fund	\$ 2,260					\$ 2,260
Body Armor Replacement Fund - 2008	6,135					6,135
Body Armor Replacement Fund - 2011		\$ 6,728				6,728
HDSRF - Broadway Redevelopment	39,337					39,337
HDSRF - Wishey Property	65,705					65,705
Municipal Alliance						
2011		11,124				11,124
2010	11,124					11,124
2009	11,124					11,124
2008	5,388				\$ 4,578	810
2006	1,381				1,381	
2007 State	3,189				3,189	
2007 Local	1,827				1,827	
TTF Transit Village	14,910		\$ 92,511		7,492	99,929
Jewish Renaissance Foundation	5,353			\$ 5,353		
Clean Communities		24,005			24,005	
Recycling Tonnage Grant		25,911				25,911
Main St. Engineering Svcs		399,990			399,990	
Radford Ferry Road		955,879			12,117	943,762
NJTTF Pine Ave & Portia		250,000				250,000
Intermodal RFRRI		5,000,000			2,198,337	2,801,663
Middlesex County Law Enf. Grant	-	5,000	-	-	4,973	27
	<u>\$ 167,733</u>	<u>\$ 6,678,637</u>	<u>\$ 92,511</u>	<u>\$ 5,353</u>	<u>\$ 2,657,889</u>	<u>\$ 4,275,639</u>
Transfer to Encumbrances Payable					\$ 2,452,357	
Cash Disbursements					<u>205,532</u>	
					<u>\$ 2,657,889</u>	

EXHIBIT A-21

STATEMENT OF PREPAID TAXES

Balance, December 31, 2010	\$ 80,902
Increased by:	
2012 Taxes Received	<u>113,357</u>
	194,259
Decreased by:	
Applied to Taxes Receivable	<u>80,902</u>
Balance, December 31, 2011	<u>\$ 113,357</u>

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

Balance, December 31, 2010	\$ <u>19,253</u>
Balance, December 31, 2011	\$ <u><u>19,253</u></u>

STATEMENT OF TAX ANTICIPATION NOTES PAYABLE

Balance, December 31, 2010	\$ 3,000,000
Increased by:	
Cash Receipts	<u>3,000,000</u>
	6,000,000
Decreased by:	
Cash Disbursements	<u>3,000,000</u>
Balance, December 31, 2011	\$ <u><u>3,000,000</u></u>

STATEMENT OF EMERGENCY NOTES PAYABLE

Increased by:	
Cash Receipts	\$ <u>350,000</u>
Balance, December 31, 2011	\$ <u><u>350,000</u></u>

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

Balance, December 31, 2010	\$ 15,863
Decreased by:	
Appropriated in Budget	<u>15,863</u>
Balance, December 31, 2011	<u><u>\$ -</u></u>

STATEMENT OF DUE TO SOUTH AMBOY REDEVELOPMENT AGENCY

Balance, December 31, 2010	\$ 1,519
Increased by:	
Cash Receipts - Reimbursed from Redevelopment Agency	<u>145,897</u>
	147,416
Decreased by:	
Payroll Expenditures Paid by City of South Amboy	<u>147,416</u>
Balance, December 31, 2011	<u><u>\$ -</u></u>

TRUST FUND

**CITY OF SOUTH AMBOY
STATEMENT OF CASH**

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>
Balance, December 31, 2010	\$ 7,740	\$ 520,759	\$ 80,533
Increased by Receipts:			
Reserve for Payroll		\$ 6,176,088	
Reserve for Payroll Deductions Payable		3,612,206	
Reserve for Miscellaneous Reserves		71,838	
Reserve for Escrow Deposits		77,637	
Reserve for Third Party Lienholders		559,876	
License Fees Collected	\$ 1,618		
Late Fees Collected	76		
Due to State of NJ - State Registration Fees	418		
Due from Community Development Block Grant Fund			
City Contributions			\$ 75,000
Employee Contributions-Due to Unemployment		7,444	
Interest on Deposits	-	1,574	855
	<u>2,112</u>	<u>10,506,663</u>	<u>75,855</u>
	9,852	11,027,422	156,388
Decreased by Disbursements:			
Expenditures			
Due to Community Development Block Grant Fund			
Due to State of NJ - Unemployment Claims			37,017
Due to State of NJ - State Registration Fees	411		
Due to Current Fund	6,093	1,574	
Reserve for Escrow Deposits		202,373	
Reserve for Payroll		6,172,378	
Reserve for Payroll Deductions Payable		3,596,049	
Reserve for Third Party Lienholders			
Reserve for Third Party Lienholders		556,633	
Reserve for Miscellaneous Reserves	-	13,200	-
	<u>6,504</u>	<u>10,542,207</u>	<u>37,017</u>
Balance, December 31, 2011	<u>\$ 3,348</u>	<u>\$ 485,215</u>	<u>\$ 119,371</u>

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

Balance, December 31, 2010		\$ 4,653
Increased by:		
License Fees Collected	\$ 1,618	
Late Fees Collected	<u>76</u>	
		<u>1,694</u>
		6,347
Decreased by:		
Statutory Excess Due to Current Fund		<u>3,006</u>
Balance, December 31, 2011		<u>\$ 3,341</u>

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

Increased By:		
State Fees Collected		\$ 418
Decreased by		
Payments		<u>411</u>
Balance, December 31, 2011		<u>\$ 7</u>

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

Increased By		
Payments to Current Fund	\$	1,574
Tax Sale Premium Deposited in Current Fund		<u>47,600</u>
	\$	49,174
Decreased by:		
Interest Earned		<u>1,574</u>
Balance, December 31, 2011	\$	<u><u>47,600</u></u>

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

Balance, December 31, 2010	\$	5,939
Increased by		
Cash Receipts		<u>559,876</u>
		565,815
Decreased by		
Cash Disbursements		<u>556,633</u>
Balance, December 31, 2011	\$	<u><u>9,182</u></u>

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

Balance, December 31, 2010	\$	300,107
Increased by		
Deposits Collected		<u>77,637</u>
		377,744
Decreased by:		
Deposits Refunded		<u>202,373</u>
Balance, December 31, 2011	\$	<u><u>175,371</u></u>

EXHIBIT B-7

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

Balance, December 31, 2010	\$	4,357
Increased by:		
Cash Receipts		<u>6,176,088</u>
		6,180,445
Decreased by:		
Cash Disbursements		<u>6,172,378</u>
Balance, December 31, 2011	\$	<u><u>8,067</u></u>

EXHIBIT B-8

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

Balance, December 31, 2010	\$	46,445
Increased by:		
Cash Receipts		<u>3,612,206</u>
		3,658,651
Decreased by:		
Cash Disbursements		<u>3,596,049</u>
Balance, December 31, 2011	\$	<u><u>62,602</u></u>

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

	Balance December 31, <u>2010</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance December 31, <u>2011</u>
Recycling Program	\$ 20,555	\$ 1,491		\$ 22,046
Senior Citizen Transportation	3,445	925		4,370
Forfeited Funds	23,977	5,758		29,735
Recreation Trust	4,893			4,893
Parking Offense Adjudication Act	1,340	582		1,922
Raritan Bay Seafood Festival	7,610	1,575	\$ 300	8,885
Tax Sale Premium	14,200	47,600	12,900	48,900
Off Duty Police	124			124
Charter Celebration	4,586			4,586
Dedicated Penalties - Fire	3,312	1,507		4,819
LOSAP	<u>72,666</u>	<u>60,000</u>	<u>-</u>	<u>132,666</u>
	<u>\$ 156,708</u>	<u>\$ 119,438</u>	<u>\$ 13,200</u>	<u>\$ 262,946</u>
		Due from Current Fund \$ 47,600		
		Cash Receipts <u>71,838</u>		
		<u>\$ 119,438</u>		

EXHIBIT B-10

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

Balance, December 31, 2010	\$ 84,732
Increased by:	
City Contribution	\$ 75,000
Employee Contribution	7,444
Interest on Deposits	<u>855</u>
	<u>83,299</u>
	168,031
Decreased by:	
Unemployment Claims	<u>34,154</u>
Balance, December 31, 2011	<u>\$ 133,877</u>

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

Balance, December 31, 2010		\$ 3,004
Increased By:		
Claims		34,154
		37,158
Decreased by:		
Payments made to the State of NJ		37,017
Balance, December 31, 2011		\$ 141

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

Balance, December 31, 2010		\$ 272,585
Increased by:		
Grant Allocations		44,722
		317,307
Decreased by:		
Cash Receipts Received in South Amboy Redevelopment Agency	\$ 159,300	
Cash Receipts Received in Current Fund	21,000	
		180,300
Balance, December 31, 2011		\$ 137,007
	<u>Analysis of Balance</u>	
	2009 Façade Program	\$ 26,215
	Community Center	110,792
		\$ 137,007

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

Balance, December 31, 2010	\$	21,000
Decreased By:		
Community Development Grant Receipts Deposited in Current Fund		21,000
Balance, December 31, 2011	\$	-

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

		2011 Façade <u>Improvements</u>
Balance, December 31, 2010	\$	251,585
Increased by:		
Grant Awards Senior Area/Community Center		44,722
		296,307
Decreased by:		
Expenditures		159,300
Balance, December 31, 2011	\$	137,007

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

Balance, December 31, 2010	\$	3,087
Increased by:		
Statutory Excess		3,006
		6,093
Decreased by:		
Payments to Current Fund		6,093
Balance, December 31, 2011	\$	-

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

Balance, December 31, 2010	\$	7,203
Increased by:		
Payroll Deductions Not Transferred		7,444
Balance, December 31, 2011	\$	14,647

GENERAL CAPITAL FUND

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

Balance, December 31, 2010	\$ 553,747
Increased by Receipts:	
Receipts from Current Fund	<u>478,546</u>
Balance, December 31, 2011	<u>\$ 1,032,293</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2011</u>
Grants Receivable		\$ (25,000)
Accounts Payable		19,470
Encumbrances Payable		460,292
Capital Improvement Fund		30,330
8-02	Augusta St. - Phase III	16,098
12-03	Acquisition of Land	21,741
25-06	Broadway Street Enhancement Improvements	32,032
7-07	Improvements to Sewer System on Cedar Street	10,674
9-08.1	Acquisition of Fire Apparatus	21,228
9-08.2	Acquisition of Vehicles	38,469
18-09	Purchase of Bucket Truck	26,982
18-09	Purchase of Truck with Spreader	33,090
14-11	Various Equipment	8,265
20-11	Tax Appeals (Refunding Bonds)	(26,910)
2-11	Various Capital Improvements	365,532
		<u>365,532</u>
		<u>\$ 1,032,293</u>

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

Increased By:

Cash Receipts deposited in Current Fund			
Proceeds from Bond Anticipation Notes Issued	\$	1,850,000	
Proceed from MCIA Loan Issued		84,926	
Premium Received on Sale of Loans		<u>1,526</u>	
			\$ 1,936,452
Budget Appropriation			
Capital Improvement Fund			<u>75,000</u>
			<u>2,011,452</u>

Decreased by:

Cash Disbursements made by Current Fund:			
Improvement Authorizations	\$	785,163	
Encumbrances Payable		<u>633,873</u>	
			1,419,036
Reserve for Payment of Debt Budgeted in Current Fund			113,870
Cash Received from Current Fund			<u>478,546</u>
			<u>2,011,452</u>
Balance, December 31, 2011			<u>\$ -</u>

EXHIBIT C-5

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2010			\$ 14,232,529
Increased by:			
Issuance of Loans			<u>84,926</u>
			14,317,455
Decreased by:			
Budget Appropriation to Pay:			
Bond Principal	\$	773,000	
Loan Principal		<u>66,612</u>	
			<u>839,612</u>
Balance, December 31, 2011			<u>\$ 13,477,843</u>

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

Balance, December 31, 2010	\$ 5,330
Increased by:	
Current Fund Budget Appropriation	75,000
	80,330
Decreased by:	
Appropriated to Finance Improvement Authorizations	50,000
Balance, December 31, 2011	\$ 30,330

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

Balance, December 31, 2010	\$ 25,000
Balance, December 31, 2011	\$ 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, 2010	\$ 19,470
Balance, December 31, 2011	\$ 19,470

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

Ord. No.	Improvement Description	Amount Appropriated	Balance, December 31, 2010		Improvement Authorizations	Paid or Charged	Balance, December 31, 2011	
			Funded	Unfunded			Funded	Unfunded
8-02	Augusta St. - Phase III	\$ 377,000	\$ 16,098				\$ 16,098	
12-03	Acquisition of Land	1,500,000	21,741				21,741	
25-06	Broadway Street Enhancement Improvements	650,000	42,817			\$ 10,785	32,032	
7-07	Improvements to Sewer System on Cedar Street	65,000	10,674				10,674	
9-08.1	Acquisition of Fire Apparatus	475,000	31,334			10,106	21,228	
9-08.2	Acquisition of Vehicles	300,000	218,868			180,399	38,469	
9-08.4	Building Improvements	350,000	22,513			22,513		
24-08	Purchase of Generator	60,000	21			21		
18-09	Purchase of Bucket Truck	100,000	26,982				26,982	
18-09	Purchase of Truck with Spreader	175,000	33,940			850	33,090	
10-10	Improvements to Various Streets	450,000		\$ 5,431		5,431		
11-10	Environmental Remediation	50,000		11,604		11,604		
28-10	Improvements to Various Streets	450,000		264,181		264,181		
02-11	Various Capital Improvements	1,000,000			\$ 1,000,000	634,468		\$ 365,532
14-11	Various Equipment	86,452			86,452	78,187	8,265	
20-11	Refunding Bonds (Tax Appeals)	475,000	-	-	475,000	26,910	-	448,090
			<u>\$ 424,988</u>	<u>\$ 281,216</u>	<u>\$ 1,561,452</u>	<u>\$ 1,245,455</u>	<u>\$ 208,579</u>	<u>\$ 813,622</u>
	Deferred Charges - Unfunded Capital Improvement Fund				\$ 1,511,452 50,000			
					<u>\$ 1,561,452</u>			
						\$ 785,163		
						<u>460,292</u>		
						<u>\$ 1,245,455</u>		

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

Balance, December 31, 2010	\$ 633,873
Increased by:	
Commitments	<u>460,292</u>
	1,094,165
Decreased by:	
Disbursements Paid by Current Fund	<u>633,873</u>
Balance, December 31, 2011	<u>\$ 460,292</u>

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

Ord. No.	<u>Improvement Description</u>	Original Issue	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2010	Increased	Balance, December 31, 2011
10-10	Improvements to Various Streets	\$ 427,500	4/29/2011	4/29/2011	4/27/2012	1.75 %	\$ 427,500		\$ 427,500
11-10	Environmental Remediation	47,500	4/29/2011	4/29/2011	4/27/2012	1.75		47,500	47,500
28-10	Improvements to Various Streets	425,000	4/29/2011	4/29/2011	4/27/2012	1.75		425,000	425,000
2-11	Various Capital Improvements	950,000	4/29/2011	4/29/2011	4/27/2012	1.75	-	950,000	950,000
							<u>\$ -</u>	<u>\$ 1,850,000</u>	<u>\$ 1,850,000</u>
							Issued for Cash	<u>\$ 1,850,000</u>	

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

Purpose	Date of Issue	Original Issue	Maturity of Bonds Outstanding at December 31, 2011		Interest Rate	Balance, December 31, 2010		Balance, December 31, 2011	
			Date	Amount		Decreased	Decreased		
General Improvements	1/15/1994	\$ 3,673,000				\$ 253,000	\$ 253,000		
General Obligation Bonds	12/15/2002	2,998,000	12/15/12	\$ 318,000	3.900 %	638,000	320,000	\$ 318,000	
General Obligation Bonds	8/1/2006	5,290,000	8/1/12-13	200,000	4.375				
			8/1/14	440,000	4.375				
			8/1/15-18	450,000	4.375				
			8/1/19-23	450,000	4.500	4,990,000	100,000	4,890,000	
General Improvement Bonds	5/1/2010	7,920,000	5/1/2012	450,000	3.000				
			5/1/2013	750,000	3.000				
			5/1/2014-21	500,000	3.00-4.00				
			5/1/2022	525,000	4.000				
			5/1/2023	550,000	4.000				
			5/1/2024	775,000	4.000				
			5/1/2025	770,000	4.000				
						<u>7,920,000</u>	<u>100,000</u>	<u>7,820,000</u>	
						<u>\$ 13,801,000</u>	<u>\$ 773,000</u>	<u>\$ 13,028,000</u>	
							<u>\$ 773,000</u>		
									Paid by Budget Appropriation <u>\$ 773,000</u>

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

Balance, December 31, 2010	\$ 431,529
Increased by:	
Loans Issued - Net of Premium	<u>84,926</u>
	516,455
Decreased by:	
Paid by Budget Appropriation	<u>66,612</u>
Balance, December 31, 2011	<u><u>\$ 449,843</u></u>

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

Balance, December 31, 2010	\$ 113,870
Decreased by:	
Current Year Revenue Appropriation	<u>113,870</u>
Balance, December 31, 2011	<u>\$ -</u>

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

Ord. No.	Purpose	Balance, December 31, <u>2010</u>	Authorized in <u>2011</u>	Decreased by:		Balance, December 31, <u>2011</u>
				Bond Anticipation Notes Issued	Loans Issued	
10-10	Improvements to Various Roads	\$ 427,500		\$ 427,500		
11-10	Environmental Remediation	47,500		47,500		
28-10	Improvements to Various Roads	425,000		425,000		
2-11	Various Capital Improvements		\$ 950,000	950,000		
20-11	Tax Appeals (Refunding Bonds)		475,000			\$ 475,000
14-11	Various Equipment	-	86,452	-	\$ 86,452	-
		<u>\$ 900,000</u>	<u>\$ 1,511,452</u>	<u>\$ 1,850,000</u>	<u>\$ 86,452</u>	<u>\$ 475,000</u>

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

**PART II
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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FAIR LAWN, NJ 07410
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DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERE, CPA

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, 2011, and have issued our report thereon dated June 15, 2012 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

Management of the City of South Amboy is responsible for establishing and maintaining effective 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 2011-1.

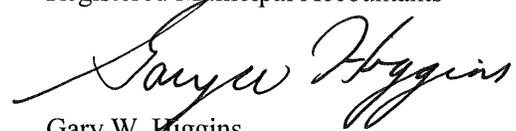
We also noted certain matters that we reported to management of the City of South Amboy in Part III of this report of audit entitled “Letter of Comments and Recommendations”.

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 management, the governing body, others within the City, 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 15, 2012

**CITY OF SOUTH AMBOY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Federal CFDA <u>No.</u>	Grant Award <u>Received</u>	Balance, December 31, <u>2010</u>	Revenue <u>Realized</u>	<u>Expenditures</u>	Balance, December 31, <u>2011</u>	Memo Cumulative Total <u>Expenditures</u>
Pass Through New Jersey Department of Transportation Trust Fund							
Department of Transportation							
Highway Planning and Construction							
Radford Ferry Road - Phase I	20.205	\$ 18,816					\$ 2,778,296
Radford Ferry Road - Phase II	20.205			\$ 955,879	\$ 12,117	\$ 943,762	12,117
Department of Housing and Urban Development							
Community Development Block Grant							
2007 Program Year							
Façade Improvements	14.219	21,000	\$ 76,215			76,215	135,785
Senior Area/Community Center	14.219	159,300	<u>175,370</u>	<u>44,722</u>	<u>159,300</u>	<u>60,792</u>	159,300
			<u>\$ 251,585</u>	<u>\$ 1,000,601</u>	<u>\$ 171,417</u>	<u>\$ 1,080,769</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, 2011**

<u>State Grant Program</u>	<u>Account Numbers</u>	<u>Grant Year</u>	<u>Grant Award Received</u>	<u>Balance, December 31, 2010</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Encumbrances Canceled</u>	<u>Adjustments/ Canceled</u>	<u>Balance, December 31, 2011</u>	<u>Memo Cumulative Total Expenditures</u>
Department of Transportation Trust Fund August St. - Phase III	63204800786320AFGTCAP6010	2002		\$ 19,536					\$ 19,536	\$ 175,464
TTF Transit Village	N/A	2010	\$ 148,696	14,910		\$ 7,492	\$ 92,511		99,929	252,582
TTF Pine Ave & Portia	N/A	2011			\$ 250,000				250,000	
Body Armor Replacement Fund	066-1020-718-001-04	2007		2,260					2,260	
		2008		6,135					6,135	
		2011	6,728		6,728				6,728	
Clean Communities Program	4900-765-178900	2011	24,005		24,005	24,005				24,005
Recycling Tonnage Grant	N/A	2011	25,911		25,911				25,911	
HDSRF - Broadway Redevelopment	N/A	2005		39,337					39,337	78,605
HDSRF - Wishey Property	N/A	2005		65,705					65,705	
Intermodal Transportation Center - RFR11	N/A	2011			5,000,000	1,336			4,998,664	1,336
Intermodal RFR11 - Engineering	N/A	2011			399,990	147,157			252,833	147,157
Municipal Drug & Alcohol Alliance Pgm.	N/A	2006		1,381		1,381				11,124
		2007		3,189		3,189				4,238
		2008		5,388		4,578			810	10,314
		2009		8,899					8,899	
		2010	2,620	11,124					11,124	
		2011			11,124				11,124	
Jewish Renaissance Foundation		2010		5,353	-	-	-	\$ 5,353	-	4,647
				<u>\$ 183,217</u>	<u>\$ 5,717,758</u>	<u>\$ 189,138</u>	<u>\$ 92,511</u>	<u>\$ 5,353</u>	<u>\$ 5,798,995</u>	

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

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

**CITY OF SOUTH AMBOY
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2011**

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	\$ 955,879	\$ 5,717,758	\$ 6,673,637
Community Development Trust Fund	<u>44,722</u>	<u>-</u>	<u>44,722</u>
	<u>\$ 1,000,601</u>	<u>\$ 5,717,758</u>	<u>\$ 6,718,359</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.

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

**PART III
SUPPORTING DATA
LETTER OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Year 2011</u>		<u>Year 2010</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	\$ 13,250,234	39.90%	\$ 7,192,244	26.73%
Collection of Delinquent Taxes and Tax Title Liens	3,138	0.01%	68,614	0.25%
Collection of Current Tax Levy	19,835,713	59.73%	19,248,473	71.53%
Other Credits to Income	<u>120,896</u>	<u>0.36%</u>	<u>400,857</u>	<u>1.49%</u>
Total Income	<u>33,209,981</u>	<u>100.00%</u>	<u>26,910,188</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	21,790,231	64.65%	15,585,458	57.50%
County Taxes	3,271,396	9.71%	3,039,404	11.21%
Local School Taxes	8,573,622	25.44%	8,422,893	31.07%
Other Expenditures	<u>67,771</u>	<u>0.20%</u>	<u>58,591</u>	<u>0.22%</u>
Total Expenditures	<u>33,703,020</u>	<u>100.00%</u>	<u>27,106,346</u>	<u>100.00%</u>
Deficit in Revenue	(493,039)		(196,158)	
Adjustments to Income before Surplus				
Expenditures included above which are by Statute				
Deferred Charges to Budget of Succeeding Year	<u>450,000</u>		<u>200,000</u>	
Deficit in Operations to be Raised in Budget of Succeeding Year	<u>\$ (43,039)</u>			
Statutory Excess to Fund Balance			3,842	
Fund Balance, Beginning of Year	<u>\$ 87,278</u>		<u>83,436</u>	
Fund Balance, End of Year	<u>\$ 87,278</u>		<u>\$ 87,278</u>	

COMPARATIVE SCHEDULE OF CALENDAR YEAR TAX RATE INFORMATION

	<u>Calendar Year Tax Rate</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate</u>	<u>\$2.247</u>	<u>\$2.167</u>	<u>\$2.06</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	.917	.881	\$.79
County	.367	.341	.35
Local School	.963	.945	.92
 <u>Assessed Valuation</u>			
2011	<u>\$890,577,300</u>		
2010	<u>\$891,469,430</u>		
2009	<u>\$883,696,509</u>		

COMPARISON OF TAX LEVIES AND COLLECTIONS

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

<u>December 31,</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2011	\$ 20,093,951	\$ 19,835,713	98.71%
2010	19,344,842	19,248,473	99.50%
2009	18,364,158	18,271,118	99.49%

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, 2011, 2010 and 2009.

<u>December 31,</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	\$ 145,284	\$ 65,265	\$ 210,549	1.05%
2010	69,346	53,787	123,133	0.64%
2009	107,266	68,011	175,277	0.10%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The City has not acquired by liquidation of tax title liens any properties as of December 31, 2011.

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>December 31,</u>	<u>Balance</u>	<u>Utilized In Budget of Succeeding Year</u>
<u>Current Fund</u>	2011	\$87,278	\$ -0-
	2010	87,278	-0-
	2009	83,436	-0-
	2008	83,436	-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>
Fred A. Henry	Mayor	
Joseph E. Connors	Council President	
William Schwarick	Councilman	
Donald Applegate	Councilman	
Mark Noble	Councilman	
Michael Gross	Councilman	
Kathleen Vigilante	Municipal Clerk	
Camille Tooker	Business Administrator	
Terance O'Neill	Chief Financial Officer	
James P. Hoeblich	Municipal Court Judge	
Mary Kate Vacca	Court Administrator	
Joanne Katko	Tax Collector/Registrar	
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	
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.

**CITY OF SOUTH AMBOY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Finding 2011-1:

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 2011-1.

Effect:

Qualified auditor's opinion due to the omission of the note disclosure.

Cause:

Unknown.

Recommendation:

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

Management's Response:

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

**CITY OF SOUTH AMBOY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 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.

Status of Finding

See Finding 2011-1.

GENERAL COMMENTS

Current Year

Our audit revealed that three professional service contracts were not advertised in accordance with N.J.S.A. 40A:11-5. It is recommended that the City publish a notice stating the nature of each professional service contract, duration, service and amount of contract in its official newspaper.

Prior Year Findings – Unresolved

The audit of the Municipal Court revealed that the "Tickets Assigned, 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 assigned not issued in excess of six months.

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.

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.

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:

Purchase of Gasoline
Impvts. To 6th St. Park
Retaining Wall
2012 Model 31 Yard Rear
Load Refuse Packer

City Hall Drainage Impvts.
Retaining Wall and Slope Stabilization
City Hall Roof Replacement

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, except as noted in current year finding.

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 5, 2011 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 16, 2011.

The following comparison is made of the number of tax title liens receivable outstanding at December 31, 2011, 2010 and 2009.

<u>December 31</u>	<u>Number of Liens</u>
2011	23
2010	11
2009	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 assigned not issued in excess of six months be recalled 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) The City publish a notice stating the nature of each professional service contract, duration, service and amount of contract in its official newspaper.

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.

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