

**NEW ISSUE**

**RATING: Standard & Poor's: "AA-"**  
(See "RATING" herein)

*In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the City (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.*

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

**\$11,410,000\***  
**GENERAL IMPROVEMENT BONDS, SERIES 2019**  
**(Book-Entry-Only) (Callable)**

**Dated:** Date of Delivery

**Due:** April 15, as shown on the inside front cover

The \$11,410,000\* General Improvement Bonds, Series 2019 (the "Bonds"), of the City of South Amboy, in the County of Middlesex, New Jersey (the "City"), are being issued pursuant to the Local Bond Law of the State of New Jersey, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the "Local Bond Law"), and the various bond ordinances described herein. Proceeds of the Bonds, along with other available funds of the City, will be used to: (i) currently refund the City's \$9,021,256 Bond Anticipation Note, dated and issued on April 20, 2018 and maturing on April 19, 2019; (ii) currently refund the City's \$2,979,500 Bond Anticipation Note, dated and issued on August 21, 2018 and maturing on April 19, 2019; and (iii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Bonds.

Interest on the Bonds will be payable semiannually on April 15 and October 15 in each year until maturity or earlier redemption, commencing on October 15, 2019. Principal of and interest due on the Bonds will be paid to DTC (as defined herein) by the City or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding April 1 and October 1 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities. See "THE BONDS - Redemption" herein.

The Bonds will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "THE BONDS – Book-Entry-Only System" herein.

The Bonds are valid and legally binding obligations of the City and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the City for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

**This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the appendices, to obtain information essential to the making of an informed investment decision.**

The Bonds are offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York, on or about April 18, 2019.

**BID PROPOSALS FOR THE BONDS WILL BE ACCEPTED ON THURSDAY, APRIL 4, 2019 UNTIL 11:00 A.M. IN ACCORDANCE WITH THE NOTICE OF SALE POSTED AT [WWW.MUNIHUB.COM](http://WWW.MUNIHUB.COM).**

\* Preliminary, subject to change.

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

**\$11,410,000\* GENERAL IMPROVEMENT BONDS, SERIES 2019**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS**

<b><u>Year</u></b>	<b><u>Principal Amount</u></b> <sup>*</sup>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> <sup>**</sup>
2020	\$530,000	%	%	
2021	565,000			
2022	530,000			
2023	530,000			
2024	565,000			
2025	530,000			
2026	1,020,000			
2027	1,020,000			
2028	1,020,000			
2029	1,020,000			
2030	1,020,000			
2031	1,020,000			
2032	1,020,000			
2033	1,020,000			

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\* Preliminary, subject to change.

\*\* Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the City does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

**MAYOR**

Fred Henry

**CITY COUNCIL MEMBERS**

Michael Gross, President  
Brian McLaughlin  
Thomas B. Reilly  
Zusette Dato  
Christine Noble

**BUSINESS ADMINISTRATOR**

Glenn Skarzynski

**CHIEF FINANCIAL OFFICER**

Daniel Balka

**CITY ATTORNEY**

Francis Womack, Esquire  
Iselin, New Jersey

**AUDITOR**

Lerch, Vinci & Higgins, LLP  
Fair Lawn, New Jersey

**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the City and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the City. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the City during normal business hours.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the City from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the City.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be used, in whole or in part, for any other purpose.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

Neither McManimon, Scotland & Baumann, LLC nor Phoenix Advisors, LLC have participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

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**OFFICIAL STATEMENT**  
**Relating to the**  
**CITY OF SOUTH AMBOY,**  
**IN THE COUNTY OF MIDDLESEX, NEW JERSEY**  
**\$11,410,000\* GENERAL IMPROVEMENT BONDS, SERIES 2019**

**INTRODUCTION**

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the City of South Amboy (the “City”), in the County of Middlesex (the “County”), New Jersey (the “State”), in connection with the sale and the issuance of \$11,410,000\* General Improvement Bonds, Series 2019 (the “Bonds”). This Official Statement has been executed by and on behalf of the City by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety. All financial and other information presented herein has been provided by the City from its records, except for information expressly attributed to other sources.

**THE BONDS**

**General Description**

The Bonds will be dated their date of delivery, will mature on April 15 in the years and in the amounts set forth on the inside front cover page hereof, and will bear interest from their dated date. Interest on the Bonds will be payable semiannually on April 15 and October 15 in each year until maturity or earlier redemption, commencing on October 15, 2019, at the rates set forth on the inside front cover page hereof. Principal of and interest due on the Bonds will be paid to DTC (as defined herein) by the City or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding April 1 and October 1 (the “Record Dates” for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry-only form in the principal amount of \$5,000, or any integral multiple thereof, through book-entries made on the books and records of The Depository Trust Company, New York, New York (“DTC”), and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the City directly to Cede & Co. (or any successor or assign), as nominee for DTC.

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\* Preliminary, subject to change.

## **Book-Entry-Only System\***

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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\* Source: The Depository Trust Company

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, if any, and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and shall be the responsibility of such Participant and not of DTC or its nominee, the paying agent, if any, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the paying agent, if any. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE INFORMATION CONTAINED IN THIS SUBSECTION "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN PROVIDED BY DTC. THE CITY MAKES NO REPRESENTATIONS AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BOND HOLDERS; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST DUE ON THE BONDS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS NOMINEE OF DTC AND THE REGISTERED OWNER OF THE BONDS. THE RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND



EXCHANGE COMMISSION AND THE PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

### **Discontinuation of Book-Entry-Only System**

If the City, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the City will attempt to locate another qualified securities depository. If the City fails to find such a securities depository, or if the City determines, in its sole discretion, that it is in the best interest of the City or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the City undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the City shall notify DTC of the termination of the book-entry-only system.

### **Redemption**

The Bonds maturing prior to April 15, 2027 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after April 15, 2027 are redeemable at the option of the City in whole or in part on any date on or after April 15, 2026 upon notice as required herein at par, plus in each case unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City or a duly appointed bond registrar. Any failure of the securities depository to advise any of its Participants or any failure of any Participant to notify any Beneficial Owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the City determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the City. The Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the City shall send redemption notices only to Cede & Co.

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price, together with unpaid accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

## **AUTHORIZATION AND PURPOSE OF THE BONDS**

The Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the "Local Bond Law"), the bond ordinances adopted by the City Council referred to in the chart that follows and by a resolution duly adopted by the City Council on March 6, 2019 (the "Resolution").

Proceeds from the sale and issuance of the Bonds, along with other available funds of the City in the amount of \$590,756, will be used by the City to: (i) currently refund the City's \$9,021,256 Bond Anticipation Note, dated and issued on April 20, 2018 and maturing on April 19, 2019; (ii) currently refund the City's \$2,979,500 Bond Anticipation Note, dated and issued on August 21, 2018 and maturing on April 19, 2019; and (iii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Bonds.

<b>Number of Bond Ordinance</b>	<b>Description of Improvement and Date of Adoption of Ordinance</b>	<b>Amount of Bond Proceeds</b>
#02-2011	Various 2011 capital improvements, finally adopted March 16, 2011.	\$450,000
#07-2012	Various 2012 capital improvements, finally adopted June 20, 2012.	454,593
#16-2013	Reconstruction of the waterfront walkway and seawall, finally adopted August 21, 2013.	257,850
#17-2013	Various 2013 capital improvements, finally adopted August 21, 2013.	990,241
#05-2015	Acquisition of a fire truck, finally adopted March 18, 2015.	460,314
#13-2015	Various capital improvements, finally adopted October 7, 2015.	1,951,697
#09-2016	Various capital improvements, finally adopted June 15, 2016.	2,243,750
#06-2017	Various capital improvements, finally adopted June 14, 2017.	1,132,625
#12-2017	Various capital improvements, finally adopted August 16, 2017.	714,875
#10-2018	Various capital improvements, finally adopted July 18, 2018.	<u>2,754,055</u>
Total Bond Proceeds:		\$11,410,000

### **SECURITY AND SOURCE OF PAYMENT**

The Bonds are valid and legally binding bonds of the City, and the City has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The City is required by law to levy *ad valorem* taxes upon all the real property taxable within the City for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

## **MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

### **Local Bond Law (N.J.S.A. 40A:2-1 et seq.)**

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the City are general full faith and credit obligations.

The authorized bonded indebtedness of the City for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of City, as annually determined by the State Director of Taxation is shown in Appendix A.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

As shown in Appendix A, the City has not exceeded its statutory debt limit.

The City may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the City may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the City or substantially reduce the ability of the City to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the City to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The City may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit’s bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes’ maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year’s principal payment for a bond issue.

### **Local Budget Law (N.J.S.A. 40A:4-1 et seq.)**

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the

Division (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit’s expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year’s budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality’s calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a “reserve for uncollected taxes” in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year’s budget.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation, payment of compensated absences and drainage map preparation for flood control purposes, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation

reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations, except that transfers may be made between debt service principal and interest.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 *et seq.*) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the City to levy *ad valorem* taxes upon all taxable real property within the City to pay debt service on its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

## **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the City's local school district and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in the State for various special services rendered to the properties located within the special districts.

Tax bills are typically mailed annually in June or following the adoption of the State budget, at which time state aid is certified, by the City's Tax Collector. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates and penalties are the highest permitted under State statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State statutes.

## **Tax Appeals**

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the City must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

## **Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)**

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2017 for the City is on file with the Clerk and

is available for review during business hours. The audit for the year ended December 31, 2018 of the City is not due as of the date of this official statement.

## **TAX MATTERS**

### **Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes**

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the City to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The City will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The City has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the City with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the City observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC (“Bond Counsel”) is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel expresses no opinion about the effect of future changes in (i) the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of the Bonds is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

## **Original Issue Discount**

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the “Discount Bonds”). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

## **Original Issue Premium**

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the “Premium Bonds”). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner’s tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the “constant yield method” described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

## **Bank Qualification**

The Bonds will not be designated as qualified under Section 265 of the Code by the City for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

## **Additional Federal Income Tax Consequences of Holding the Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal



income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

### **Changes in Federal Tax Law Regarding the Bonds**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

### **State Taxation**

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

## **FINANCIAL STATEMENTS**

Appendix B contains certain unaudited financial data of the City extracted from the unaudited Annual Financial Statement for the year ending December 31, 2018 and certain audited financial data of the City for the years ending December 31, 2017 and 2016. The audited financial data was extracted from the report prepared by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey (the “Auditor”), to the extent and for the period set forth in their report appearing in Appendix B to this Official Statement. The Auditor has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the information contained in Appendix A and the audited financial data appearing in Appendix B hereto) and, accordingly, will express no opinion with respect thereto. See “APPENDIX B - Financial Statements of the City of South Amboy, in the County of Middlesex, New Jersey”.

## **LITIGATION**

To the knowledge of the City Attorney, Francis Womack, Esquire, Iselin, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the City Attorney, no litigation is presently pending or threatened that, in the opinion of the City Attorney, would have a material adverse impact on the financial condition of the City if adversely decided.

## **SECONDARY MARKET DISCLOSURE**

The City, pursuant to the Resolution, has covenanted for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"). Specifically, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the City shall provide:

(a) On or prior to September 30 of each year, beginning September 30, 2020, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the City consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the City and certain financial information and operating data consisting of (i) the City and overlapping indebtedness including a schedule of outstanding debt issued by the City, (ii) property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law;

(b) in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;

- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City;
- (13) The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the City, if any such event reflects financial difficulties; and

(c) in a timely manner to the MSRB, notice of failure of the City to provide required annual financial information on or before the date specified in the Resolution.

The term "Financial Obligation" as used in subparagraphs (b)(15) and (b)(16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); *provided, however*, that the term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

In the event that the City fails to comply with the above-described undertakings and covenants, the City shall not be liable for any monetary damages, remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

The undertaking may be amended by the City from time to time, without the consent of the holders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

The City had a clerical error in its Continuing Disclosure Agreement dated May 6, 2010 (the "Erroneous Agreement") whereby the Erroneous Agreement misstated that the City will provide all required annual financial information and operating data for its year ending December 31 by January 31, which date is only 30 days after the City's year end. It is impossible for the City to meet such January 31 deadline. The January 31 date is erroneous and should have been consistent with other prior continuing disclosure obligations of the City. Based on the January 31 deadline the City previously failed to file on certain CUSIPs for which the City is an obligated party, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ending December 31, 2015, 2016 and 2017 and 2018; (ii) operating data for the fiscal years ending December 31, 2014, 2015, 2016, 2017 and 2018; and (iii) adopted budgets for fiscal years ending December 31, 2015, 2016, 2017, 2018 and 2019. Additionally, the City previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; (iii) adopted budgets, all as described above, and (iv) late filing notices and/or event notices in connection with a bond insurer rating change in 2014. Such notices of events and late filings have since been filed with EMMA. The City appointed Phoenix Advisors, LLC in June of 2015 to serve as continuing disclosure agent.

There can be no assurance that there will be a secondary market for the sale or purchase of the Bonds. Such factors as prevailing market conditions, financial condition or market position of firms who

may make the secondary market and the financial condition of the City may affect the future liquidity of the Bonds.

### **MUNICIPAL BANKRUPTCY**

The undertakings of the City should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901 et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the City, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth in Appendix "C" attached hereto. Certain legal matters will be passed on for the City by its City Attorney.

### **UNDERWRITING**

The Bonds have been purchased from the City, pursuant to the terms of the City's notice of sale, by \_\_\_\_\_ (the "Underwriter"), at a purchase price of \_\_\_\_\_ (the "Purchase Price"). The Purchase Price reflects the par amount of the Bonds in the amount of \_\_\_\_\_, plus a bid premium in the amount of \_\_\_\_\_ less an Underwriter's discount in the amount of \_\_\_\_\_. The Underwriter is obligated to purchase all of the Bonds if any are purchased.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public offering yields set forth on the inside front cover of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

## **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has assigned a rating of "AA-" to the Bonds based upon the creditworthiness of the City.

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The City furnished to the Rating Agency certain information and materials concerning the Bonds and the City. There can be no assurance that the rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

## **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the City with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **PREPARATION OF OFFICIAL STATEMENT**

The City hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm same to the Underwriter by a certificate signed by the Mayor and the Chief Financial Officer.

All other information has been obtained from sources that the City consider to be reliable, and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

Neither Bond Counsel nor the Municipal Advisor has participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Daniel Balka, Chief Financial Officer, City of South Amboy, 140 North Broadway, South Amboy, New Jersey 08879-1647, (732) 525-5922 or the Municipal Advisor, Phoenix Advisors, LLC at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement among the City, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) of the City since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

### **CITY OF SOUTH AMBOY, IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

/s/  
Daniel Balka,  
Chief Financial Officer

**Dated:** April \_\_, 2019

## **APPENDIX A**

### **CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE CITY OF SOUTH AMBOY, IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

## GENERAL INFORMATION

### Size and Geographical Location

The City of South Amboy (the “City”) is located approximately 30 miles south of Manhattan in the eastern part of Middlesex County (the “County”). The City encompasses an area of approximately one and a half (1.5) square miles. Residents have access to all parts of New York, New Jersey and Philadelphia via U.S. Route 1-9, the Garden State Parkway and the New Jersey Turnpike.

### Form of Government

The City is governed by the provisions of the Mayor-Council form of government as provided for in Chapter 210 of the Laws of New Jersey of 1950, as amended and supplemented (N.J.S.A. 40:69A-1 et seq.). This form of government provides for a Mayor and five Council members, all elected for staggered four year terms.

### General Services

The City is served by a police department consisting of approximately 21 officers, including 3 detectives, who operate 7 marked vehicles and 3 unmarked vehicles. The fire department consists of approximately 200 volunteer firefighters who operate 4 pumpers, 1 ladder truck, 1 Chief’s vehicles and 1 air and light vehicle.

### Sanitation

Garbage collection is provided twice weekly and recycling pick-up is provided twice a month. The City provides both of these services.

### Utilities

Electricity is supplied by GPU Energy. Gas is supplied by Public Service Electric & Gas. Water is supplied by the Middlesex Water Company.

### Population

Population trends for the City, County and the State of New Jersey since 1980 are shown below:

<b><u>Area</u></b>	<b><u>1980</u></b>	<b><u>1990</u></b>	<b><u>2000</u></b>	<b><u>2010</u></b>	<b><u>2017</u></b>
City of South Amboy	8,322	7,863	7,913	8,631	8,857
County of Middlesex	595,893	671,780	750,162	809,858	842,798
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	9,005,644

Source: U.S. Census Bureau.

### Income as of 2017

	<b>Median Household <u>Income</u></b>	<b>Median Family <u>Income</u></b>	<b>Per Capita <u>Income</u></b>
City of South Amboy	\$65,074	\$86,607	\$35,265
County of Middlesex	83,133	99,470	36,558
State of New Jersey	76,475	94,337	39,069

Source: U.S. Bureau. 2013-2017 American Community Survey 5-Year Estimates



## Labor Force, Employment and Unemployment

For the years 2013 to 2017, the New Jersey Department of Labor reported the following annual average employment information for the City, the County and the State:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<u>City of South Amboy</u>				
2017	4,982	4,758	224	4.5%
2016	4,997	4,739	258	5.2%
2015	5,002	4,703	299	6.0%
2014	4,962	4,613	349	7.0%
2013	4,917	4,534	383	7.8%
<u>County of Middlesex</u>				
2017	442,313	424,201	18,112	4.1%
2016	442,447	422,948	19,499	4.4%
2015	440,300	418,400	21,900	5.0%
2014	432,112	406,174	25,938	6.0%
2013	443,825	410,919	32,906	7.4%
<u>State of New Jersey</u>				
2017	4,518,000	4,309,700	208,300	4.6%
2016	4,524,300	4,299,900	224,400	5.0%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,518,700	4,218,400	300,300	6.6%
2013	4,537,800	4,166,000	371,800	8.2%

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Source: State of New Jersey, Department of Labor

## DEBT INFORMATION

### Debt Statements

The City must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year the City must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the City as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

### Debt Incurring Capacity As of December 31, 2018 (Unaudited)

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 884,922,645
3 1/2% Borrowing Margin	\$ 30,972,293
Net Debt Issued, Outstanding and Authorized	17,983,212
Remaining Municipal Borrowing Capacity	\$ 12,989,081
Local School	
4% Borrowing Margin	\$ 35,396,906
Debt, Issued, Outstanding and Authorized	7,145,000
Remaining School Borrowing Capacity	\$ 28,251,906

### Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2018 (Unaudited)	\$ 28,548,523	\$ 17,983,212	2.03%
2017	28,263,727	17,863,315	2.09%
2016	28,882,625	18,154,311	2.17%
2015	30,411,052	17,785,630	2.15%
2014	31,000,249	16,197,012	1.92%

Source: City of South Amboy Annual Audit Reports and 2018 Annual Debt Statement.

**Statement of Indebtedness**  
**As of December 31, 2018 (Unaudited)**

**GENERAL PURPOSES**

Bonds Issued and Outstanding	\$ 6,430,000	
Bond Anticipation Notes	12,000,756	
Loans Issued and Outstanding	133,579	
Debt Authorized But Not Issued	<u>9,188</u>	
		18,573,523

**BONDS GUARANTEED BY MUNICIPALITY**

2,830,000

**LOCAL SCHOOL**

Bonds Issued and Outstanding	<u>7,145,000</u>	
------------------------------	------------------	--

TOTAL GROSS DEBT 28,548,523

**STATUTORY DEDUCTIONS**

Municipal Purpose	3,420,311	
Local School	<u>7,145,000</u>	
		<u>10,565,311</u>

TOTAL NET DEBT \$ 17,983,212

**OVERLAPPING DEBT**

County of Middlesex	\$ 5,249,546	
Middlesex County Utilities Authority	<u>935,229</u>	
		<u>\$ 6,184,775</u>

**GROSS DEBT**

Per Capita (2017 Population - 8,857)	\$ 3,223
Percent of Net Valuation Taxable (2018 - \$885,747,700)	3.22%
Percent of Estimated True Value of Real Property (2018 - \$877,872,449)	3.25%

**NET MUNICIPAL DEBT**

Per Capita (2017 Population - 8,857)	\$ 2,030
Percent of Net Valuation Taxable (2018 - \$885,747,700)	2.03%
Percent of Estimated True Value of Real Property (2018 - \$877,872,449)	2.05%

**OVERALL DEBT (Gross and Overlapping Debt)**

Per Capita (2017 Population - 8,857)	\$ 3,922
Percent of Net Valuation Taxable (2018 - \$885,747,700)	3.92%
Percent of Estimated True Value of Real Property (2018 - \$877,872,449)	3.96%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2017 Middlesex County Abstract of Ratables published by the Middlesex County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.

Source: City of South Amboy 2018 Annual Debt Statement.

## BUDGET INFORMATION

### Current Fund (As Adopted)

	<u>2019*</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Anticipated Revenues					
Fund Balance	\$ 1,130,000	\$ 1,130,000	\$ 661,000	\$ 468,000	\$ 200,000
Miscellaneous Revenues	7,062,887	5,854,678	6,020,528	6,037,375	5,990,065
Amount to be Raised by Taxes for Support of Municipal Budget	<u>10,925,444</u>	<u>10,820,953</u>	<u>10,688,061</u>	<u>10,862,845</u>	<u>10,207,771</u>
	<u>\$ 19,118,331</u>	<u>\$ 17,805,631</u>	<u>\$ 17,369,589</u>	<u>\$ 17,368,220</u>	<u>\$ 16,397,836</u>
Appropriations					
Salaries and Wages	\$ 6,913,315	\$ 6,396,125	\$ 6,242,396	\$ 5,968,540	\$ 5,717,175
Other Expenses	7,899,617	6,918,482	6,792,578	7,045,639	6,596,510
Deferred Charges and Statutory Expenditures	1,474,472	1,475,622	1,330,155	1,356,721	1,483,293
Capital Improvement Fund	898,400	151,402	200,000	150,000	100,000
Municipal Debt Service	1,732,527	2,664,000	2,669,460	2,647,320	2,335,858
Reserve for Uncollected Taxes	<u>200,000</u>	<u>200,000</u>	<u>135,000</u>	<u>200,000</u>	<u>165,000</u>
	<u>\$ 19,118,331</u>	<u>\$ 17,805,631</u>	<u>\$ 17,369,589</u>	<u>\$ 17,368,220</u>	<u>\$ 16,397,836</u>

\* Budget as Introduced

Source: City of South Amboy Adopted Budgets and the 2019 Introduced Municipal Budget.

## FINANCIAL INFORMATION

### Current Fund Balance and Amounts Utilized in Succeeding Year's Budget

<u>Year</u>	<u>Fund Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
2018 (Unaudited)	\$ 2,002,804	\$ 1,130,000 (1)
2017	1,930,383	1,130,000
2016	1,685,327	661,000
2015	1,482,122	468,000
2014	640,628	200,000

(1) Budget as introduced

Source: City of South Amboy Annual Audit Reports, 2018 Unaudited Financial Statement and the 2019 Introduced Municipal Budget.

## Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2018 (Unaudited)	\$ 24,598,566	\$ 24,546,675	99.78%
2017	23,949,062	23,859,909	99.62%
2016	23,935,504	23,838,157	99.59%
2015	23,560,314	23,486,119	99.68%
2014	22,061,944	21,974,620	99.60%

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Source: City of South Amboy Annual Audit Reports and 2018 Unaudited Annual Financial Statement.

## Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax/Sewer Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2018 (Unaudited)	\$ 301,672	\$ 218	\$ 301,890	1.22%
2017	268,595	-	268,595	1.12%
2016	227,647	-	227,647	0.95%
2015	229,118	-	229,118	0.97%
2014	205,343	14,324	219,667	0.99%

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Source: City of South Amboy Annual Audit Reports and 2018 Unaudited Annual Financial Statement.

## Ten Largest Taxpayers

The ten largest taxpayers in the City and their 2019 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Venetian Real Estate LLC	\$ 18,477,000
Manhattan Beach Club Street LLC	10,000,000
NRG Rema LLC	8,207,100
Woodmont Amboy Urban Renewal LLC	6,450,000
Rocky Top LLC	4,676,900
Cambridge Pavers Inc	4,037,500
Gillette Enterprises, Inc.	3,975,200
Porl Roll Street LLC	3,600,000
New South Amboy Development LLC	3,529,800
Richard Olchaskey	2,935,300
	<u>\$ 65,888,800</u>

Source: Tax Assessor.

## Assessed Valuation Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2019	\$ 34,760,700	\$ 742,246,800	\$ 85,669,800	\$ 28,026,200	\$ 4,473,800	\$ 895,177,300
2018	37,321,600	730,836,600	85,089,500	28,026,200	4,473,800	885,747,700
2017	38,649,000	726,039,000	85,584,500	27,987,900	4,473,800	882,734,200
2016	40,125,500	726,615,500	85,425,500	49,736,800	4,854,100	906,757,400
2015	35,003,600	730,652,500	69,544,600	23,218,900	5,546,400	863,966,000

Source: Tax Duplicate.

## Assessed Valuations Net Valuation Taxable

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2019	\$ 895,177,300	0.00%	\$ -
2018	885,747,700	101.13%	877,872,449
2017	882,734,200	105.05%	842,359,851
2016	906,757,400	105.72%	859,767,737
2015	863,966,000	104.45%	829,336,800

Source: Tax Duplicate and Abstract of Ratables of Middlesex County

**Components of Real Estate Tax Rate**  
(per \$100 of Assessment)

<u>Year</u>		<u>Total</u>		<u>Municipal</u>		<u>Local School</u>		<u>County</u>
2018	\$	2.749	\$	1.220	\$	1.135	\$	0.394
2017		2.705		1.210		1.115		0.380
2016		2.637		1.197		1.068		0.372
2015		2.656		1.181		1.093		0.382
2014		2.565		1.122		1.058		0.385

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Source: Tax Collector

**Apportionment of Tax Levy**  
(Including School and County Purposes)

<u>Year</u>		<u>Total</u>		<u>Municipal</u>		<u>Local School</u>		<u>County</u>
2018 (Unaudited)	\$	24,598,566	\$	11,036,998	\$	10,046,113	\$	3,515,455
2017		23,949,062		10,752,103		9,846,202		3,350,757
2016		23,935,504		10,890,282		9,678,221		3,367,001
2015		23,560,314		10,738,119		9,441,797		3,380,398
2014		22,061,944		9,679,005		9,073,448		3,309,491

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Source: Tax Collector

**APPENDIX B**

**FINANCIAL STATEMENTS OF THE CITY OF SOUTH AMBOY,  
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**



**UNAUDITED FINANCIAL DATA OF THE CITY  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**LERCH, VINCI & HIGGINS, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS**

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

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
SHERYL M. NICOLosi, CPA  
ROBERT LERCH, CPA

### **ACCOUNTANT'S COMPILATION REPORT**

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

Management is responsible for the accompanying balance sheets – regulatory basis of the various funds and account group of the City of South Amboy, as of December 31, 2018 and the related statements of operations and changes in fund balances – regulatory basis, the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year then ended in accordance with the regulatory basis of accounting. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements – regulatory basis nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The City of South Amboy has prepared these financial statements in accordance with the financial and accounting reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities. The effect on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

By/s/

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

Fair Lawn, New Jersey  
March 6, 2019

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2018 (UNAUDITED)**

	<u>2018</u>
<b>ASSETS</b>	
Regular Fund	
Cash	\$ 3,939,091
Change Fund	<u>285</u>
	<u>3,939,376</u>
Receivables and Other Assets With Full Reserves	
Delinquent Property Taxes	218
Tax Title Liens Receivable	301,672
Due from CDBG Trust Fund	700
Due from Animal Control Trust Fund	979
Due from Other Trust Fund	81,547
Due from Federal and State Grant Fund	<u>475,794</u>
	<u>860,910</u>
Deferred Charges	
Special Emergency Authorizations	<u>43,800</u>
	<u>43,800</u>
Total Regular Fund	<u>4,844,086</u>
Federal and State Grant Fund	
Grants Receivable	<u>3,584,187</u>
Total Federal and State Grant Fund	<u>3,584,187</u>
Total Assets	<u><u>\$ 8,428,273</u></u>

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2018 (UNAUDITED)**

2018

**LIABILITIES, RESERVES AND FUND BALANCE**

Regular Fund	
Appropriation Reserves	\$ 528,402
Encumbrances Payable	405,799
Tax Anticipation Note Payable	500,000
Prepaid Taxes	189,941
Prepaid Pilot Payments	3,782
Accounts Payable	42,644
Sewer Overpayments	10,006
Due to Library	1,020
Due to State - Senior Citizens & Veterans	26
Due to State of New Jersey - Licenses and Fees	2,261
Due to South Amboy Business Association	3,000
Special Emergency Note Payable	43,800
Reserve for Tax Appeals	200,000
Reserve for Hurricane Sandy	<u>49,691</u>
	1,980,372
Reserve for Receivables and Other Assets	860,910
Fund Balance	<u>2,002,804</u>
Total Regular Fund	<u>4,844,086</u>
Federal and State Grant Fund	
Grants Appropriated	2,872,503
Due to Current Fund	475,794
Due to General Capital Fund	12,226
Encumbrances Payable	<u>223,664</u>
Total Federal and State Grant Fund	<u>3,584,187</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 8,428,273</u></u>

**CITY OF SOUTH AMBOY  
STATEMENTS OF OPERATIONS AND  
CHANGES IN FUND BALANCE - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)**

	<u>2018</u>
<b>REVENUES AND OTHER INCOME</b>	
Fund Balance Utilized	\$ 1,130,000
Miscellaneous Revenue Anticipated	5,944,201
Receipts from Delinquent Taxes	14,560
Receipts from Current Taxes	24,546,675
Non-Budget Revenues	190,017
Other Credits to Income:	
Unexpended Balances of Appropriation Reserves	621,988
Cancellation of Old Outstanding Checks	<u>56,507</u>
 Total Revenues and Other Income	 <u>32,503,948</u>
 <b>EXPENDITURES</b>	
Budget Appropriations:	
Operations	
Salaries and Wages	6,291,625
Other Expenses	7,058,916
Capital Improvements	151,402
Municipal Debt Service	2,663,826
Deferred Charges and Regulatory Expenditures	1,459,622
County Taxes	3,216,881
County Open Space Taxes	262,926
Due County for Added Taxes	35,648
Local District School Taxes	10,046,113
Refund of Prior Year Revenue	612
Establishment of Reserves for Interfund Receivables	<u>113,956</u>
 Total Expenditures	 <u>31,301,527</u>
 Statutory Excess To Fund Balance	 1,202,421
 Fund Balance, Beginning of Year	 <u>1,930,383</u>
	3,132,804
Decreased by:	
Utilization as Anticipated Revenue	<u>1,130,000</u>
 Fund Balance, End of Year	 <u><u>\$ 2,002,804</u></u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)**

	<u>2018</u>	
	<u>Budget After</u>	<u>Actual</u>
	<u>Modification</u>	
Fund Balance Anticipated	\$ 1,130,000	\$ 1,130,000
Miscellaneous Revenues:		
Licenses:		
Alcoholic Beverage	32,000	29,045
Other	14,000	11,041
Fees and Permits	40,000	66,764
Fines and Costs:		
Municipal Court	162,000	158,056
Interest and Costs on Taxes	40,000	46,832
Interest on Investments and Deposits	17,000	74,238
Sewer User Fees	1,093,000	1,054,363
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)	3,872,278	3,872,278
Uniform Construction Code Fees	227,000	224,810
Recycling Enhancement Grant - Middlesex County	5,000	5,000
Clean Communities Program	14,934	14,934
State Homeland Security Grant	9,400	9,400
Payment in Lieu of Taxes	244,000	274,570
Cable Television Fees	51,000	51,170
Housing Inspection Program	53,000	51,700
	<u>5,874,612</u>	<u>5,944,201</u>
Total Miscellaneous Revenues		
	<u>-</u>	<u>14,560</u>
Receipts from Delinquent Taxes		
	<u>-</u>	<u>14,560</u>
Amount to be Raised by Taxes for Support of Municipal Budget		
Local Tax for Municipal Purposes Including Reserve for		
Uncollected Taxes	10,529,996	10,894,150
Minimum Library Tax	290,957	290,957
	<u>10,820,953</u>	<u>11,185,107</u>
	<u>\$ 17,825,565</u>	<u>\$ 18,273,868</u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)**

	<u>Budget</u>	<u>Appropriated</u> Budget After <u>Modification</u>	<u>Expended</u> Paid or <u>Charged</u>	<u>Reserved</u>	Unexpended Balance <u>Cancelled</u>
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
General Administration					
Salaries and Wages	\$ 221,991	\$ 195,791	\$ 195,790	\$ 1	
Other Expenses	81,000	111,100	109,093	2,007	
Mayor and Council					
Salaries and Wages	47,569	47,569	47,569	-	
Other Expenses	5,300	5,300	5,300	-	
Municipal Clerk					
Salaries and Wages	80,945	79,745	79,619	126	
Other Expenses	12,900	12,900	9,781	3,119	
Financial Administration					
Salaries and Wages	182,629	182,629	180,488	2,141	
Other Expenses	20,450	20,450	20,312	138	
Audit Services					
Other Expenses	49,500	49,500	46,050	3,450	
Revenue Administration					
Salaries and Wages	96,870	96,870	96,470	400	
Other Expenses	16,400	16,400	12,714	3,686	
Tax Assessment Administration					
Salaries and Wages	37,488	37,488	37,487	1	
Other Expenses	5,500	5,500	4,993	507	
Legal Services					
Other Expenses	190,000	190,000	158,140	31,860	
Department of Engineering					
Other Expenses	250,000	280,000	259,296	20,704	
Vital Statistics					
Salaries and Wages	10,370	10,370	10,141	229	
Other Expenses	1,250	1,250	1,238	12	
<b>LAND USE ADMINISTRATION</b>					
Planning Board					
Salaries and Wages	8,160	8,660	8,587	73	
Other Expenses	52,400	52,400	51,230	1,170	
<b>PUBLIC SAFETY</b>					
Police Department					
Salaries and Wages	3,617,025	3,667,025	3,667,025	-	
Other Expenses	148,500	159,500	157,837	1,663	
Office of Emergency Management					
Salaries and Wages	9,400	9,400	9,400	-	
Other Expenses	6,350	6,350	6,320	30	
Aid to Volunteer Fire Companies					
Other Expenses	100,000	100,000	100,000	-	
Aid to Volunteer Ambulance Squad					
Other Expenses	62,139	62,139	62,139	-	
Department of Fire					
Other Expenses	51,000	51,000	51,000	-	
Municipal Prosecutor Office					
Salaries and Wages	16,562	16,562	16,561	1	



**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC WORKS					
Streets and Roads Maintenance					
Salaries and Wages	\$ 748,192	\$ 780,492	\$ 780,492	\$ -	
Other Expenses	73,775	86,775	85,956	819	
Other Public Works Functions					
Shade Tree					
Other Expenses	10,000	10,000	6,800	3,200	
Sewers					
Salaries and Wages	156,888	175,163	168,965	6,198	
Other Expenses	70,250	92,250	86,069	6,181	
Recycling Coordinator					
Salaries and Wages	6,000	4,850	4,846	4	
Other Expenses	400	400	348	52	
Solid Waste Collection					
Salaries and Wages	173,883	208,483	200,188	8,295	
Other Expenses	400,000	400,000	362,819	37,181	
Buildings and Grounds					
Salaries and Wages	293,737	155,562	143,231	12,331	
Other Expenses	161,635	165,635	163,520	2,115	
Vehicle Maintenance					
Salaries and Wages	105,932	89,532	87,783	1,749	
Other Expenses	140,000	140,000	112,351	27,649	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	9,938	4,688	4,673	15	
Other Expenses	62,500	62,500	62,466	34	
Animal Control Services					
Other Expenses	14,400	14,400	14,141	259	
Municipal Court					
Salaries and Wages	127,783	121,383	119,535	1,848	
Other Expenses	7,500	7,500	7,192	308	
Public Defender					
Salaries and Wages	6,900	6,900	6,899	1	
PARK AND RECREATION FUNCTIONS					
Department of Recreation					
Recreation Services and Programs					
Salaries and Wages	60,312	46,462	42,649	3,813	
Other Expenses	23,350	23,350	22,190	1,160	
Senior Citizen Activities					
Salaries and Wages	106,269	106,269	103,619	2,650	
Other Expenses	14,300	14,300	11,658	2,642	
OTHER COMMON OPERATING FUNCTIONS (Unclassified)					
Celebration of Public Events					
Other Expenses	40,000	25,000	18,526	6,474	

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
Insurance (N.J.S.A. 40A:4-45.3(00))					
General Liability	\$ 301,711	\$ 301,711	\$ 250,739	\$ 50,972	
Disability Insurance	16,000	16,000	16,000	-	
Workers Compensation	342,500	342,500	342,340	160	
Employee Group Health	2,501,000	2,501,000	2,297,491	203,509	
Health Benefit Waiver	30,000	30,000	23,841	6,159	
Unemployment Insurance	16,000	16,000	16,000	-	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Division of Code Enforcement					
Salaries and Wages	271,282	249,132	244,855	4,277	
Other Expenses	3,600	3,600	3,600	-	
Unclassified					
Utilities	604,000	604,000	590,120	13,880	-
Total Operations Within "CAPS"	12,281,735	12,281,735	11,806,482	475,253	-
Detail:					
Salaries and Wages	6,396,125	6,291,625	6,247,472	44,153	-
Other Expenses	5,885,610	5,990,110	5,559,010	431,100	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES -					
MUNICIPAL WITHIN "CAPS"					
Deferred Charges					
Overexpenditure of Appropriations	48,598	48,598	48,598		
Statutory Expenditures					
Social Security System (O.A.S.I.)	312,700	312,700	274,506	38,194	
Police and Firemen's Retirement System of NJ	700,172	700,172	700,172	-	
Public Employees' Retirement System	373,552	373,552	373,552	-	
Defined Contribution Retirement Program	10,000	10,000	10,000	-	-
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	1,445,022	1,445,022	1,406,828	38,194	-
Total General Appropriations for Municipal					
Purposes Within "CAPS"	13,726,757	13,726,757	13,213,310	513,447	-
OPERATIONS - EXCLUDED FROM "CAPS"					
Middlesex County Utilities Authority - Payment	668,000	668,000	660,270	7,730	
Maintenance of Free Public Library	321,472	321,472	321,472		
Length of Service Awards Program	50,000	50,000	50,000	-	-
Total Other Operations Excluded					
from "CAPS"	1,039,472	1,039,472	1,031,742	7,730	-

**CITY OF SOUTH AMBOY  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Public and Private Programs Offset by Revenues					
Clean Communities		14,934	14,934		
NJ DOT Municipal Aid - Bordentown Ave & Catherine St					
State Homeland Security Grant	9,400	9,400	9,400		\$ -
Recycling Enhancement Grant Middlesex Ct	-	5,000	5,000	-	-
Total Public and Private Programs Offset by Revenues	9,400	29,334	29,334	-	-
Total Operations - Excluded from "CAPS"	1,048,872	1,068,806	1,061,076	\$ 7,730	-
Detail:					
Other Expenses	1,048,872	1,068,806	1,061,076	7,730	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	53,002	53,002	53,002	-	-
Capital Improvement - Safety Equipment & Vehicles	98,400	98,400	91,175	7,225	-
Total Capital Improvements Excluded from "CAPS"	151,402	151,402	144,177	7,225	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond & Loan Principal	1,063,000	1,063,000	1,062,908		92
Payment of Bond Anticipation Notes and Capital Notes	1,217,000	1,217,000	1,216,994		6
Interest on Bonds	243,970	243,970	243,943		27
Interest on Notes	115,700	115,700	115,668		32
Capital Lease Obligations					
Principal	22,805	22,805	22,802		3
Interest	1,525	1,525	1,511	-	14
Total Municipal Debt Service - Excluded from "CAPS"	2,664,000	2,664,000	2,663,826	-	174
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Special Emergency Authorizations - 5 Years	14,600	14,600	14,600	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	14,600	14,600	14,600	-	-
Total General Appropriations - Excluded from "CAPS"	3,878,874	3,898,808	3,883,679	14,955	174
Subtotal General Appropriations	17,605,631	17,625,565	17,096,989	528,402	174
Reserve for Uncollected Taxes	200,000	200,000	200,000	-	-
Total General Appropriations	<u>\$ 17,805,631</u>	<u>\$ 17,825,565</u>	<u>\$ 17,296,989</u>	<u>\$ 528,402</u>	<u>\$ 174</u>
Original Budget		\$ 17,805,631			
Appropriations Added by N.J.S.A. 40A:4-87 (Chap. 159)		19,934			
		<u>\$ 17,825,565</u>			

**CITY OF SOUTH AMBOY  
BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS  
AS OF DECEMBER 31, 2018 (UNAUDITED)**

	<u>2018</u>
<b>ASSETS</b>	
<b>ANIMAL CONTROL TRUST FUND</b>	
Cash	\$ <u>5,724</u>
<b>OTHER TRUST FUND</b>	
Cash	1,253,203
Accounts Receivable Outside Police Duty	<u>28,290</u>
	<u>1,281,493</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>	
Cash	109,453
Due from Payroll Agency	<u>19,884</u>
	<u>129,337</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT (CBDG) TRUST FUND</b>	
Community Development Block Grants Receivable	<u>58,053</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)</b>	
Investments	524,133
Contribution Receivable	<u>47,453</u>
	<u>571,586</u>
Total Assets	<u>\$ 2,046,193</u>

**CITY OF SOUTH AMBOY  
BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS  
AS OF DECEMBER 31, 2018 (UNAUDITED)**

	<u>2018</u>
<b>LIABILITIES AND RESERVES</b>	
<b>ANIMAL CONTROL TRUST FUND</b>	
Due to State of New Jersey	\$ 979
Reserve for Animal Control Expenditures	<u>4,745</u>
	<u>5,724</u>
<b>OTHER TRUST FUND</b>	
Escrow Depoists and Miscellaneous Reserves	1,160,990
Accrued Salaries and Wahes	364
Due from Current Find - Other Trust Account	81,547
Due to Unemployment Insurance Trust Fund	<u>19,884</u>
	<u>1,281,493</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>	
Reserve for Unemployment Compensation Insurance	<u>129,337</u>
	<u>129,337</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) TRUST FUND</b>	
Due to Current Fund	700
Reserve for Community Development Programs	<u>57,353</u>
	<u>58,053</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)</b>	
Reserve for LOSAP	<u>571,586</u>
Total Liabilities and Reserves	<u><u>\$ 2,046,193</u></u>

**CITY OF SOUTH AMBOY**  
**BALANCE SHEET - REGULATORY BASIS - GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2018 (UNAUDITED)**

	<u>2018</u>
<b>ASSETS</b>	
Cash	\$ 5,162,770
Due from Federal and State Grant Fund	12,226
Deferred Charges to Future Taxation:	
Funded	6,563,579
Unfunded	<u>11,419,633</u>
 Total Assets	 <u><u>\$ 23,158,208</u></u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>	
General Serial Bonds	\$ 6,430,000
Middlesex County Improvement Authority Loans Payable	133,579
Bond Anticipation Notes Payable	12,000,756
Encumbrances Payable	1,307,476
Capital Improvement Fund	74,582
Improvement Authorizations	
Funded	2,130
Unfunded	3,084,427
Fund Balance	<u>125,258</u>
 Total Liabilities, Reserves and Fund Balance	 <u><u>\$ 23,158,208</u></u>

There were bonds and notes authorized but not issued on both December 31, 2018 in the amount of \$9,188.

**CITY OF SOUTH AMBOY**  
**STATEMENT OF CHANGES FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)**

	<u>2018</u>
Balance, January 1	\$ 9,159
Increased by:	
Funded Improvement Authorization Cancelled	<u>116,099</u>
Balance, December 31	<u>\$ 125,258</u>

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**INDEPENDENT AUDITORS REPORT AND  
FINANCIAL STATEMENTS OF THE CITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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SHERYL M. NICOLOSI, CPA  
ROBERT LERCH, CPA

### **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of South Amboy, as of December 31, 2017 and 2016, and the related statements of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the financial statements are prepared by the City of South Amboy on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of South Amboy as of December 31, 2017 and 2016, or changes in financial position for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the City’s financial statements as of and for the years ended December 31, 2017 and 2016. The LOSAP Trust Fund financial activities are included in the City’s Trust Funds, and represent 29 percent and 27 percent of the assets and liabilities, respectively, of the City’s Trust Funds as of December 31, 2017 and 2016.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the City of South Amboy as of December 31, 2017 and 2016, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2017 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

By/s/

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

Fair Lawn, New Jersey  
May 31, 2018

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Regular Fund		
Cash	\$ 8,067,561	\$ 6,650,444
Change Fund	285	285
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	<u>250</u>	<u>750</u>
	<u>8,068,096</u>	<u>6,651,479</u>
Receivables and Other Assets With Full Reserves		
Tax/Sewer Title Liens	268,595	227,647
Due from CDBG Trust Fund	115	14,904
Due from Animal Control Trust Fund	979	
Due from Federal and State Grant Fund	443,971	
Revenue Accounts Receivable	<u>14,280</u>	<u>12,312</u>
	<u>727,940</u>	<u>254,863</u>
Deferred Charges		
Special Emergency Authorizations	<u>58,400</u>	<u>73,000</u>
	<u>58,400</u>	<u>73,000</u>
Total Regular Fund	<u>8,854,436</u>	<u>6,979,342</u>
Federal and State Grant Fund		
Grants Receivable	4,056,350	5,142,211
Due from Regular Fund	<u>-</u>	<u>85,273</u>
Total Federal and State Grant Fund	<u>4,056,350</u>	<u>5,227,484</u>
Total Assets	<u>\$ 12,910,786</u>	<u>\$ 12,206,826</u>

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Regular Fund		
Appropriation Reserves	\$ 711,728	\$ 572,675
Encumbrances Payable	372,067	462,049
Tax Anticipation Note Payable	1,500,000	2,000,000
Prepaid Taxes	829,084	235,966
Prepaid Pilot Payments	3,833	2,533
Accounts Payable	96,600	55,712
Tax Overpayments		21,719
Sewer Overpayments	4,911	6,993
Due to Federal and State Grant Fund		85,273
Due to Other Trust Fund	57,666	
Due to General Capital Fund	2,301,355	1,235,000
Due to Unemployment Insurance Trust Fund		32,000
Due to Library	1,020	
Due to South Amboy Business Association	3,000	3,000
Special Emergency Note Payable	58,400	73,000
Reserve for Tax Appeals	200,000	200,000
Miscellaneous Reserves	6,758	3,541
Reserve for Hurricane Sandy	<u>49,691</u>	<u>49,691</u>
	6,196,113	5,039,152
Reserve for Receivables and Other Assets	727,940	254,863
Fund Balance	<u>1,930,383</u>	<u>1,685,327</u>
Total Regular Fund	<u>8,854,436</u>	<u>6,979,342</u>
Federal and State Grant Fund		
Grants Appropriated	3,013,385	3,091,721
Due to Regular Fund	443,971	
Encumbrances Payable	<u>598,994</u>	<u>2,135,763</u>
Total Federal and State Grant Fund	<u>4,056,350</u>	<u>5,227,484</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 12,910,786</u>	<u>\$ 12,206,826</u>

**CITY OF SOUTH AMBOY**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND**  
**CHANGES IN FUND BALANCE - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>REVENUES AND OTHER INCOME</b>		
Fund Balance Utilized	\$ 661,000	\$ 468,000
Miscellaneous Revenue Anticipated	6,581,724	6,108,088
Receipts from Delinquent Taxes	2,712	43,451
Receipts from Current Taxes	23,859,909	23,760,529
Non-Budget Revenues	471,293	242,521
Other Credits to Income:		
Unexpended Balances of Appropriation Reserves	501,027	216,331
Reserves for Receivables Returned	14,904	7,602
Statutory Excess - Animal Control Trust Fund	979	
Cancellation of Accounts Payable	<u>17,660</u>	<u>-</u>
 Total Revenues and Other Income	 <u>32,111,208</u>	 <u>30,846,522</u>
 <b>EXPENDITURES</b>		
Budget Appropriations:		
Operations		
Salaries and Wages	6,137,296	5,910,590
Other Expenses	7,265,160	7,171,461
Capital Improvements	200,000	150,000
Municipal Debt Service	2,627,780	2,555,475
Deferred Charges and Regulatory Expenditures	1,330,155	1,389,721
County Taxes	3,089,654	3,106,062
County Open Space Taxes	251,114	257,507
Due County for Added Taxes	9,989	3,432
Local District School Taxes	9,846,202	9,678,221
Refund of Prior Year Revenue	25	10,944
Prior Year Senior Citizens and Veterans Disallowed	2,712	
Establishment of Reserves for Interfund Receivables	<u>445,065</u>	<u>14,904</u>
 Total Expenditures	 <u>31,205,152</u>	 <u>30,248,317</u>
 Excess in Revenue	 906,056	 598,205
 Adjustments to Income before Fund Balance		
Expenditures included above which are by Statute Deferred Charges to		
Budget of Succeeding Year	<u>-</u>	<u>73,000</u>
 Statutory Excess To Fund Balance	 906,056	 671,205
 Fund Balance, Beginning of Year	 <u>1,685,327</u>	 <u>1,482,122</u>
	2,591,383	2,153,327
Decreased by:		
Utilization as Anticipated Revenue	<u>661,000</u>	<u>468,000</u>
 Fund Balance, End of Year	 <u>\$ 1,930,383</u>	 <u>\$ 1,685,327</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**CITY OF SOUTH AMBOY**  
**COMPARATIVE STATEMENTS OF REVENUES-REGULATORY BASIS-CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>		<u>2016</u>	
	<u>Budget After</u>	<u>Actual</u>	<u>Budget After</u>	<u>Actual</u>
	<u>Modification</u>		<u>Modification</u>	
Fund Balance Anticipated	\$ 661,000	\$ 661,000	\$ 468,000	468,000
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverage	27,000	32,822	28,000	\$ 27,447
Other	12,000	14,572	9,000	12,388
Fees and Permits	42,000	40,428	29,000	42,029
Fines and Costs:				
Municipal Court	175,000	162,010	202,000	175,378
Interest and Costs on Taxes	70,000	40,395	38,000	70,117
Interest on Investments and Deposits	10,000	17,690	20,000	10,330
Sewer User Fees	1,075,000	1,095,747	1,092,000	1,075,030
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)	3,872,278	3,872,278	3,872,278	3,872,278
Uniform Construction Code Fees	207,000	441,651	175,000	207,719
Clean Communities Program	15,604	15,604	18,367	18,367
Body Armor	2,750	2,750	2,505	2,505
NJ DOT Municipal Aid - Bordentown Ave & Catherine St	344,500	344,500		
Recycling Tonnage Grant	22,841	22,841	9,597	9,597
Non-Federal Cost Share - FEMA	44,957	44,957		
Hazard Mitigation Grant - NJ OEM	142,080	142,080		
State Homeland Security Grant	9,400		7,000	7,000
Payment in Lieu of Taxes	224,000	187,543	211,500	224,973
Cable Television Fees	50,000	50,226	51,000	51,180
Reimbursement Agreement - SARA			250,000	250,000
Housing Inspection Program	51,000	53,630	50,000	51,750
Total Miscellaneous Revenues	6,397,410	6,581,724	6,065,247	6,108,088
Receipts from Delinquent Taxes	-	2,712	-	43,451
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes Including Reserve for				
Uncollected Taxes	10,400,339	10,510,228	10,590,438	10,642,900
Minimum Library Tax	287,722	287,722	272,407	272,407
	10,688,061	10,797,950	10,862,845	10,915,307
	\$ 17,746,471	\$ 18,043,386	\$ 17,396,092	\$ 17,534,846

The Accompanying Notes are an Integral Part of these Financial Statements



**2017 STATEMENT OF EXPENDITURES**

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
General Administration					
Salaries and Wages	\$ 213,256	\$ 182,256	\$ 178,333	\$ 3,923	
Other Expenses	101,750	115,750	107,569	8,181	
Mayor and Council					
Salaries and Wages	46,635	46,736	46,635	101	
Other Expenses	4,800	5,000	4,688	312	
Municipal Clerk					
Salaries and Wages	76,725	73,725	70,956	2,769	
Other Expenses	12,900	12,900	11,421	1,479	
Financial Administration					
Salaries and Wages	171,166	171,166	170,296	870	
Other Expenses	20,950	20,950	13,972	6,978	
Audit Services					
Other Expenses	49,500	49,500	45,975	3,525	
Revenue Administration					
Salaries and Wages	93,508	95,008	94,965	43	
Other Expenses	17,000	17,000	13,378	3,622	
Tax Assessment Administration					
Salaries and Wages	36,752	36,852	36,752	100	
Other Expenses	5,500	5,700	5,700	-	
Legal Services					
Other Expenses	170,000	158,700	158,171	529	
Department of Engineering					
Other Expenses	180,000	200,000	198,948	1,052	
Vital Statistics					
Salaries and Wages	9,942	11,942	10,166	1,776	
Other Expenses	1,000	1,350	1,298	52	
<b>LAND USE ADMINISTRATION</b>					
Planning Board					
Salaries and Wages	8,659	8,659	7,946	713	
Other Expenses	51,800	51,800	51,800		
<b>PUBLIC SAFETY</b>					
Police Department					
Salaries and Wages	3,510,943	3,545,943	3,489,889	56,054	
Other Expenses	129,375	158,825	149,171	9,654	
Office of Emergency Management					
Salaries and Wages	9,400	9,400	2,400	7,000	
Other Expenses	4,350	3,650	2,243	1,407	
Aid to Volunteer Fire Companies					
Other Expenses	100,000	100,000	100,000		
Aid to Volunteer Ambulance Squad					
Other Expenses	35,000	35,000	35,000		
Department of Fire					
Other Expenses	51,050	51,050	44,131	6,919	
Municipal Prosecutor Office					
Salaries and Wages	16,237	16,237	16,237		

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget</u>	<u>Appropriated</u> Budget After <u>Modification</u>	<u>Expended</u> Paid or <u>Charged</u>	<u>Reserved</u>	<u>Unexpended</u> Balance <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC WORKS					
Streets and Roads Maintenance					
Salaries and Wages	\$ 302,013	\$ 369,013	\$ 354,487	\$ 14,526	
Other Expenses	43,100	55,100	46,062	9,038	
Other Public Works Functions					
Shade Tree					
Other Expenses	10,000	10,000	7,925	2,075	
Sewers					
Salaries and Wages	318,021	251,021	229,385	21,636	
Other Expenses	38,185	48,185	24,544	23,641	
Recycling Coordinator					
Salaries and Wages	6,242	6,243	-	6,243	
Other Expenses	3,000	3,000	1,062	1,938	
Solid Waste Collection					
Salaries and Wages	553,713	481,813	444,431	37,382	
Other Expenses	389,000	389,000	333,354	55,646	
Buildings and Grounds					
Salaries and Wages	277,162	303,162	285,072	18,090	
Other Expenses	110,500	131,500	121,940	9,560	
Vehicle Maintenance					
Salaries and Wages	104,654	99,654	88,668	10,986	
Other Expenses	105,000	105,000	102,615	2,385	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	9,743	4,743	4,582	161	
Other Expenses	61,250	61,250	61,241	9	
Animal Control Services					
Other Expenses	13,700	14,200	11,002	3,198	
Municipal Court					
Salaries and Wages	132,608	106,608	105,030	1,578	
Other Expenses	7,775	7,775	5,939	1,836	
Public Defender					
Salaries and Wages	6,764	6,764	6,764		
PARK AND RECREATION FUNCTIONS					
Department of Recreation					
Recreation Services and Programs					
Salaries and Wages	39,633	18,633	18,090	543	
Other Expenses	23,350	18,350	16,910	1,440	
Senior Citizen Activities					
Salaries and Wages	135,734	130,733	127,642	3,091	
Other Expenses	12,600	12,600	12,505	95	
OTHER COMMON OPERATING					
FUNCTIONS (Unclassified)					
Celebration of Public Events					
Other Expenses	25,000	20,000	17,182	2,818	

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
Insurance (N.J.S.A. 40A:4-45.3(00))					
General Liability	\$ 253,588	\$ 253,588	\$ 252,840	\$ 748	
Disability Insurance	25,000	25,000	14,300	10,700	
Workers Compensation	326,233	326,233	326,233		
Employee Group Health	2,513,600	2,513,600	2,364,963	148,637	
Health Benefit Waiver	25,000	25,000	21,947	3,053	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Division of Code Enforcement					
Salaries and Wages	162,886	170,385	167,154	3,231	
Other Expenses	4,000	4,000	2,953	1,047	
Unclassified					
Utilities	604,000	604,000	535,855	68,145	-
Total Operations Within "CAPS"	11,771,252	11,761,252	11,180,717	580,535	-
Detail:					
Salaries and Wages	6,242,396	6,137,296	5,953,480	183,816	-
Other Expenses	5,528,856	5,623,956	5,227,237	396,719	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES -					
MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures					
Social Security System (O.A.S.I.)	312,667	312,667	268,987	43,680	
Police and Firemen's Retirement System of NJ	624,000	624,000	598,928	25,072	
Public Employees' Retirement System	336,888	336,888	330,231	6,657	
Unemployment Insurance	32,000	32,000	32,000		
Defined Contribution Retirement Program	10,000	10,000	10,000	-	-
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	1,315,555	1,315,555	1,240,146	75,409	-
Total General Appropriations for Municipal					
Purposes Within "CAPS"	13,086,807	13,076,807	12,420,863	655,944	-
OPERATIONS - EXCLUDED FROM "CAPS"					
Middlesex County Utilities Authority - Payment	700,000	700,000	644,216	55,784	
Maintenance of Free Public Library	318,472	318,472	318,472		
Length of Service Awards Program	40,000	50,000	50,000	-	-
Total Other Operations Excluded					
from "CAPS"	1,058,472	1,068,472	1,012,688	55,784	-

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Public and Private Programs Offset by Revenues					
Recycling Tonnage Grant	\$ 11,279	\$ 22,841	\$ 22,841		
Clean Communities		15,604	15,604		
NJ DOT Municipal Aid - Bordentown Ave & Catherine St		344,500	344,500		
State Homeland Security Grant	9,400	9,400			\$ 9,400
Non-Federal Cost Share - FEMA	42,491	44,957	44,957		
Hazard Mitigation Grant - NJ OEM	142,080	142,080	142,080		
Body Armor	-	2,750	2,750	-	-
Total Public and Private Programs Offset by Revenues	205,250	582,132	572,732	-	9,400
Total Operations - Excluded from "CAPS"	1,263,722	1,650,604	1,585,420	\$ 55,784	9,400
Detail:					
Other Expenses	1,263,722	1,650,604	1,585,420	55,784	9,400
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	200,000	200,000	200,000	-	-
Total Capital Improvements Excluded from "CAPS"	200,000	200,000	200,000	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond & Loan Principal	1,083,000	1,083,000	1,082,496		504
Payment of Bond Anticipation Notes and Capital Notes	1,170,600	1,170,600	1,156,000		14,600
Interest on Bonds	275,000	275,000	273,823		1,177
Interest on Notes	115,660	115,660	97,444		18,216
Capital Lease Obligations					
Principal	22,200	22,200	15,964		6,236
Interest	3,000	3,000	2,053	-	947
Total Municipal Debt Service - Excluded from "CAPS"	2,669,460	2,669,460	2,627,780	-	41,680
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Special Emergency Authorizations - 5 Years	14,600	14,600	14,600	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	14,600	14,600	14,600	-	-
Total General Appropriations - Excluded from "CAPS"	4,147,782	4,534,664	4,427,800	55,784	51,080
Subtotal General Appropriations	17,234,589	17,611,471	16,848,663	711,728	51,080
Reserve for Uncollected Taxes	135,000	135,000	135,000	-	-
Total General Appropriations	\$ 17,369,589	\$ 17,746,471	\$ 16,983,663	\$ 711,728	\$ 51,080
Original Budget		\$ 17,369,589			
Appropriations Added by N.J.S.A. 40A:4-87 (Chap. 159)		376,882			
		\$ 17,746,471			

The Accompanying Notes are an Integral Part of these Financial Statements

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**2016 STATEMENT OF EXPENDITURES**

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u>	<u>Appropriated</u> Budget After <u>Modification</u>	<u>Expended</u> Paid or <u>Charged</u>	<u>Reserved</u>	Unexpended Balance <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 228,467	\$ 220,317	\$ 219,717	\$ 600	
Other Expenses	82,000	88,950	85,637	3,313	
Mayor and Council					
Salaries and Wages	45,721	45,721	45,721		
Other Expenses	5,800	5,900	5,875	25	
Municipal Clerk					
Salaries and Wages	60,946	60,946	57,487	3,459	
Other Expenses	14,600	14,600	6,723	7,877	
Financial Administration					
Salaries and Wages	167,892	167,892	165,134	2,758	
Other Expenses	22,300	22,300	15,351	6,949	
Audit Services					
Other Expenses	49,500	49,500	45,000	4,500	
Revenue Administration					
Salaries and Wages	91,793	91,793	91,793		
Other Expenses	19,000	19,000	12,158	6,842	
Tax Assessment Administration					
Salaries and Wages	36,033	36,033	36,032	1	
Other expenses	7,500	80,500	75,348	5,152	
Legal Services					
Other Expenses	170,000	170,000	162,703	7,297	
Department of Engineering					
Other Expenses	180,000	155,000	132,533	22,467	
Vital Statistics					
Salaries and Wages	10,260	10,260	10,259	1	
Other Expenses	1,000	1,000	989	11	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	8,489	8,489	8,489		
Other Expenses	51,800	43,800	37,249	6,551	
PUBLIC SAFETY					
Police Department					
Salaries and Wages	3,394,712	3,396,362	3,392,333	4,029	
Other Expenses	89,700	106,700	94,849	11,851	
Office of Emergency Management					
Salaries and Wages	7,500	7,500	7,500		
Other Expenses	4,800	4,800	4,265	535	
Aid to Volunteer Fire Companies					
Other Expenses	100,000	100,000	100,000		
Aid to Volunteer Ambulance Squad					
Other Expenses	35,000	35,000	35,000		
Department of Fire					
Other Expenses	51,050	52,275	49,122	3,153	
Municipal Prosecutor Office					
Salaries and Wages	15,919	15,919	15,918	1	



**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u>	<u>Appropriated</u> Budget After <u>Modification</u>	<u>Expended</u> Paid or <u>Charged</u>	<u>Reserved</u>	<u>Unexpended</u> Balance <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC WORKS					
Streets and Roads Maintenance					
Salaries and Wages	\$ 303,527	\$ 289,527	\$ 286,515	\$ 3,012	
Other Expenses	43,100	43,100	38,764	4,336	
Other Public Works Functions					
Shade Tree					
Other Expenses	10,000	10,000	8,725	1,275	
Sewers					
Salaries and Wages	262,758	253,758	250,980	2,778	
Other Expenses	32,245	32,245	29,022	3,223	
Recycling Coordinator					
Salaries and Wages	6,120	6,120	6,120		
Other Expenses	4,000	4,000	1,679	2,321	
Solid Waste Collection					
Salaries and Wages	446,342	446,342	446,342		
Other Expenses	378,500	378,500	355,817	22,683	
Buildings and Grounds					
Salaries and Wages	271,835	265,835	265,510	325	
Other Expenses	110,500	110,500	108,651	1,849	
Vehicle Maintenance					
Salaries and Wages	107,165	98,715	69,509	29,206	
Other Expenses	97,000	122,000	102,137	19,863	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	9,552	9,552	4,492	5,060	
Other Expenses	60,000	60,050	60,045	5	
Animal Control Services					
Other Expenses	15,000	15,000	8,364	6,636	
Municipal Court					
Salaries and Wages	149,762	143,262	143,076	186	
Other Expenses	8,500	8,500	6,736	1,764	
Public Defender					
Salaries and Wages	6,631	6,631	6,631		
PARK AND RECREATION FUNCTIONS					
Department of Recreation					
Recreation Services and Programs					
Salaries and Wages	39,456	39,456	18,800	20,656	
Other Expenses	23,500	23,500	17,754	5,746	
Senior Citizen Activities					
Salaries and Wages	137,949	137,949	125,936	12,013	
Other Expenses	12,500	12,500	9,837	2,663	
OTHER COMMON OPERATING FUNCTIONS (Unclassified)					
Celebration of Public Events					
Other Expenses	25,000	25,000	15,667	9,333	

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
Insurance (N.J.S.A. 40A:4-45.3(00))					
General Liability	\$ 243,050	\$ 243,050	\$ 235,701	\$ 7,349	
Disability Insurance	32,000	32,000	32,000		
Workers Compensation	337,325	337,325	337,325		
Employee Group Health	2,988,300	2,988,300	2,843,333	144,967	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Division of Code Enforcement					
Salaries and Wages	159,711	159,711	158,032	1,679	
Other Expenses	4,000	4,125	4,125		
Unclassified					
Utilities	604,000	604,000	576,977	27,023	-
Total Operations Within "CAPS"	11,881,110	11,921,110	11,487,787	433,323	-
Detail:					
Salaries and Wages	5,968,540	5,910,590	5,824,826	85,764	-
Other Expenses	5,912,570	6,010,520	5,662,961	347,559	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES -					
MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures					
Social Security System (O.A.S.I.)	270,000	270,000	265,948	4,052	
Police and Firemen's Retirement System of NJ	668,054	694,054	668,053	26,001	
Public Employees' Retirement System	312,667	319,667	312,667	7,000	
Defined Contribution Retirement Program	8,000	8,000	-	8,000	-
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	1,258,721	1,291,721	1,246,668	45,053	-
Total General Appropriations for Municipal					
Purposes Within "CAPS"	13,139,831	13,212,831	12,734,455	478,376	-
OPERATIONS - EXCLUDED FROM "CAPS"					
Middlesex County Utilities Authority - Payment	790,000	790,000	695,701	94,299	
Maintenance of Free Public Library	318,472	318,472	318,472		
Length of Service Award Program	15,000	15,000	15,000	-	-
Total Other Operations Excluded					
from "CAPS"	1,123,472	1,123,472	1,029,173	94,299	-

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Public and Private Programs Offset by Revenues					
Recycling Tonnage Grant	\$ 9,597	\$ 9,597	\$ 9,597		
Clean Communities		18,367	18,367		
State Homeland Security Grant		7,000	7,000		
Body Armor	-	2,505	2,505	-	-
Total Public and Private Programs Offset by Revenues	9,597	37,469	37,469	-	-
Total Operations - Excluded from "CAPS"	1,133,069	1,160,941	1,066,642	\$ 94,299	-
Detail:					
Other Expenses	1,133,069	1,160,941	1,066,642	94,299	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	150,000	150,000	150,000	-	-
Total Capital Improvements Excluded from "CAPS"	150,000	150,000	150,000	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond & Loan Principal	1,110,000	1,110,000	1,109,069		\$ 931
Payment of Bond Anticipation Notes and Capital Notes	1,016,000	1,016,000	1,016,000		-
Interest on Bonds	310,000	310,000	309,136		864
Interest on Notes	93,320	93,320	25,305		68,015
Capital Lease Obligations					
Principal	104,500	104,500	92,855		11,645
Interest	13,500	13,500	3,110	-	10,390
Total Municipal Debt Service - Excluded from "CAPS"	2,647,320	2,647,320	2,555,475	-	91,845
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorizations	98,000	98,000	98,000	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	98,000	98,000	98,000	-	-
Total General Appropriations - Excluded from "CAPS"	4,028,389	4,056,261	3,870,117	94,299	91,845
Subtotal General Appropriations	17,168,220	17,269,092	16,604,572	572,675	91,845
Reserve for Uncollected Taxes	200,000	200,000	200,000	-	-
Total General Appropriations	\$ 17,368,220	\$ 17,469,092	\$ 16,804,572	\$ 572,675	\$ 91,845
Original Budget		\$ 17,368,220			
Special Emergency Appropriations 40A:4-53		73,000			
		17,441,220			
Appropriations Added by N.J.S.A. 40A:4-87 (Chap. 159)		27,872			
		\$ 17,469,092			

The Accompanying Notes are an Integral Part of these Financial Statements

**CITY OF SOUTH AMBOY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS  
AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>ANIMAL CONTROL TRUST FUND</b>		
Cash	\$ 4,298	\$ 2,912
<b>OTHER TRUST FUND</b>		
Cash	1,176,674	1,156,307
Due from Current Fund	57,666	
Accounts Receivable Outside Police Duty	45,208	105,804
	<u>1,279,548</u>	<u>1,262,111</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>		
Cash	72,774	71,889
Due from Current Fund		32,000
Due from Other Trust Fund	58,531	17,822
	<u>131,305</u>	<u>121,711</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT (CBDG) TRUST FUND</b>		
Community Development Block Grants Receivable	156,802	125,355
<b>LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)</b>		
Investments	596,865	524,133
Contribution Receivable	49,249	47,453
	<u>646,114</u>	<u>571,586</u>
<b>Total Assets</b>	<u>\$ 2,218,067</u>	<u>\$ 2,083,675</u>

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS**  
**AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES AND RESERVES</b>		
<b>ANIMAL CONTROL TRUST FUND</b>		
Due to State of New Jersey	\$ 205	\$ 205
Due to Current Fund	979	
Reserve for Animal Control Expenditures	<u>3,114</u>	<u>2,707</u>
	<u>4,298</u>	<u>2,912</u>
<b>OTHER TRUST FUND</b>		
Reserve for		
Third Party Lienholders	84,477	18,397
Escrow Deposits	664,755	475,349
Miscellaneous Reserves	478,806	456,925
Payroll	10,688	10,661
Payroll Deductions Payable (Deficit)	(17,709)	282,957
Due to Unemployment Insurance Trust Fund	<u>58,531</u>	<u>17,822</u>
	<u>1,279,548</u>	<u>1,262,111</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>		
Due to State of New Jersey	1,316	607
Reserve for Unemployment Compensation Insurance	<u>129,989</u>	<u>121,104</u>
	<u>131,305</u>	<u>121,711</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) TRUST FUND</b>		
Due to Current Fund	115	14,904
Reserve for Community Development Programs	<u>156,687</u>	<u>110,451</u>
	<u>156,802</u>	<u>125,355</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)</b>		
Reserve for LOSAP	<u>646,114</u>	<u>571,586</u>
 Total Liabilities and Reserves	 <u>\$ 2,218,067</u>	 <u>\$ 2,083,675</u>

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash	\$ 1,295,944	\$ 1,651,039
Due from Current Fund	2,301,355	1,235,000
Due from FEMA Grant Receivable	133,102	170,763
Deferred Charges - Expenditure Without Ordinance Appropriation	48,598	
Deferred Charges to Future Taxation:		
Funded	7,626,487	8,708,983
Unfunded	<u>10,236,828</u>	<u>9,445,328</u>
 Total Assets	 <u>\$ 21,642,314</u>	 <u>\$ 21,211,113</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
General Serial Bonds	\$ 7,420,000	\$ 8,420,000
Middlesex County Improvement Authority Loans Payable	206,487	288,983
Bond Anticipation Notes Payable	10,238,250	9,446,750
Encumbrances Payable	1,142,641	1,049,508
Capital Improvement Fund	152,080	54,580
Improvement Authorizations		
Funded	118,229	118,229
Unfunded	2,222,366	1,653,141
Reserve for FEMA Grant Receivable	133,102	170,763
Fund Balance	<u>9,159</u>	<u>9,159</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 21,642,314</u>	 <u>\$ 21,211,113</u>

There were bonds and notes authorized but not issued on both December 31, 2017 and 2016 in the amount of \$19,000.

**CITY OF SOUTH AMBOY**  
**COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ 9,159	\$ 97,159
Decreased by:		
Appropriation to Finance Improvement Authorizations	<u>-</u>	<u>88,000</u>
Balance, December 31	<u>\$ 9,159</u>	<u>\$ 9,159</u>

**CITY OF SOUTH AMBOY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Buildings and Land	\$ 9,625,300	\$ 9,625,300
Machinery and Equipment	<u>7,393,063</u>	<u>7,048,377</u>
	<u>\$ 17,018,363</u>	<u>\$ 16,673,677</u>
<b>FUND BALANCE</b>		
Investment in General Fixed Assets	<u>\$ 17,018,363</u>	<u>\$ 16,673,677</u>



## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of South Amboy (the "City") was incorporated in 1808 and operates under an elected Mayor and Council form of government. The Mayor is elected directly by the voters. The City Council consists of five members, two of whom are elected in an at-large basis while three are elected from wards. All members of the governing body are elected in partisan elections to serve four-year terms of office in a staggered basis as part of the November general election, with the three ward seats up for election together and the two at-large seats and the Mayor at seat up for vote together two years later. The Mayor is the Chief Executive Officer of the City and as such presides over all public meetings and makes appointments to various boards. The City Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A City Administrator is appointed by the City Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all City affairs and for the day to day operations of the City. The City Administrator is the Chief Administrative Officer for the City. The City's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

**B. Description of Regulatory Basis of Accounting**

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

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**C. Basis of Presentation – Financial Statements**

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

The City has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

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

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

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

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

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

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.

**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, 2017 AND 2016**

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

**C. Basis of Presentation – Financial Statements (Continued)**

**Reclassifications** - Certain reclassifications may have been made to the December 31, 2016 balances to conform to the December 31, 2017 presentation.

**Financial Statements – Regulatory Basis**

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The City presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

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

**Property Tax Revenues/Receivables** - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the City. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The City also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The City may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

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

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

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

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

**Deferred Charges** – Certain expenditures and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures and certain other items generally to be recognized when incurred, if measurable.

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

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

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

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

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

**General Fixed Assets** - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the City of South Amboy has developed a fixed assets accounting and reporting system. Fixed assets are defined by the City as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of two years.

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

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

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

General Fixed Assets purchased prior to December 31, 1998 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

Trust Funds  
General Capital Fund

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 2017 and 2016 the City Council increased the original budget by \$376,882 and \$100,872. The 2017 increase was funded by additional aid allotted to the City. The 2016 increase was attributable to a special emergency appropriation of \$73,000 and additional grants totaling \$27,872. In addition, the governing body approved several budget transfers during 2017 and 2016.

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

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

**A. Cash Deposits**

The City's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), 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 or NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2017 and 2016, the book value of the City's deposits were \$10,617,536 and \$9,532,876 and bank and brokerage firm balances of the City's deposits amounted to \$10,672,679 and \$9,769,245, respectively. The City's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2017</u>	<u>2016</u>
Insured	<u>\$ 10,672,679</u>	<u>\$ 9,769,245</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, 2017 and 2016, the City had no bank balances exposed to custodial credit

**B. Investments**

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



**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

As of December 31, 2017 and 2016, the City had the following investments:

	<u>Fair Value (Unaudited)</u>	
	<u>2017</u>	<u>2016</u>
Investment:		
Length of Service Award Program	\$ <u>596,865</u>	\$ <u>524,133</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, 2017 and 2016, \$596,865 and \$524,133 of the City's investments was exposed to custodial credit risk as follows:

	<u>Fair Value (Unaudited)</u>	
	<u>2017</u>	<u>2016</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the City's name	\$ <u>596,865</u>	\$ <u>524,133</u>

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The City does not have an investment policy that would further limit its investment choices. As of December 31, 2017 and 2016, the City's investment in Lincoln Financial was rated Baa1 by Moody's Investors.

Concentration of Credit Risk – The City places no limit in the amount the City may invest in any one issuer. More than five (5) percent of the City's investments are in Lincoln Financial. These investments are 100% of the City's total investments.

The fair value of the above-listed investment was based on quoted market prices.

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

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2017 and 2016 consisted of the following:

	<u><b>2017</b></u>	<u><b>2016</b></u>
Tax/Sewer Title Liens	\$ 268,595	\$ 227,647
	<u>\$ 268,595</u>	<u>\$ 227,647</u>

In 2017 and 2016, the City collected \$2,712 and \$43,451 from delinquent taxes, which represented 1% and 19%, respectively of the prior year delinquent taxes receivable balance.

**NOTE 5 DUE TO/FROM OTHER FUNDS**

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

	<u><b>2017</b></u>	<u><b>2016</b></u>
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 445,065	\$ 14,904
Trust Funds:		
Animal Control Trust Fund	979	
Other Trust Fund	57,666	58,531
Unemployment Insurance Trust Fund	58,531	49,822
Community Development Block Grant Trust	115	14,904
General Capital Fund	<u>2,301,355</u>	<u>1,235,000</u>
	<u>\$ 2,862,617</u>	<u>\$ 1,299,726</u>
Total	<u>\$ 2,862,617</u>	<u>\$ 1,299,726</u>

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

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

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	Balance December 31,	Subsequent Year Budget Appropriation	Balance to Succeeding Budgets
<u>2017</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 58,400	\$ 14,600	\$ 43,800
	<u>\$ 58,400</u>	<u>\$ 14,600</u>	<u>\$ 43,800</u>
General Capital Fund			
Expenditure without Ordinance Appropriation	\$ 48,598	\$ 48,598	\$ -
	<u>\$ 48,598</u>	<u>\$ 48,598</u>	<u>\$ -</u>
<u>2016</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 73,000	\$ 14,600	\$ 58,400
	<u>\$ 73,000</u>	<u>\$ 14,600</u>	<u>\$ 58,400</u>

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 7 FUND BALANCES APPROPRIATED**

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

	<u>2017</u>		<u>2016</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,930,133	\$ 1,130,000	\$ 1,684,577	\$ 661,000
Non-Cash Surplus	<u>250</u>	<u>-</u>	<u>750</u>	<u>-</u>
	<u>\$ 1,930,383</u>	<u>\$ 1,130,000</u>	<u>\$ 1,685,327</u>	<u>\$ 661,000</u>

**NOTE 8 FIXED ASSETS**

**General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2017 and 2016.

	<u>Balance January 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2017</u>
<b><u>2017</u></b>				
Buildings and Land	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	<u>7,048,377</u>	<u>\$ 344,686</u>	<u>-</u>	<u>7,393,063</u>
	<u>\$ 16,673,677</u>	<u>\$ 344,686</u>	<u>\$ -</u>	<u>\$ 17,018,363</u>
	<u>Balance January 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2016</u>
<b><u>2016</u></b>				
Buildings and Land	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	<u>6,686,154</u>	<u>\$ 362,223</u>	<u>-</u>	<u>7,048,377</u>
	<u>\$ 16,311,454</u>	<u>\$ 362,223</u>	<u>\$ -</u>	<u>\$ 16,673,677</u>

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 9 MUNICIPAL DEBT**

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

The City's debt is summarized as follows:

	<u><b>2017</b></u>	<u><b>2016</b></u>
Issued		
General		
Bonds, Notes and Loans	\$ 17,864,737	\$ 18,155,733
Less Funds Temporarily Held to Pay Notes	<u>20,422</u>	<u>20,422</u>
Net Debt Issued	<u>17,844,315</u>	<u>18,135,311</u>
Authorized But Not Issued		
General		
Bonds and Notes	<u>19,000</u>	<u>19,000</u>
Net Bonds, Notes and Loans Issued and Authorized But Not Issued	<u>\$ 17,863,315</u>	<u>\$ 18,154,311</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 2.099% and 2.177% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u><b>2017</b></u>			
General Debt	\$ 20,783,737	\$ 2,920,422	\$ 17,863,315
School Debt	<u>7,480,000</u>	<u>7,480,000</u>	<u>-</u>
Total	<u>\$ 28,263,737</u>	<u>\$ 10,400,422</u>	<u>\$ 17,863,315</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u><b>2016</b></u>			
General Debt	\$ 21,144,733	\$ 2,990,422	\$ 18,154,311
School Debt	<u>7,737,892</u>	<u>7,737,892</u>	<u>-</u>
Total	<u>\$ 28,882,625</u>	<u>\$ 10,728,314</u>	<u>\$ 18,154,311</u>

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**Statutory Borrowing Power**

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

	<b><u>2017</u></b>	<b><u>2016</u></b>
3 1/2% of Equalized Valuation Basis (Municipal)	\$ 29,788,019	\$ 29,185,984
Net Debt	<u>17,863,315</u>	<u>18,154,311</u>
Remaining Borrowing Power	<u>\$ 11,924,704</u>	<u>\$ 11,031,673</u>

**A. Long-Term Debt**

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

**General Obligation Bonds**

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

	<b><u>2017</u></b>	<b><u>2016</u></b>
\$7,920,000, 2010 Bonds, due in annual installments of \$500,000 to \$775,000 through May 1, 2025, interest at 3.0% to 4.0%	\$ 4,620,000	\$ 5,120,000
\$3,355,000, 2015 Refunding Bonds, due in annual installments of \$445,000 to \$490,000 through August 1, 2023, interest at 2.0 to 3.0%	<u>2,800,000</u>	<u>3,300,000</u>
	<u>\$ 7,420,000</u>	<u>\$ 8,420,000</u>

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**General Intergovernmental Loans Payable**

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

	<u>2017</u>	<u>2016</u>
\$49,985, 2008 Loan, due in annual installments of \$5,630 to \$5,833 through September 15, 2018, interest at 3.750% to 4.20%	\$ 5,833	\$ 11,462
\$452,063, 2009 Loan, due in annual installments of \$27,461 to \$28,285 through July 15, 2019, interest at 3.00%	55,747	82,408
\$248,911, 2012 Loans, due in annual installments of \$16,283 to \$21,784 through September 15, 2022, interest at 3.00% to 4.00%	99,552	128,066
\$113,000, 2014 Loans, due in annual installments of \$22,342 to \$23,013 through July 15, 2019, interest at 2.0% to 3.00%	45,355	67,047
	<u>\$ 206,487</u>	<u>\$ 288,983</u>

The City's principal and interest for long-term debt issued and outstanding as of December 31, 2017 is as follows:

Calendar Year	<u>Bonds</u>		<u>General Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 990,000	\$ 236,575	\$ 72,908	\$ 6,438	\$ 1,305,921
2019	985,000	208,650	72,060	4,008	1,269,718
2020	970,000	180,200	21,784	1,846	1,173,830
2021	960,000	151,426	18,500	1,192	1,131,118
2022	975,000	121,150	21,235	637	1,118,022
2023-2025	2,540,000	147,849	-	-	2,687,849
	<u>\$ 7,420,000</u>	<u>\$ 1,045,850</u>	<u>\$ 206,487</u>	<u>\$ 14,121</u>	<u>\$ 8,686,458</u>

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Debt Guarantees**

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

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

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

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

The outstanding balance at December 31, 2017 and 2016 is \$2,900,000 and \$2,970,000, respectively.

**Changes in Long-Term Municipal Debt**

The City’s long-term capital debt activity for the years ended December 31, 2017 and 2016 were as follows:

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
General Capital Fund					
Bonds Payable	\$ 8,420,000		\$ 1,000,000	\$ 7,420,000	\$ 990,000
Intergovernmental					
Loans Payable	<u>288,983</u>	<u>-</u>	<u>82,496</u>	<u>206,487</u>	<u>72,908</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 8,708,983</u>	<u>\$ -</u>	<u>\$ 1,082,496</u>	<u>\$ 7,626,487</u>	<u>\$ 1,062,908</u>



**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Changes in Long-Term Municipal Debt (Continued)**

	Balance, January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<b><u>2016</u></b>					
General Capital Fund					
Bonds Payable	\$ 9,425,000		\$ 1,005,000	\$ 8,420,000	\$ 1,000,000
Intergovernmental					
Loans Payable	<u>393,052</u>	<u>-</u>	<u>104,069</u>	<u>288,983</u>	<u>82,496</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 9,818,052</u>	<u>\$ -</u>	<u>\$ 1,109,069</u>	<u>\$ 8,708,983</u>	<u>\$ 1,082,496</u>

**B. Short-Term Debt**

The City's short-term debt activity for the years ended December 31, 2017 and 2016 was as follows:

**Bond Anticipation Notes**

	Rate <u>(%)</u>	Maturity <u>Date</u>	Balance, January 1, <u>2017</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2017</u>
<b><u>2017</u></b>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Improvements to Various Streets	1.00	4/20/2018	\$ 400,000	\$ 200,000	\$ 400,000	\$ 200,000
Various Capital Improvements	1.00	4/20/2018	7,692,750	7,036,750	7,692,750	7,036,750
Various Capital Improvements	1.25	4/20/2018		1,947,500		1,947,500
Refunding Bonds - Judgments and Insurance						
Assessments	1.00	4/20/2018	325,000	165,000	325,000	165,000
Reconstruction of the Waterfront Walkway and Seawall	1.00	4/20/2018	350,000	310,000	350,000	310,000
Purchase of Fire Truck	1.00	4/20/2018	<u>679,000</u>	<u>579,000</u>	<u>679,000</u>	<u>579,000</u>
Total Bond Anticipation Notes Payable			<u>\$ 9,446,750</u>	<u>\$ 10,238,250</u>	<u>\$ 9,446,750</u>	<u>\$ 10,238,250</u>

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

	Rate (%)	Maturity Date	Balance, January 1, 2016	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2016
<b><u>2016</u></b>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Improvements to Various Streets	1.00	4/20/2017	\$ 625,000	\$ 400,000	\$ 625,000	\$ 400,000
Environmental Remediation	1.00	4/20/2017	20,000		20,000	-
Various Capital Improvements	1.00	4/20/2017	4,440,000	7,692,750	4,440,000	7,692,750
Refunding Bonds - Judgments and Insurance						
Assessments	1.00	4/20/2017	480,000	325,000	480,000	325,000
Reconstruction of the Waterfront Walkway and Seawall	1.00	4/20/2017	390,000	350,000	390,000	350,000
Purchase of Fire Truck	1.00	4/20/2017	779,000	679,000	779,000	679,000
Total Bond Anticipation Notes Payable			<u>\$ 6,734,000</u>	<u>\$ 9,446,750</u>	<u>\$ 6,734,000</u>	<u>\$ 9,446,750</u>

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

In addition to the debt shown in the above schedule, municipalities may issue debt to finance emergency or special emergency appropriations or to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt which is not included in the City's statutory debt limit calculation is reported in the Current Fund for the years 2017 and 2016 as follows:

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Emergency Notes**

Any local unit may borrow money and issue its negotiable notes to meet an emergency appropriation. All emergency notes, and any renewals thereof, shall mature not later than the last day of the fiscal year following the fiscal year in which the notes were issued and the emergency appropriation authorized.

	Rate (%)	Maturity Date	Balance, January 1, 2017	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2017
<b><u>2017</u></b>						
None						
	Rate (%)	Maturity Date	Balance, January 1, 2016	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2016
<b><u>2016</u></b>						
<u>Purpose</u>						
2015-Budget Appropriations-						
Streets and Roads Maintenance-Salaries and Wages	1.00	4/21/2016	\$ 40,000		\$ 40,000	
Streets and Roads Maintenance-Other Expenses	1.00	4/21/2016	6,000		6,000	
Solid Waste-Other Expenses	1.00	4/21/2016	29,200		29,200	
Building and Grounds-Salaries and Wages	1.00	4/21/2016	13,800		13,800	
Building and Grounds-Other Expenses	1.00	4/21/2016	9,000	-	9,000	-
Total Emergency Notes			\$ 98,000	\$ -	\$ 98,000	\$ -

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Special Emergency Notes**

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

**Special Emergency Notes**

	Rate (%)	Maturity Date	Balance, January 1, 2017	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2017
<b><u>2017</u></b>						
<u>Purpose</u>						
Master Plan Re-Examination	1.00	4/20/2018	\$ 73,000	\$ 58,400	\$ 73,000	\$ 58,400
Total Special Emergency Notes			<u>\$ 73,000</u>	<u>\$ 58,400</u>	<u>\$ 73,000</u>	<u>\$ 58,400</u>

	Rate (%)	Maturity Date	Balance, January 1, 2016	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2016
<b><u>2016</u></b>						
<u>Purpose</u>						
Master Plan Re-Examination	1.00	4/20/2017	\$ -	\$ 73,000	\$ -	\$ 73,000
Total Special Emergency Notes			<u>\$ -</u>	<u>\$ 73,000</u>	<u>\$ -</u>	<u>\$ 73,000</u>

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Tax Anticipation Notes**

In any fiscal year in anticipation of the collection of taxes for such year, whether levied or to be levied in such year, or in anticipation of other revenues for such year, the City may borrow money in the form of tax anticipation notes. The amount of tax anticipation notes of any fiscal year outstanding at any one time shall not exceed an amount certified as the gross borrowing power. Tax anticipation notes may be renewed from time to time, but all such notes and any renewals shall mature within 120 days after the beginning of the succeeding fiscal year.

**Tax Anticipation Notes**

	Rate (%)	Maturity Date	Balance, January 1, 2017	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2017
<b><u>2017</u></b>						
<u>Purpose</u>						
Anticipated Tax Collections	1.00	4/20/2018		\$ 1,500,000		\$ 1,500,000
	1.00	4/20/2017	\$ 2,000,000	-	\$ 2,000,000	-
			<u>\$ 2,000,000</u>	<u>\$ 1,500,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,500,000</u>
	Rate (%)	Maturity Date	Balance, January 1, 2016	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2016
<b><u>2016</u></b>						
<u>Purpose</u>						
Anticipated Tax Collections	1.00	4/20/2017		\$ 2,000,000		\$ 2,000,000
	1.00	4/21/2016	\$ 2,500,000	-	\$ 2,500,000	-
			<u>\$ 2,500,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,000,000</u>

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

<u>Capital Project/Commitment</u>	<u>Remaining Commitment</u>	<u>Estimated Date of Acquisition/ Completion</u>
<b><u>2017</u></b>		
<u>Current Fund</u>		
Remediation of Former Conrail and Spectraserve Site	\$ 90,627	2018
<u>General Capital Fund</u>		
Bordentown Ave Road Improvements	420,416	2018
Purchase of a Regenerative Air Sweeper	242,725	2018
Purchase of (2) Pickup Trucks	82,129	2018
<b><u>2016</u></b>		
<u>Current Fund</u>		
Remediation of Former Conrail and Spectraserve Site	\$ 1,960,296	2017
Re-examination of Master Plan	50,290	2017
<u>General Capital Fund</u>		
Acquisition of Police Vehicles	194,670	2017
Purchase of Emergency Generator	92,617	2017
Purchase of Radio Communication and Dispatch Furniture	481,968	2017
Resurfacing of Tennis Courts	43,930	2017

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 11 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

Under the existing policies and labor agreements of the City, employees are allowed to accumulate (with certain restrictions) unused vacation benefits and sick leave 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 \$819,375 and \$720,088 at December 31, 2017 and 2016, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

**B. 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, 2017 for which the City is making payments are for the years 2011 and 2014 lease programs. Payments for these lease agreements continue through 2019 and are summarized as follows:

<u>Years Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>MCIA</u> <u>Fee</u>	<u>Trustee</u> <u>Fee</u>	<u>Total</u>
2018	\$ 22,802	\$ 1,388	\$ 97	\$ 32	\$ 24,319
2019	23,486	704	-	-	24,190
	<u>\$ 46,288</u>	<u>\$ 2,092</u>	<u>\$ 97</u>	<u>\$ 32</u>	<u>\$ 48,509</u>

**C. Deferred Pension Obligation**

During the year ended December 31, 2009 the City elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$344,668 and will be paid back with interest over 15 years beginning in the 2012 year. The City is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (7.65% effective July 1, 2016 and 7.90% effective July 1, 2012 through June 30, 2016) at December 31, 2017 and 2016 is \$276,609 and \$309,673, respectively.

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**Changes in Other Long-Term Liabilities**

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The City's changes in other long-term liabilities for the years ended December 31, 2017 and 2016 were as follows:

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
Capital Leases	\$ 68,426		\$ 22,138	\$ 46,288	\$ 22,802
Deferred Pension Obligation	309,673	\$ 19,657	52,721	276,609	53,296
Compensated Absences	720,088	99,287		819,375	
Net Pension Liability - PERS	9,642,525		1,349,408	8,293,117	
Net Pension Liability - PFRS	<u>13,165,185</u>	<u>-</u>	<u>1,600,395</u>	<u>11,564,790</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 23,905,897</u>	 <u>\$ 118,944</u>	 <u>\$ 3,024,662</u>	 <u>\$ 21,000,179</u>	 <u>\$ 76,098</u>
	Balance, January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<b><u>2016</u></b>					
Capital Leases	\$ 102,986		\$ 34,560	\$ 68,426	\$ 22,138
Deferred Pension Obligation	337,872	\$ 23,994	52,193	309,673	52,721
Compensated Absences	724,154		4,066	720,088	
Net Pension Liability - PERS	7,145,625	2,786,134	289,234	9,642,525	
Net Pension Liability - PFRS	<u>12,435,724</u>	<u>1,291,381</u>	<u>561,920</u>	<u>13,165,185</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 20,746,361</u>	 <u>\$ 4,101,509</u>	 <u>\$ 941,973</u>	 <u>\$ 23,905,897</u>	 <u>\$ 74,859</u>

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS**

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

**Police and Firemen's Retirement System (PFRS)** – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.



**CITY OF SOUTH AMBOY**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PERS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. DCRP is a defined contribution pension plan.

**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 State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PERS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

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

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

**CITY OF SOUTH AMBOY  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Basis of Accounting**

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

**Investment Valuation**

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at [www.state.nj/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including local PERS and local PFRS is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 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 funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2016 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.00% for investment rate of return for all the retirement systems except CPFPPF (1.00%) and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

**CITY OF SOUTH AMBOY**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**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 10.0% for PFRS, 7.20% for PERS and 5.50% for DCRP of employee's annual compensation for 2017.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2017 and 2016 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, 2017, 2016 and 2015, the City, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31,</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2017	\$ 598,744	\$ 329,103	\$ 10,000
2016	643,342	312,667	
2015	628,251	297,541	12,000

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Public Employees Retirement System (PERS)**

At December 31, 2017 and 2016, the City reported a liability of \$8,293,117 and \$9,642,525, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the City's proportionate share was .03563 percent, which was an increase of .00307 percent from its proportionate share measured as of June 30, 2016 of .03256 percent.

**CITY OF SOUTH AMBOY**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

For the year ended December 31, 2017 and 2016, the pension system has determined the City's pension expense to be \$759,624 and \$953,254, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the City's financial statements of \$329,103 and \$312,667, respectively. At December 31, 2017 and 2016, the City's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the City's financial statements are from the following sources:

	<b>2017</b>		<b>2016</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 195,274		\$ 179,322	
Changes of Assumptions	1,670,777	\$ 1,664,652	1,997,416	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	56,471		367,678	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>673,682</u>	<u>14,291</u>	<u>165,280</u>	<u>\$ 20,148</u>
Total	<u>\$ 2,596,204</u>	<u>\$ 1,678,943</u>	<u>\$ 2,709,696</u>	<u>\$ 20,148</u>

At December 31, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<b><u>Year Ending December 31,</u></b>	<b><u>Total</u></b>
2018	\$ 338,516
2019	426,262
2020	323,167
2021	(72,894)
2022	(97,790)
Thereafter	<u>-</u>
	<u><u>\$ 917,261</u></u>

**CITY OF SOUTH AMBOY**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

***Actuarial Assumptions***

The City's total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<b><u>PERS</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65-4.15%	1.65-4.15%
	Based on Age	Based on Age
Thereafter	2.65-5.15%	2.65-5.15%
	Based on Age	Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**CITY OF SOUTH AMBOY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

***Discount Rate***

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	5.00%
2016	June 30, 2016	3.98%

**CITY OF SOUTH AMBOY**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

***Discount Rate (Continued)***

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

\* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the City's proportionate share of the PERS net pension liability as of December 31, 2017 and 2016 calculated using the discount rate of 5.00% and 3.98%, respectively, as well as what the City's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00% and 2.98%, respectively) or 1-percentage-point higher (6.00% and 4.98%, respectively) than the current rate:

	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
<u>2017</u>			
City's Proportionate Share of the PERS Net Pension Liability	<u>\$ 10,288,174</u>	<u>\$ 8,293,117</u>	<u>\$ 6,630,987</u>
	<b>1% Decrease (2.98%)</b>	<b>Current Discount Rate (3.98%)</b>	<b>1% Increase (4.98%)</b>
<u>2016</u>			
City's Proportionate Share of the PERS Net Pension Liability	<u>\$ 11,815,789</u>	<u>\$ 9,642,525</u>	<u>\$ 7,848,307</u>

The sensitivity analysis was based on the proportionate share of the City's net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the City's net pension liability was not provided by the pension system.

**CITY OF SOUTH AMBOY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Public Employees Retirement System (PERS) (Continued)**

***Pension Plan Fiduciary Net Position***

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

**Police and Firemen's Retirement System (PFRS)**

At December 31, 2017 and 2016, the City reported a liability of \$11,564,790 and \$13,165,185, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the City's proportionate share was .07491 percent, which was an increase of .00599 percent from its proportionate share measured as of June 30, 2016 of .06892 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the City pension expense to be \$1,114,643 and \$1,310,683, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the City's financial statements of \$598,744 and \$643,342, respectively. At December 31, 2017 and 2016, the City's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the City's financial statements are from the following sources:

	<b>2017</b>		<b>2016</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 75,026	\$ 67,876		\$ 86,300
Changes of Assumptions	1,426,067	1,893,974	\$ 1,823,486	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	220,683		922,458	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	923,018	663,411	252,684	865,782
Total	<u>\$ 2,644,794</u>	<u>\$ 2,625,261</u>	<u>\$ 2,998,628</u>	<u>\$ 952,082</u>



**CITY OF SOUTH AMBOY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Police and Firemen's Retirement System (PFRS) (Continued)**

At December 31, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2018	\$ 166,339
2019	413,644
2020	(11,603)
2021	(426,602)
2022	(122,245)
Thereafter	-
	<u>\$ 19,533</u>

***Actuarial Assumptions***

The City's total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

**PFRS**

	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	2.10-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2016 and July 1, 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**CITY OF SOUTH AMBOY**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Police and Firemen's Retirement System (PFRS) (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

***Discount Rate***

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	6.14%
2016	June 30, 2016	5.55%

**CITY OF SOUTH AMBOY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Police and Firemen's Retirement System (PFRS) (Continued)**

***Discount Rate (Continued)***

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2057 and Thereafter

\* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the City's proportionate share of the PFRS net pension liability as of December 31, 2017 and 2016 calculated using the discount rate of 6.14% and 5.55%, respectively, as well as what the City's proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.14% and 4.55 %, respectively) or 1-percentage-point higher (7.14% and 6.55%, respectively) than the current rate:

	<b>1% Decrease (5.14%)</b>	<b>Current Discount Rate (6.14%)</b>	<b>1% Increase (7.14%)</b>
<u>2017</u>			
City's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 15,237,563</u>	<u>\$ 11,564,790</u>	<u>\$ 8,547,189</u>
	<b>1% Decrease (4.55%)</b>	<b>Current Discount Rate (5.55%)</b>	<b>1% Increase (6.55%)</b>
<u>2016</u>			
City's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 16,975,541</u>	<u>\$ 13,165,185</u>	<u>\$ 10,058,069</u>

The sensitivity analysis was based on the proportionate share of the City's net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the City's net pension liability was not provided by the pension system.

**CITY OF SOUTH AMBOY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Police and Firemen's Retirement System (PFRS) (Continued)**

***Special Funding Situation – PFRS***

Under N.J.S.A. 43:16A-15, the City is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the City by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the City's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the City for the PFRS special funding situation is \$1,295,354 and \$1,105,549, respectively. For the years ended December 31, 2017 and 2016, the pension system has determined the State's proportionate share of the pension expense attributable to the City for the PFRS special funding situation is \$158,451 and \$141,205, respectively, which is more than the actual contributions the State made on behalf of the City of \$64,773 and \$42,361, respectively. The State's proportionate share attributable to the City was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the City's financial statements.

***Pension Plan Fiduciary Net Position***

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

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the City. The plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 580 state and local participating employers and contributing entities for Fiscal Year 2017.

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

**State Health Benefits Program Funds (HBPF) – Local Government** (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

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 the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$85.4 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$25.5 billion for state active and retired members, \$16.1 billion for local active and retired members and \$43.8 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB 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 OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2016 OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**Post-Retirement Medical Benefits Contribution**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$184.6 million for 10,994 eligible retired members for Fiscal Year 2017. This benefit covers the Police and Firemen's Retirement System.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**Post-Retirement Medical Benefits Contribution (Continued)**

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$52.1 ~~\$48.3~~ million in Fiscal Year 2017 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2017, 2016 and 2015 were \$1,048,524, \$1,057,521 and \$971,736, respectively, which equaled the required contributions for each year. Prior to May 1, 2015 the City was under a private plan for post-retirement health benefit coverage claims for eligible retirees and their spouses under a private single-employer defined healthcare plan administered by the City. For the period January 1, 2015 to April 30, 2015, the City paid \$535,533 for post-retirement health benefit coverage claims for eligible retirees and their spouses.

**NOTE 14 RISK MANAGEMENT**

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

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

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

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

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 14 RISK MANAGEMENT (Continued)**

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

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

<u>Year Ended</u> <u>December 31</u>	<u>City</u> <u>Contribution</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2017	\$ 32,000	\$ 8,709	\$ 31,994	\$ 129,989
2016	32,000	9,972	23,958	121,104
2015	32,000	7,850	18,813	102,908

**NOTE 15 CONTINGENT LIABILITIES**

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

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2017 and 2016. Amounts claimed have not yet been determined. The City is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the City does not recognize a liability, if any, until these cases have been adjudicated. The City expects such amounts, if any, could be material. As of December 31, 2017 and 2016, the City reserved \$200,000, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

**Federal and State Awards** - The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2017 and 2016, significant amounts of grant expenditure have not been audited by the various grantor agencies but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the City.



**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 16 FEDERAL ARBITRAGE REGULATIONS**

The City is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2017 and 2016, the City has not estimated its estimated arbitrage earnings due to the IRS, if any.

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

The City of South Amboy Length of Service Awards Program (the Plan) was created by a City ordinance adopted on July 6, 1999, pursuant to 457 (e)(11)(13) of the Internal 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 South Amboy Fire Department and the First Aid Squad, come from contributions made solely by the City on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

The City of South Amboy has contributed \$714 and \$708 for 2017 and 2016, respectively, for each eligible volunteer fire department and volunteer first aid squad members into the Plan. The total City contributions were \$49,249 and \$47,453 for 2017 and 2016, respectively.

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

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

**Vesting and Benefits**

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

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**Reporting Requirements**

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

**NOTE 18 TAX ABATEMENTS**

For the years ended December 31, 2017 and 2016, the City provided property tax abatements through a program authorized under State statutes. The program is the Long Term Tax Exemption Law (the "LTTE Law").

- The Long Term Tax Exemption Law (NJSA 40A:20 et.seq.) is focused on broad areas of redevelopment. It allows for a longer abatement term to carry out a larger development plan through declaring an area as being "in need of redevelopment". These long-term property abatements may last up to 30 years from completion of a project or 35 years from execution of the financial agreement. The process is initiated when the municipality passes a resolution calling for the municipal planning board to study the need for designating an area "in need of redevelopment". Upon adopting the planning board's recommendations and formalizing the redevelopment area designation, a municipality adopts a redevelopment plan, engages redevelopment entities to carry out the plan, and may authorize long-term tax abatements in the process. Developers submit abatement applications to the governing body for review. The financial agreement is approved through adoption of a local ordinance. The agreement exempts a project from taxation, but requires a payment in lieu of taxes (PILOTs) in an amount based generally on a percentage of project costs or revenue generated by the project, depending on the type of project. For the years ended December 31, 2017 and 2016 the City abated property taxes totaling \$770,914 and \$728,307, respectively under the LTTE program. The City received \$226,861 and \$224,973 in PILOT payments under this program for the years ended December 31, 2017 and 2016, respectively.

**NOTE 19 SUBSEQUENT EVENTS**

**Tax Anticipation Notes**

On March 26, 2018 the City authorized the Chief Financial Officer to issue \$500,000 of tax anticipation notes to temporarily finance the City's operating expenditures. The City awarded the sale of the tax anticipation notes to Amboy Bank at an interest rate of 1.75%. These notes dated April 20, 2018 will mature on April 19, 2019.

**Bond Anticipation Notes**

On April 20, 2018 the City issued bond anticipation notes in the amount of \$9,021,256 to temporarily finance expenditures related to various capital projects. The City awarded the sale of these notes to Amboy Bank at an interest rate of 1.75%. These notes dated April 20, 2018 will mature on April 19, 2019.

**Special Emergency Notes**

On April 20, 2018 the City issued special emergency notes in the amount of \$43,800 for a master plan re-examination. The City awarded the sale of these notes to Amboy Bank at an interest rate of 1.75%. These notes dated April 20, 2018 will mature on April 19, 2019.

**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL**

\_\_\_\_\_, 2019

City Council of the  
City of South Amboy, in the  
County of Middlesex, New Jersey

Dear Council Members:

We have acted as bond counsel to the City of South Amboy, in the County of Middlesex, New Jersey (the "City"), in connection with the issuance by the City of \$11,410,000 General Improvement Bonds, Series 2019 (the "Bonds"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the City adopted on March 6, 2019 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding obligations of the City payable from *ad valorem* taxes that may be levied upon all the taxable real property within the City without limitation as to rate or amount.

On the date hereof, the City has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the City continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the City in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds are not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,