

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 31, 2023**

**NEW ISSUE**

**NOT RATED**

*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 Notes (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 Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. Based upon existing law, interest on the Notes 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**

**\$5,451,000 BOND ANTICIPATION NOTES, SERIES 2023  
(Bank-Qualified) (Book-Entry-Only) (Non-Callable)**

**Interest Rate: \_\_\_%    Yield: \_\_\_%    CUSIP\*: \_\_\_\_\_**

**Dated: June 28, 2023**

**Due: June 28, 2024**

The \$5,451,000 Bond Anticipation Notes, Series 2023 (the "Notes") of the City of South Amboy (the "City"), in the County of Middlesex (the "County"), will be issued in the form of one certificate for the aggregate principal amount of the Notes and when issued will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. Interest on the Notes will be credited to the participants of DTC as listed on the records of DTC as of one business day prior to the maturity date set forth above. See "THE NOTES – Book-Entry-Only System" herein. The principal of and interest on the Notes will be paid on the maturity date to DTC by the City or its designated paying agent. Interest on the Notes shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months. The Notes are not subject to redemption prior to their stated maturity.

The Notes are valid and legally binding obligations of the City, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Notes are issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable property within the City 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 Notes will be 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. Certain legal matters will be passed upon for the City by its City Attorney, Francis W. Womack, III, Esq., Iselin, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the City in connection with the issuance of the Notes. It is expected that the Notes will be available for delivery through DTC in New York, New York, on or about June 28, 2023.*

**BIDS FOR THE NOTES WILL BE RECEIVED IN ACCORDANCE WITH THE NOTICE OF SALE  
UNTIL 11:00 A.M. ON WEDNESDAY, JUNE 7, 2023. FOR MORE DETAILS ON HOW TO BID, VIEW THE  
NOTICE OF SALE POSTED AT WWW.MUNIUB.COM.**

\* 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 FactSet Research Systems Inc. The CUSIP number listed above is being provided solely for the convenience of Noteholders only at the time of issuance of the Notes and the City does not make any representation with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to the Notes.

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

**Mayor**

Fred Henry

**CITY COUNCIL**

Michael Gross, Council President  
Brian McLaughlin  
Thomas B. Reilly  
Zusette Dato  
Anthony Conrad

**BUSINESS ADMINISTRATOR**

David Kales

**CHIEF FINANCIAL OFFICER**

Daniel Balka

**CITY CLERK**

Deborah Brooks

**CITY ATTORNEY**

Francis M. Womack, III, Esq.  
Iselin, New Jersey

**AUDITOR**

PKF O'Connor Davies, LLP  
Woodcliff Lake, 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 Notes 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 Underwriters 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. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be used, in whole or in part, for any other purpose.

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 Notes 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 Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter.

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 NOTES IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor has it verified the accuracy or completeness thereof, and, accordingly, expresses 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**  
**\$5,451,000 BOND ANTICIPATION NOTES, SERIES 2023**

**INTRODUCTION**

This Official Statement, which includes the 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”), State of New Jersey (the “State”), in connection with the sale and issuance of its \$5,451,000 Bond Anticipation Notes, Series 2023 (the “Notes”). 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 Notes described herein.

This Official Statement contains specific information relating to the Notes 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. This Official Statement is “deemed final,” as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

**THE NOTES**

**General Description**

The Notes are dated, will mature on the date and in the amount and will bear interest payable at the interest rate, all as set forth on the cover page hereof. Interest shall be computed on the basis of a 30-day month/360-day year. The Notes will be issued in the form of one certificate for the aggregate principal amount of the Notes and when issued may be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository. The Notes may be purchased in book-entry-only form in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book-entries made on the books and records of DTC and its participants. The Notes are issuable as fully registered book-entry notes. Interest on the Notes will be credited to the participants of DTC as listed on the records of DTC as of one business day prior to maturity.

**Redemption**

The Notes are not subject to redemption prior to their stated maturity.

**BOOK-ENTRY-ONLY SYSTEM\***

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Notes, payment of principal and interest and other payments on the Notes to Direct and Indirect Participants (each as defined below) or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Notes and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the City. DTC will act as securities depository for the Notes. The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s

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\* Source: The Depository Trust Company.

partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be issued in the aggregate principal amount of the Notes 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, 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 an S&P Global 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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.

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 Notes 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 Notes 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 Notes 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 redemption proceeds, if any, and 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 Notes 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, Note 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, Note certificates will be printed and delivered to DTC.

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 NOTE HOLDERS; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST DUE ON THE NOTES; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS NOMINEE OF DTC AND THE REGISTERED OWNER OF THE NOTES. 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.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE NOTES (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

### **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 Notes 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.

## AUTHORIZATION AND PURPOSE

The Notes 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 State statutes, as amended) (the “Local Bond Law”), and the bond ordinances adopted by the City referred to in the chart below. Proceeds from the sale and issuance of the Notes will be used to: (i) currently refund the City’s \$4,354,000 Bond Anticipation Notes, dated and issued on June 30, 2022 and maturing on June 29, 2023 (together with \$373,000 in principal reduction payments); (ii) provide \$1,470,000 in new money to fund various capital improvements in and by the City; and (iii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Notes.

Bond Anticipation Notes				
Bond Ordinance Number	Description of Improvement and Date of Adoption of Bond Ordinance	Refunding Amount	New Money Amount	Aggregate Amount of Notes to be Issued
2020-05	Various capital improvements, finally adopted on June 17, 2020.	\$1,689,000	\$0	\$1,689,000
2021-09	Various capital improvements, finally adopted on July 14, 2021.	2,292,000	0	2,292,000
2022-07	Various capital improvements, finally adopted on June 15, 2022.	<u>0</u>	<u>1,470,000</u>	<u>1,470,000</u>
	Total:	\$3,981,000	\$1,470,000	\$5,451,000

## SECURITY AND SOURCE OF PAYMENT

The Notes are valid and legally binding obligations of the City, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Notes are issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable property within the City without limitation as to rate or amount.

## INFECTIOUS DISEASE OUTBREAK – COVID-19

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy (the “Governor”) of the State declared a state of emergency and a public health emergency on March 9, 2020 due to the outbreak of COVID-19, which has spread throughout the State and to all counties within the State. The Governor has also instituted mandatory measures via various executive orders to contain the spread of the virus. These measures, which alter the behavior of businesses and people, have had and may continue to have impacts on regional, state and local economies. Throughout the COVID-19 pandemic, the Governor has signed multiple executive orders instituting mitigation protocols limiting certain activities as well as permitting the resumption of certain activities, based on the evolution of the COVID-19 pandemic within this State. On June 4, 2021, the Governor signed legislation enabling the end of the public health emergency and keeping certain executive orders in place until January 1, 2022. On January 11, 2022, the Governor reaffirmed the state of emergency and declared a new public health emergency in response to a surge in cases tied to new variants of COVID-19, in particular the Omicron Variant. On March 4, 2022, the Governor issued an executive order ending the new public health emergency effective March 7, 2022. Depending on future circumstances, ongoing actions could be taken by State, federal and local governments and



private entities to mitigate the spread and impacts of COVID-19, its variants or other critical health care challenges.

The City's finances and operations had certain reduced revenue streams due to the COVID-19 pandemic; however, the overall finances and operations of the City have not been materially and adversely affected due to the COVID-19 outbreak. The finances and operations of the City may be materially and adversely affected going forward as a result of the COVID-19 pandemic through reduced or delayed revenue streams, which include the collection of property taxes, which is the City's primary revenue source for supporting its budget. The City cannot predict costs associated with a potential infectious disease outbreak like COVID-19 such as operational costs to clean, sanitize and maintain facilities, or costs to operate remotely and support City functions and critical government actions during an outbreak, or any resulting impact such costs could have on City operations. The degree of any such impact to the City's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 pandemic, including uncertainties relating to its (i) duration and (ii) severity, as well as with regard to what additional actions may be taken by governmental and other health care authorities to manage the COVID-19 pandemic.

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by President Biden on March 12, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic.

The Plan includes various forms of financial relief including up to \$1,400 increase in direct stimulus payments and various other forms of economic relief, including extended unemployment benefits, continued eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The Plan provides funding for state and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities, such as the City.

The City received a total of \$960,438.66 from the Plan. The deadline to obligate the funds is December 31, 2024. Generally, according to the Plan, the allowable use of the funds to be provided to the City include the following categories: (a) to respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including assistance to households, small businesses and nonprofits, or aid to impacted industries such as tourism, travel and hospitality; (b) to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the City that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work; (c) for the provision of government services to the extent of the reduction in revenue due to the public health emergency relative to revenues collected in the most recent full fiscal year of the City prior to the emergency; and (d) to make necessary investments in water, sewer or broadband infrastructure.

## **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 City has not exceeded its statutory debt limit.

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.

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 State 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 or her 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.

Under legislation enacted to address the COVID-19 pandemic, P.L. 2020, c. 60 (A4175), a municipality may adopt an emergency appropriation to fund certain deficits resulting from COVID-19 with approval of the Director of the Division of Local Government Services and may either fund it as a deferred charge or issue special emergency notes to fund it payable by 1/5 each year beginning in the year after the year in which the deferred charge appears in the financial statements so it is paid off no later than the last day of the sixth fiscal year following the end of the fiscal year in which the application is made. If there is a showing of fiscal distress, that may be extended to ten years. The Director may also promulgate guidelines modifying the standard for anticipated revenues when the amount realized in cash from the same source during the next preceding fiscal year experienced reductions due to COVID-19. Also, local units may be able to issue refunding bonds with Local Finance Board approval to repay a Federal Management Agency Community Disaster Loan for which it executed a promissory note in 2013.

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 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 "CAP" 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 year's 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 property within the City to pay debt service on its bonds or notes, including the 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, the 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 and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. 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 State 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, 2021 for the City is on file with the Clerk and is available for review during business hours.

## **INDEPENDENT AUDITORS**

The audited financial statements of the City, as of and for the year ended December 31, 2021, included in Appendix B to this Official Statement, have been audited by PKF O'Connor Davies, LLP, independent auditors (the "Auditor"), as stated in their report appearing herein. Appendix B also includes unaudited compiled financial statements, provided by the Auditor, as of and for the year ended December 31, 2022.

## **LITIGATION**

To the knowledge of the City Attorney, Francis M. Womack, III, Esq., Iselin, New Jersey (the "City Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes 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. 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. A certificate to such effect will be executed by the City Attorney and delivered to the Underwriter (as hereinafter defined) at the closing.

## **TAX MATTERS**

### **Exclusion of Interest on the Notes 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 Notes in order to assure that interest on the Notes 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 Notes to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Notes. The City will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Notes, as to various tax requirements. The City has covenanted to comply with the provisions of the Code applicable to the Notes and has covenanted not to take any action or fail to take any action that would cause interest on the Notes 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 Notes from gross income for federal income tax purposes and with respect to the treatment of interest on the Notes 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 Notes 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 Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, for tax years beginning after December 31, 2022, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to alternative minimum tax under Section 55 of the Code.

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 Notes 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 (i) the effect of future changes in 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 Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the owners of the Notes 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 Notes to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Notes, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Notes 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 Notes 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 Notes.

Payments of interest on tax-exempt obligations, including the Notes, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of the Notes 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 Premium**

The Note may be sold at an initial offering price in excess of the amount payable at the maturity date (the “Premium Note”). The excess, if any, of the tax basis of the Premium Note to a purchaser (other than a purchaser who holds such Premium Note 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 note premium, which is not deductible from gross income for federal income tax purposes. Amortizable note premium, as it amortizes, will reduce the owner’s tax cost of the Premium Note 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 Note. Accordingly, an owner of a Premium Note may have taxable gain from the disposition of the Premium Note, even though the Premium Note is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Note. Premium amortizes over the term of the Premium Note under the “constant yield method” described in regulations interpreting Section

1272 of the Code. Owners of the Premium Note should consult their own tax advisors with respect to the calculation of the amount of note 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 Note.

### **Bank-Qualification**

The Notes will 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 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 that are eligible to be designated and that are designated by the issuer as qualified under Section 265 of the Code, 80% of such interest may be deducted as a business expense by such institutions.

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

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Notes, 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 Notes from gross income pursuant to Section 103 of the Code and interest on the Notes not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Notes should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Notes.

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

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value or marketability of the Notes. 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 Notes 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 Notes 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 NOTES ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL DECISIONS AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE NOTES, 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 NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

## SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the “Rule”), and provided that the Notes are not exempt from the Rule and provided that the Notes are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Notes remain outstanding (unless the Notes have been wholly defeased), the City shall provide for the benefit of the holders of the Notes and the beneficial owners thereof, in a timely manner not in excess of ten business days after the occurrence of the event, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”), notice of any of the following events with respect to the Notes.

- (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 Notes, or other material events affecting the tax status of the Notes;
- (7) Modifications to the rights of holders of the Notes, if material;
- (8) Note calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Notes, 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 of the City, any of which affect holders of the Notes, 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.

The term “Financial Obligation” as used in subparagraphs (15) and (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.



Notice of failure of the City to provide required annual financial information on or before the date specified in this undertaking shall be sent in a timely manner to EMMA.

If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under this undertaking, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The Chief Financial Officer shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the City prior to their offering. Such officer is authorized to enter into additional written contracts or undertakings to implement the Rule and to amend such contracts or undertakings or the undertakings set forth herein, provided such amendment is, in the opinion of Bond Counsel, in compliance with the Rule.

In the event that the City fails to comply with the Rule requirements or the written contracts or undertakings specified in this undertaking, the City shall not be liable for monetary damages, remedy being specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

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, 2018, 2020, 2021, and 2022; (ii) operating data for the fiscal years ending December 31, 2018 and 2020; (iii) annual debt statement for fiscal years ending December 31, 2018 and 2020; and (iv) adopted budgets for fiscal years ending December 31, 2019, 2020, 2021, 2022, and 2023. 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. 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 its continuing disclosure agent.

There can be no assurance that there will be a secondary market for the sale or purchase of the Notes. 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 Notes.

## **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 Notes are subject to the approval of Bond Counsel to the City, whose approving legal opinion will be delivered with the Notes substantially in the form as set forth in Appendix "C". Certain legal matters will be passed on for the City by the City Attorney.

### **UNDERWRITING**

The Notes have been purchased from the City at a public sale by \_\_\_\_\_ (the "Underwriter") at a price of \$ \_\_\_\_\_ (consisting of the par amount of the Notes plus original issue premium in the amount of \$ \_\_\_\_\_ minus Underwriter's discount in the amount of \$ \_\_\_\_\_). The Underwriter has purchased the Notes in accordance with the Notice of Sale. The Notes are being offered for sale at the yield set forth on the cover page of this Official Statement.

The Underwriter intends to offer the Notes to the public initially at the offering yield set forth on the cover page of this Official Statement, which may subsequently change without any requirement or prior notice. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at a yield higher than the public offering yield set forth on the cover page, and such yield may be changed, from time to time, by the Underwriter without prior notice.

### **RATING**

The Notes are not rated.

### **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as municipal advisor to the City with respect to the issuance of the Notes (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 to the Underwriter, by a certificate signed by the Mayor and

the Chief Financial Officer of the City, that to such officers' knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

The Municipal Advisor has participated in the preparation and review of this Official Statement; however, it has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

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

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

### **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, (732) 525-5922 or to 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 Notes. 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 Notes 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  
MIDDLESEX, NEW JERSEY**

**By:** \_\_\_\_\_  
Daniel Balka  
Chief Financial Officer

Dated: June \_\_, 2023

**APPENDIX A**

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

## **INFORMATION REGARDING THE CITY<sup>1</sup>**

The following material presents certain economic and demographic information of the City of South Amboy (the “City”), in the County of Middlesex (the “County”), State of New Jersey (the “State”).

### **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.

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<sup>1</sup> Source: The City, unless otherwise indicated.

## **Employment and Unemployment Comparisons**

For the following years, 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>
<b><u>City</u></b>				
2021	5,347	5,053	294	5.5%
2020	5,305	4,842	463	8.7%
2019	5,444	5,268	176	3.2%
2018	5,208	5,002	206	4.0%
2017	5,107	4,883	224	4.4%
<b><u>County</u></b>				
2021	453,161	427,204	25,957	5.7%
2020	447,472	409,364	38,108	8.5%
2019	456,287	442,757	13,530	3.0%
2018	450,549	434,819	15,730	3.5%
2017	452,408	434,331	18,077	4.0%
<b><u>State</u></b>				
2021	4,661,100	4,365,400	295,700	6.3%
2020	4,642,900	4,203,300	439,700	9.5%
2019	4,686,700	4,528,200	158,500	3.4%
2018	4,609,800	4,426,600	183,200	4.0%
2017	4,615,000	4,406,200	208,800	4.5%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

## **Income (as of 2020)**

	<b><u>City</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$81,742	\$91,731	\$85,245
Median Family Income	97,845	109,871	104,804
Per Capita Income	39,684	40,933	44,153

Source: US Bureau of the Census, 2020 American Community Survey 5-Year Estimates

## **Population**

The following tables summarize population increases and the decreases for the City, the County, and the State.

<b><u>Year</u></b>	<b><u>City</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
2020	9,095	5.38%	822,736	1.59%	8,882,371	1.03%
2010	8,631	9.07	809,858	7.96	8,791,894	4.49
2000	7,913	0.64	750,162	11.67	8,414,350	8.85
1990	7,863	-5.52	671,780	12.74	7,730,188	4.96
1980	8,322	-10.88	595,893	2.07	7,365,001	2.75

Source: United States Department of Commerce, Bureau of the Census

## **Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2022</u></b>	<b><u>% of Total</u></b>
	<b><u>Assessed Valuation</u></b>	<b><u>Assessed Valuation</u></b>
Venetian Real Estate LLC	\$18,477,000	2.05%
135 Main Street SA LLC	7,857,100	0.87%
Manhattan Beach Club Street LLC	7,747,570	0.86%
Bayside Cove Urban Renewal LLC	6,450,000	0.72%
S Amboy Partners Urban Renewal	6,000,000	0.67%
Rocky Top LLC	4,676,900	0.52%
Cambridge Pavers Inc.	4,037,500	0.45%
Gillette Enterprises, Inc.	3,975,200	0.44%
Pork Roll Street LLC	3,600,000	0.40%
New South Amboy Development LLC	<u>3,529,800</u>	<u>0.39%</u>
<b>Total</b>	<b><u>\$66,351,070</u></b>	<b><u>7.36%</u></b>

Source: Comprehensive Annual Financial Report of the School District and Municipal Tax Assessor

## **Comparison of Tax Levies and Collections**

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year</u></b>	<b><u>Current Year</u></b>
		<b><u>Collection</u></b>	<b><u>% of Collection</u></b>
2022U	\$26,601,013	\$26,587,407	99.94%
2021	26,056,715	26,040,590	99.94%
2020	25,485,264	25,436,976	99.81%
2019	25,001,378	24,937,329	99.74%
2018	24,598,566	24,546,675	99.79%

U=Unaudited

Source: Annual Audit Reports of the City

### **Delinquent Taxes and Tax Title Liens**

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2022U	\$0	\$0	\$0	0.00%
2021	0	0	0	0.00%
2020	242,318	0	242,318	0.95%
2019	344,755	0	344,755	1.38%
2018	301,672	218	301,890	1.23%

U=Unaudited

Source: Annual Audit Reports of the City

### **Property Acquired by Tax Lien Liquidation**

<b><u>Year</u></b>	<b><u>Amount</u></b>
2022U	\$0
2020	0
2019	0
2018	0
2017	0

U=Unaudited

Source: Annual Audit Reports of the City

### **Tax Rates per \$100 of Net Valuations Taxable and Allocations**

The table below lists the tax rates for City residents for the past five (5) years.

<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>Local School</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
2022	\$1.260	\$1.212	\$0.462	\$2.934
2021	1.256	1.192	0.437	2.885
2020	1.237	1.165	0.415	2.817
2019	1.220	1.148	0.404	2.772
2018	1.220	1.135	0.394	2.749

Source: Abstract of Ratables and State of New Jersey – Property Taxes



### **Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Equalized Valuation</u></b>
2022	\$901,241,600	\$1,177,785,677	76.52%	\$0	\$1,177,785,677
2021	899,311,800	1,072,268,749	83.87	0	1,072,268,749
2020	902,450,400	994,216,591	90.77	0	994,216,591
2019	895,177,300	948,984,734	94.33	0	948,984,734
2018	885,747,700	918,730,111	96.41	0	918,730,111

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

### **Classification of Ratables**

The table below lists the comparative assessed valuation for each classification of real property within the City for the past five (5) years.

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2022	\$40,348,900	\$752,405,900	\$0	\$84,561,400	\$18,426,200	\$5,499,200	\$901,241,600
2021	38,007,000	752,818,000	0	84,561,400	18,426,200	5,499,200	899,311,800
2020	32,528,300	751,042,700	0	85,354,000	28,026,200	5,499,200	902,450,400
2019	34,760,700	742,246,800	0	85,669,800	28,026,200	4,473,800	895,177,300
2018	37,321,600	730,836,600	0	85,089,500	28,026,200	4,473,800	885,747,700

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

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## **Financial Operations**

The following table summarizes the City's Current Fund budget for the past four (4) years and the current year ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

### **Summary of Current Fund Budget**

<b><u>Anticipated Revenues</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
Fund Balance Utilized	\$1,130,000	\$1,130,000	\$1,130,000	\$1,130,000	\$1,130,000
Miscellaneous Revenues	7,075,935	6,540,558	7,042,483	7,512,988	8,088,279
Amount to be Raised by Taxation	<u>10,925,444</u>	<u>11,165,188</u>	<u>11,307,135</u>	<u>11,355,086</u>	<u>11,895,421</u>
Total Revenue:	<u>\$19,131,379</u>	<u>\$18,835,746</u>	<u>\$19,479,619</u>	<u>\$19,998,074</u>	<u>\$21,113,701</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$14,395,433	\$15,246,650	\$15,596,947	\$15,927,258	\$16,560,646
Operations (Excluded from CAPS)	1,861,219	1,145,454	1,333,014	1,355,719	1,783,360
Deferred Charges and Statutory Expenditures (Excluded from CAPS)	43,800	9,188	0	0	0
Capital Improvement Fund	898,400	171,600	135,000	365,000	210,000
Municipal Debt Service	1,732,527	2,060,211	2,209,475	2,137,500	2,339,075
Reserve for Uncollected Taxes	<u>200,000</u>	<u>202,643</u>	<u>205,183</u>	<u>212,597</u>	<u>220,620</u>
Total Appropriations:	<u>\$19,131,379</u>	<u>\$18,835,746</u>	<u>\$19,479,619</u>	<u>\$19,998,074</u>	<u>\$21,113,701</u>

Source: Annual Adopted Budgets of the City

## **Fund Balance**

### **Current Fund**

The following table lists the City's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<b><u>Fund Balance - Current Fund</u></b>		
	<b><u>Balance</u></b>	<b><u>Utilized in Budget</u></b>
<b><u>Year</u></b>	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2022U	\$2,708,477	\$1,130,000
2021	3,267,655	1,130,000
2020	3,077,800	1,130,000
2019	2,103,514	1,130,000
2018	1,990,430	1,130,000

U=Unaudited

Source: Annual Audit Reports of the City

**City Indebtedness as of December 31, 2022<sup>U</sup>**

**General Purpose Debt**

Serial Bonds	\$11,445,000
Bond Anticipation Notes	4,354,000
Bonds and Notes Authorized but Not Issued	6,670,047
Other Bonds, Notes, Loans and Guarantees	4,050,126
Total:	<u>\$26,519,173</u>

**Local School District Debt**

Serial Bonds	\$5,690,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$5,690,000</u>

**Self-Liquidating Debt**

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$0</u>

**TOTAL GROSS DEBT**

**\$32,209,173**

Less: Statutory Deductions	
General Purpose Debt	\$2,968,336
Local School District Debt	5,690,000
Self-Liquidating Debt	0
Total:	<u>\$8,658,336</u>

**TOTAL NET DEBT**

**\$23,550,837**

U=Unaudited

Source: Annual Debt Statement of the City

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**Overlapping Debt (as of December 31, 2022)<sup>2</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>City Percentage</u></b>	<b><u>City Share</u></b>
Local School District	\$5,690,000	100.00%	\$5,690,000
County	610,710,958	1.01%	<u>6,138,993</u>
Net Indirect Debt			\$11,828,993
Net Direct Debt			<u>23,550,837</u>
Total Net Direct and Indirect Debt			<b><u>\$35,379,830</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2020, 2021, 2022)	\$1,081,423,672
Permitted Debt Limitation (3 1/2%)	37,849,829
Less: Net Debt	<u>23,550,837</u>
Remaining Borrowing Power	<u>\$14,298,992</u>
Percentage of Net Debt to Average Equalized Valuation	2.178%
Gross Debt Per Capita based on 2020 population of 9,095	\$3,541
Net Debt Per Capita based on 2020 population of 9,095	\$2,589

Source: Annual Debt Statement of the City

**Litigation**

The status of pending litigation is included in the Notes to Financial Statements of the City's annual audit report.

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<sup>2</sup> City percentage of debt is based on the City's share of total equalized valuation in the County.

**APPENDIX B**

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

**ACCOUNTANTS' COMPILATION REPORT  
AND FINANCIAL STATEMENTS  
OF THE CITY OF SOUTH AMBOY,  
IN THE COUNTY OF MIDDLESEX, STATE OF  
NEW JERSEY**



## ACCOUNTANTS' 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 of the City of South Amboy, ("City"), as of December 31, 2022 and the related statement of operations and changes in fund balance – regulatory basis, statement of changes in fund balance, 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. We do not express an opinion, a conclusion, nor provide any form of assurance on these regulatory basis financial statements.

The financial statements are prepared 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.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the City's assets, liabilities, fund balances, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.

*PKF O'Connor Davies, LLP*

Woodcliff Lake, New Jersey  
May 19, 2023

A handwritten signature in blue ink that reads "Gary W. Higgins".

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

PKF O'CONNOR DAVIES, LLP  
300 Tice Blvd., Suite 315, Woodcliff Lake, NJ 07677 | Tel: 201.712.9800 | Fax: 201.712.0988 | [www.pkfod.com](http://www.pkfod.com)

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**CITY OF SOUTH AMBOY**  
**BALANCE SHEET - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2022 (UNAUDITED)**

2022

**ASSETS**

Current Fund	
Cash	\$ 5,826,340
Change Fund	<u>500</u>
	<u>5,826,840</u>
Receivables and Other Assets With Full Reserves	
Property Acquired for Taxes	862,100
Prepaid School Taxes	1
Due from Federal and State Grant Fund	<u>1,564,346</u>
	<u>2,426,447</u>
Total Current Fund	<u>8,253,287</u>
Federal and State Grant Fund	
Grants Receivable	<u>10,030,953</u>
Total Federal and State Grant Fund	<u>10,030,953</u>
Total Assets	<u><u>\$ 18,284,240</u></u>



**CITY OF SOUTH AMBOY**  
**BALANCE SHEET - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2022 (UNAUDITED)**

2022

**LIABILITIES, RESERVES AND FUND BALANCE**

Current Fund	
Appropriation Reserves	\$ 982,644
Encumbrances Payable	681,790
Prepaid Taxes	165,582
Tax Overpayments	62,250
Accounts Payable	321,035
Due to State of New Jersey -	
Senior Citizens' and Veterans' Deductions	5,740
Sewer Overpayments	8,347
Due to State of New Jersey - Fees	2,823
Due to Library	940
Due to South Amboy Business Association	3,000
Reserve for Tax Appeals	200,000
Miscellaneous Reserves	<u>684,212</u>
	<u>3,118,363</u>
Reserve for Receivables and Other Assets	2,426,447
Fund Balance	<u>2,708,477</u>
Total Current Fund	<u>8,253,287</u>
Federal and State Grant Fund	
Due to Current Fund	1,564,346
Grants Appropriated	8,208,354
Grants Unappropriated	1,951
Encumbrances Payable	<u>256,302</u>
Total Federal and State Grant Fund	<u>10,030,953</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 18,284,240</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF OPERATIONS AND  
CHANGES IN FUND BALANCE - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)**

	<u>2022</u>
<b>REVENUES AND OTHER INCOME</b>	
Fund Balance Utilized	\$ 1,130,000
Receipts from Current Taxes	26,587,407
Miscellaneous Revenue Anticipated	7,715,137
Receipts from Delinquent Taxes	50
Non-Budget Revenues	139,685
Other Credits to Income:	
Unexpended Balances of Appropriation Reserves	1,048,010
Interfunds Liquidated	<u>451,646</u>
 Total Revenues and Other Income	 <u>37,071,935</u>
 <b>EXPENDITURES</b>	
Budget Appropriations:	
Operations	
Salaries and Wages	7,987,141
Other Expenses	7,461,441
Capital Improvements	365,000
Municipal Debt Service	2,128,095
Deferred Charges and Regulatory Expenditures	1,862,666
County Taxes	3,836,295
County Open Space Taxes	324,041
Due County for Added Taxes	26,089
Local District School Taxes	10,918,563
Refund of Prior Year Revenue	27,436
Interfund Advanced	<u>1,564,346</u>
 Total Expenditures	 <u>36,501,113</u>
 Excess in Revenue/Statutory Excess to Fund Balance	 570,822
 Fund Balance, Beginning of Year	 <u>3,267,655</u>
	3,838,477
Decreased by:	
Utilization as Anticipated Revenue	<u>1,130,000</u>
 Fund Balance, End of Year	 <u><u>\$ 2,708,477</u></u>

**CITY OF SOUTH AMBOY  
STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)**

	<u>Budget</u>	Added by N.J.S.A. <u>40A:4-87</u>	<u>Realized</u>	Excess (Deficit)
Fund Balance Anticipated	\$ 1,130,000	-	\$ 1,130,000	-
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverage	26,300		43,050	\$ 16,750
Other	13,400		16,963	3,563
Fees and Permits	123,000		61,102	(61,898)
Fines and Costs:				
Municipal Court	75,100		83,860	8,760
Interest and Costs on Taxes	25,900		30,090	4,190
Interest on Investments and Deposits	10,300		30,651	20,351
Sewer User Fees	1,366,000		1,527,881	161,881
Sewer User Fees - Sewer Rate Increase	106,000		106,000	-
Housing Inspection Program	60,900		61,910	1,010
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)	3,872,278		3,872,278	-
Uniform Construction Code Fees	141,750		157,353	15,603
Emergency Management Agency Assistance (EMAA) Grant	10,000		10,000	-
Recycling Enhancement County Grant	5,000		5,000	-
Clean Communities Grant	-	\$ 16,983	16,983	-
Recycling Tonnage Grant	15,036		15,036	-
Body Armor Replacement Fund	1,480		1,480	-
Municipal Alliance Against Alcoholism and Drug Abuse		6,288	6,288	-
Local Recreation Improvement Grant	50,000		50,000	-
Law and Public Safety COVID Grant (FEMA)	95,280		95,280	-
DMHAS Youth Leadership Grant		5,000	5,000	-
C.A.T.V. Franchise Fees	57,710		57,710	-
M.C.U.A. - Refund	42,218		42,218	-
Payment in Lieu of Taxes - Woodmont	267,600		264,177	(3,423)
Payment in Lieu of Taxes - Robert Noble Manor	7,650		7,818	168
Payment in Lieu of Taxes - South Amboy Housing Authority	45,567		45,567	-
Payment in Lieu of Taxes - Hillcrest Manor	33,400		40,804	7,404
Payment in Lieu of Taxes - Shoregate	155,900		155,419	(481)
Police Off Duty - Administration Charges	225,000	-	225,000	-
South Amboy Redevelopment Authority Contribution	200,000		200,000	-
American Rescue Plan	480,219	-	480,219	-
Total Miscellaneous Revenues	<u>7,512,988</u>	<u>28,271</u>	<u>7,715,137</u>	<u>173,878</u>
Receipts from Delinquent Taxes	-	-	50	50
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes Including Reserve for				
Uncollected Taxes	10,997,663		11,337,592	339,929
Minimum Library Tax	357,423	-	357,423	-
	<u>11,355,086</u>	<u>-</u>	<u>11,695,015</u>	<u>339,929</u>
	<u>\$ 19,998,074</u>	<u>\$ 28,271</u>	<u>20,540,202</u>	<u>\$ 513,857</u>
Non-Budget Revenues			139,685	
			<u>\$ 20,679,887</u>	

**CITY OF SOUTH AMBOY  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)**

	<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>
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
General Administration					
Salaries and Wages	\$ 367,600	\$ 367,600	\$ 352,509	\$ 15,091	
Other Expenses	120,000	120,000	118,863	1,137	
Mayor and Council					
Salaries and Wages	51,760	51,760	50,729	1,031	
Other Expenses	10,000	10,000	10,000	-	
Municipal Clerk					
Salaries and Wages	127,215	127,215	116,342	10,873	
Other Expenses	20,500	20,500	20,500	-	
Codification	5,000	5,000	5,000	-	
Financial Administration					
Salaries and Wages	225,550	225,550	209,043	16,507	
Other Expenses	35,000	35,000	26,257	8,743	
Audit Services					
Other Expenses	58,000	58,000	50,000	8,000	
Revenue Administration					
Salaries and Wages	108,480	108,280	98,783	9,497	
Other Expenses	18,000	18,000	17,373	627	
Tax Assessment Administration					
Salaries and Wages	40,780	40,780	39,976	804	
Other Expenses	5,800	5,800	5,800	-	
Legal Services					
Other Expenses	190,000	140,000	122,821	17,179	
Department of Engineering					
Other Expenses	300,000	300,000	294,793	5,207	
<b>LAND USE ADMINISTRATION</b>					
Planning Board					
Salaries and Wages	5,535	5,535	5,228	307	
Other Expenses	59,000	59,000	58,753	247	
<b>PUBLIC SAFETY</b>					
Police Department					
Salaries and Wages	4,070,543	4,179,543	3,980,915	198,628	
Other Expenses	160,000	166,000	165,648	352	
ARP - Police - Salaries and Wages	480,219	480,219	480,219	-	
Office of Emergency Management					
Salaries and Wages	14,250	4,250	2,300	1,950	
Other Expenses	9,000	22,000	21,976	24	
Aid to Volunteer Fire Companies					
Other Expenses	100,000	100,000	100,000	-	
Aid to Volunteer Ambulance Squad					
Other Expenses	50,000	50,000	49,518	482	
Department of EMS					
Other Expenses	55,000	45,000	26,137	18,863	
Department of Fire					
Other Expenses	60,000	60,000	59,991	9	
Municipal Prosecutor Office					
Salaries and Wages	18,020	18,020	17,661	359	

**CITY OF SOUTH AMBOY  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC WORKS					
Streets and Roads Maintenance					
Salaries and Wages	\$ 836,350	\$ 836,350	\$ 767,672	\$ 68,678	
Other Expenses	95,000	95,000	69,211	25,789	
Sewers					
Salaries and Wages	251,000	251,000	237,009	13,991	
Other Expenses	115,000	115,000	68,511	46,489	
Other Public Works Functions					
Shade Tree					
Other Expenses	10,000	10,000	9,977	23	
Solid Waste Collection					
Salaries and Wages	328,740	328,740	311,682	17,058	
Other Expenses	577,000	577,000	483,013	93,987	
Recycling Program					
Salaries and Wages	2,705	2,705	2,614	91	
Other Expenses	800	800	444	356	
Buildings and Grounds					
Salaries and Wages	97,800	41,800	39,069	2,731	
Other Expenses	175,000	175,000	167,494	7,506	
Vehicle Maintenance					
Salaries and Wages	152,000	148,000	123,718	24,282	
Other Expenses	110,000	114,000	99,968	14,032	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	4,884	4,884	4,766	118	
Other Expenses	80,000	80,000	67,615	12,385	
Registrar of Vital Statistics					
Salaries and Wages	11,640	11,840	11,530	310	
Other Expenses	1,500	1,500	1,488	12	
Animal Control Services					
Other Expenses	15,500	15,500	6,935	8,565	
Municipal Court					
Salaries and Wages	157,020	155,520	131,332	24,188	
Other Expenses	11,500	13,000	11,980	1,020	
Public Defender					
Salaries and Wages	7,510	7,510	7,357	153	
PARK AND RECREATION FUNCTIONS					
Department of Recreation					
Senior Citizen Activities					
Salaries and Wages	116,800	112,300	107,880	4,420	
Other Expenses	14,300	15,800	13,682	2,118	
Recreation Services and Programs					
Salaries and Wages	71,700	52,700	45,334	7,366	
Other Expenses	31,000	31,000	27,848	3,152	
OTHER COMMON OPERATING					
FUNCTIONS (Unclassified)					
Historical Society of South Amboy					
Other Expenses	10,000	10,000	2,355	7,645	
South Amboy Arts District					
Other Expenses	10,000	10,000	3,550	6,450	

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
Insurance (N.J.S.A. 40A:4-45.3(00))					
General Liability	\$ 313,250	\$ 313,250	\$ 306,547	\$ 6,703	
Disability Insurance	10,000	10,000	3,227	6,773	
Workers Compensation	340,301	340,301	340,301	-	
Employee Group Health	2,120,000	2,050,000	1,982,812	67,188	
Health Benefit Waiver	35,000	30,000	22,563	7,437	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
Construction Official					
Salaries and Wages	395,040	395,040	368,089	26,951	
Other Expenses	14,000	14,000	7,350	6,650	
UNCLASSIFIED					
Celebration of Public Events					
Other Expenses	45,000	45,000	31,628	13,372	
Electricity	206,000	212,000	201,403	10,597	
Telecommunications	130,000	155,000	144,523	10,477	
Water	220,000	245,000	238,677	6,323	
Natural Gas	15,000	15,000	13,060	1,940	
Petroleum Products	145,000	199,000	192,827	6,173	-
Salary and Wage Adjustments	15,000	-	-	-	-
Contingent	1,000	1,000	1,000	-	-
Total Operations Within "CAPS"	14,064,592	14,064,592	13,185,176	879,416	-
Detail:					
Salaries and Wages	7,993,141	7,987,141	7,534,321	452,820	
Other Expenses	6,071,451	6,077,451	5,650,855	426,596	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES -					
MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures					
Public Employees' Retirement System	418,723	418,723	418,723		
Social Security System (O.A.S.I.)	325,000	325,000	316,756	8,244	
Police and Fireman's Retirement System of NJ	1,099,943	1,099,943	1,099,943		
Unemployment Compensation Insurance	10,000	10,000	10,000		
Defined Contribution Retirement Program	9,000	9,000	7,554	1,446	-
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	1,862,666	1,862,666	1,852,976	9,690	-
Total General Appropriations for Municipal					
Purposes Within "CAPS"	15,927,258	15,927,258	15,038,152	889,106	-

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)**

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Unexpended Balance Cancelled</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
Sewerage Processing & Disposal					
Other Expenses	\$ 740,500	\$ 740,500	\$ 740,484	\$ 16	
Municipal Library					
Other Expenses	357,423	357,423	357,423	-	
Length of Service Awards Program	60,000	60,000	-	60,000	
Recycling Tax	16,000	16,000	12,253	3,747	-
Total Other Operations Excluded from "CAPS"	<u>1,173,923</u>	<u>1,173,923</u>	<u>1,110,160</u>	<u>63,763</u>	<u>-</u>
<b>Public and Private Programs Offset by Revenues</b>					
Matching Funds for Grants	5,000	5,000	1,572	3,428	
Municipal Alliance Against Alcoholism & Drug Abuse	-	6,288	6,288	-	
DMHAS Youth Leadership Grant	-	5,000	5,000	-	
Clean Communities	-	16,983	16,983	-	
Recycling Tonage Grant	15,036	15,036	15,036	-	
Body Armor Replacement Fund	1,480	1,480	1,480	-	
Emergency Management Agency Assistance Grant	10,000	10,000	10,000	-	
Middlesex County Recycling Enhancement Grant	5,000	5,000	5,000	-	
Local Recreation Improvement Grant	50,000	50,000	50,000	-	
Law and Public Safety COVID Grant (FEMA)	95,280	95,280	95,280	-	-
Total Public and Private Programs Offset by Revenues	<u>181,796</u>	<u>210,067</u>	<u>206,639</u>	<u>3,428</u>	<u>-</u>
Total Operations - Excluded from "CAPS"	<u>1,355,719</u>	<u>1,383,990</u>	<u>1,316,799</u>	<u>67,191</u>	<u>-</u>
<b>Detail:</b>					
Other Expenses	<u>1,355,719</u>	<u>1,383,990</u>	<u>1,316,799</u>	<u>67,191</u>	<u>-</u>
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	225,000	225,000	225,000		
Police Department Equip. - SUV's (Ford Interceptors)	125,000	125,000	108,103	16,897	
TV Station Upgrades / Equipment	15,000	15,000	5,550	9,450	-
Total Capital Improvements Excluded from "CAPS"	<u>365,000</u>	<u>365,000</u>	<u>338,653</u>	<u>26,347</u>	<u>-</u>

**CITY OF SOUTH AMBOY  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)**

	<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>
MUNICIPAL DEBT SERVICE - EXCLUDED					
FROM "CAPS"					
Payment of Bond Principal	\$ 1,465,000	\$ 1,465,000	\$ 1,456,000		\$ 9,000
Payment of Bond Anticipation Notes and Capital Notes	100	100	-		100
Interest on Bonds	478,800	478,800	478,800		-
Interest on Notes	100	100	-		100
Capital Lease Obligations Approved Prior to 7/1/2007					
Principal	21,250	21,250	21,235		15
Interest	650	650	637		13
Capital Loan Obligations Approved After 7/1/2007					
Principal	119,750	119,750	119,726		24
Interest	51,850	51,850	51,697	-	153
Total Municipal Debt Service - Excluded from "CAPS"	<u>2,137,500</u>	<u>2,137,500</u>	<u>2,128,095</u>	<u>-</u>	<u>9,405</u>
Total General Appropriations - Excluded from "CAPS"	<u>3,858,219</u>	<u>3,886,490</u>	<u>3,783,547</u>	<u>\$ 93,538</u>	<u>9,405</u>
Subtotal General Appropriations	19,785,477	19,813,748	18,821,699	982,644	9,405
Reserve for Uncollected Taxes	<u>212,597</u>	<u>212,597</u>	<u>212,597</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 19,998,074</u>	<u>\$ 20,026,345</u>	<u>\$ 19,034,296</u>	<u>\$ 982,644</u>	<u>\$ 9,405</u>
		Adopted Budget \$ 19,998,074			
		Added by N.J.S.A. 40A:4-87	28,271		
			<u>\$ 20,026,345</u>		



**CITY OF SOUTH AMBOY  
BALANCE SHEET - REGULATORY BASIS - TRUST FUNDS  
AS OF DECEMBER 31, 2022 (UNAUDITED)**

	<u>2022</u>
<b>ASSETS</b>	
<b>ANIMAL CONTROL TRUST FUND</b>	
Cash	\$ <u>5,111</u>
<b>OTHER TRUST FUND</b>	
Cash	2,333,737
Accounts Receivable - Outside Police Duty	<u>3,630</u>
	<u>2,337,367</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>	
Cash	<u>160,667</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT (CBDG) TRUST FUND</b>	
Community Development Block Grants Receivable	<u>69,673</u>
 Total Assets	 \$ <u>2,572,818</u>

**CITY OF SOUTH AMBOY  
BALANCE SHEET - REGULATORY BASIS - TRUST FUNDS  
AS OF DECEMBER 31, 2022 (UNAUDITED)**

	<u>2022</u>
<b>LIABILITIES AND RESERVES</b>	
<b>ANIMAL CONTROL TRUST FUND</b>	
Prepaid Revenue	\$ 632
Reserve for Animal Control Expenditures	<u>4,479</u>
	<u>5,111</u>
<b>OTHER TRUST FUND</b>	
Reserve for	
Escrow Deposits	724,320
Payroll Deductions Payable	70,606
Miscellaneous Reserves	<u>1,542,441</u>
	<u>2,337,367</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>	
Reserve for Unemployment Compensation Insurance	<u>160,667</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) TRUST FUND</b>	
Reserve for Community Development Programs	<u>69,673</u>
Total Liabilities and Reserves	<u><u>\$ 2,572,818</u></u>

**CITY OF SOUTH AMBOY**  
**BALANCE SHEET - REGULATORY BASIS - GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2022 (UNAUDITED)**

	<u>2022</u>
<b>ASSETS</b>	
Cash	\$ 1,616,918
Grants Receivable	1,331,156
Deferred Charges to Future Taxation:	
Funded	13,010,126
Unfunded	<u>10,651,972</u>
 Total Assets	 <u>\$ 26,610,172</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>	
General Serial Bonds	\$ 11,445,000
Bond Anticipation Notes Payable	4,354,000
Middlesex County Improvement Authority Loans Payable	1,565,126
Encumbrances Payable	1,824,150
Capital Improvement Fund	287,544
Improvement Authorizations	
Funded	2,003,044
Unfunded	4,201,304
Reserve for Grants Receivable	512,352
Reserve for Payment of Debt	111,261
Fund Balance	<u>306,391</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 26,610,172</u>

There were bonds and notes authorized but not issued on December 31, 2022 in the amount of \$6,670,047.

**CITY OF SOUTH AMBOY**  
**STATEMENT OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022 (UNAUDITED)**

	<u>2022</u>
Balance, January 1	\$ <u>306,391</u>
Balance, December 31	\$ <u><u>306,391</u></u>

**INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS  
OF THE CITY OF SOUTH AMBOY  
IN THE COUNTY OF MIDDLESEX, STATE OF NEW JERSEY**

**DECEMBER 31, 2021**



## **Independent Auditors' Report**

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

### **Report on the Audit of the Regulatory Basis Financial Statements**

#### **Opinions on Regulatory Basis Financial Statements**

We have audited the regulatory basis financial statements of the various funds and the governmental fixed assets of the City of South Amboy, New Jersey, ("City") which comprise the balance sheets as of December 31, 2021, and the related statements of operations and changes in fund balance for the year then ended, the statements of changes in fund balance, the statements of revenues and statements of expenditures for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. The regulatory basis financial statements of the City as of and for the year ended December 31, 2020 were audited by other auditors whose report dated August 4, 2021 expressed a modified opinion on those regulatory basis financial statements due to the presentation of the unaudited Length of Service Awards Program financial statement.

#### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the accompanying regulatory basis financial statements present fairly, in all material respects, the regulatory basis balance sheets of the City as of December 31, 2021, and the regulatory basis revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements, in accordance with the financial reporting provisions of the Department of Community Affairs, Division of Local Government Services, State of New Jersey ("Division") described in Note 1.

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

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2021, or its revenues, expenditures and changes in fund balances thereof for the year then ended.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and requirements prescribed by the Division. Our responsibilities under those standards and requirements are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PKF O'CONNOR DAVIES, LLP  
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**The Honorable Mayor and Members  
of the City Council  
City of South Amboy  
South Amboy, New Jersey**

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Division (regulatory basis), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the Division. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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In performing an audit in accordance with GAAS and requirements prescribed by the Division, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

*PKF O'Connor Davies, LLP*

Woodcliff Lake, New Jersey  
September 8, 2022

*Gary W. Higgins*

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



**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Fund		
Cash	\$ 7,052,694	\$ 6,794,209
Change Fund	<u>500</u>	<u>500</u>
	<u>7,053,194</u>	<u>6,794,709</u>
Receivables and Other Assets With Full Reserves		
Tax/Sewer Title Liens		242,318
Revenue Accounts Receivable	5,957	2,814
Property Acquired for Taxes	862,100	
Due from Animal Control Trust Fund	2,586	1,207
Due from General Capital Fund	446,910	
Due from CDBG Trust Fund	<u>2,150</u>	<u>62,565</u>
	<u>1,319,703</u>	<u>308,904</u>
Total Current Fund	<u>8,372,897</u>	<u>7,103,613</u>
Federal and State Grant Fund		
Due from Current Fund	1,298,541	926,105
Grants Receivable	<u>9,976,738</u>	<u>8,852,859</u>
Total Federal and State Grant Fund	<u>11,275,279</u>	<u>9,778,964</u>
Total Assets	<u>\$ 19,648,176</u>	<u>\$ 16,882,577</u>

See Accompanying Notes to Financial Statements

**CITY OF SOUTH AMBOY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Current Fund		
Appropriation Reserves	\$ 1,334,629	\$ 1,651,457
Encumbrances Payable	495,086	593,473
School Taxes Payable		1
Prepaid Taxes	191,203	236,858
Prepaid Pilot Payments	5,973	3,084
Tax Overpayments	42,227	
Accounts Payable	201,000	85,360
Due from State of New Jersey -		
Senior Citizens' and Veterans' Deductions	2,540	4,750
Sewer Overpayments	8,423	6,568
Due to Federal and State Grant Fund	1,298,541	926,105
Due to Library	940	940
Due to South Amboy Business Association	3,000	3,000
Reserve for Tax Appeals	200,000	200,000
Miscellaneous Reserves	<u>1,977</u>	<u>5,313</u>
	<u>3,785,539</u>	<u>3,716,909</u>
Reserve for Receivables and Other Assets	1,319,703	308,904
Fund Balance	<u>3,267,655</u>	<u>3,077,800</u>
Total Current Fund	<u>8,372,897</u>	<u>7,103,613</u>
Federal and State Grant Fund		
Grants Appropriated	9,648,494	8,262,726
Grants Unappropriated	480,219	
Encumbrances Payable	<u>1,146,566</u>	<u>1,516,238</u>
Total Federal and State Grant Fund	<u>11,275,279</u>	<u>9,778,964</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 19,648,176</u>	<u>\$ 16,882,577</u>

See Accompanying Notes to Financial Statements

**CITY OF SOUTH AMBOY**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND**  
**CHANGES IN FUND BALANCE - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>REVENUES AND OTHER INCOME</b>		
Fund Balance Utilized	\$ 1,130,000	\$ 1,130,000
Receipts from Current Taxes	26,040,590	25,436,976
Miscellaneous Revenue Anticipated	8,329,075	13,518,270
Receipts from Delinquent Taxes	2,034	130,899
Non-Budget Revenues	140,550	153,334
Other Credits to Income:		
Unexpended Balances of Appropriation Reserves	1,575,818	1,118,045
Reserves for Receivables Returned	60,415	1,370
Statutory Excess - Animal Control Trust Fund	2,586	1,207
Prior Year Senior Citizens and Veterans Allowed	<u>500</u>	<u>-</u>
Total Revenues and Other Income	<u>37,281,568</u>	<u>41,490,101</u>
<b>EXPENDITURES</b>		
Budget Appropriations:		
Operations		
Salaries and Wages	7,570,651	7,257,839
Other Expenses	9,263,778	14,077,090
Capital Improvements	135,000	171,600
Municipal Debt Service	2,199,239	2,069,197
Deferred Charges and Regulatory Expenditures	1,692,591	1,517,329
County Taxes	3,621,185	3,452,462
County Open Space Taxes	297,683	287,441
Due County for Added Taxes	3,770	9,313
Local District School Taxes	10,711,520	10,511,228
Refund of Prior Year Revenue	894	275
Cancellation of Grant Receivables/Reserves (net)	15,079	
Prior Year Senior Citizens and Veterans Disallowed	2,034	1,060
Establishment of Reserves for Interfund Receivables	<u>448,289</u>	<u>30,981</u>
Total Expenditures	<u>35,961,713</u>	<u>39,385,815</u>
Excess in Revenue	1,319,855	2,104,286
Fund Balance, Beginning of Year	<u>3,077,800</u>	<u>2,103,514</u>
	4,397,655	4,207,800
Decreased by:		
Utilization as Anticipated Revenue	<u>1,130,000</u>	<u>1,130,000</u>
Fund Balance, End of Year	<u>\$ 3,267,655</u>	<u>\$ 3,077,800</u>

See Accompanying Notes to Financial Statements

**CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budget</u>	Added by N.J.S.A. <u>40A:4-87</u>	<u>Realized</u>	Excess (Deficit)
Fund Balance Anticipated	\$ 1,130,000	-	\$ 1,130,000	-
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverage	27,325		26,336	\$ (989)
Other	7,950		13,414	5,464
Fees and Permits	66,175		123,041	56,866
Fines and Costs:				
Municipal Court	74,450		75,180	730
Interest and Costs on Taxes	50,000		25,923	(24,077)
Interest on Investments and Deposits	31,450		10,384	(21,066)
Sewer User Fees	1,427,000		1,366,288	(60,712)
Housing Inspection Program	58,860		60,930	2,070
Energy Receipts Tax (P.L. 1997, Chapters 162 and 167)	3,872,278		3,872,278	
Uniform Construction Code Fees	450,000		141,784	(308,216)
Emergency Management Agency Assistance (EMAA) Grant	10,000		10,000	
Recycling Enhancement County Grant		\$ 7,500	7,500	
Clean Communities Grant		16,017	16,017	
Recycling Tonnage Grant	12,824		12,824	
Body Armor Replacement Fund	2,219		2,219	
Municipal Alliance Against Alcoholism and Drug Abuse		6,288	6,288	
Middlesex County ARTS Grant	3,150		3,150	
Middlesex County CARES Act Grant	44,286		44,286	
CSX Transportation - SAVFD Incident Command Grant	2,500		2,500	
NJ DCA Grant - Transit Village	120,000		120,000	
Middlesex County Open Space Recreation Grant		1,500,000	1,500,000	
Body Worn Cameras Grant		67,254	67,254	
C.A.T.V. Franchise Fees	56,491		56,492	1
M.C.U.A. - Refund	47,721		47,721	
Payment in Lieu of Taxes - Woodmont	231,425		267,656	36,231
Payment in Lieu of Taxes - Robert Noble Manor	7,750		7,658	(92)
Payment in Lieu of Taxes - South Amboy Housing Authority	37,572		37,572	
Payment in Lieu of Taxes - Hillcrest Manor	30,628		33,404	2,776
Payment in Lieu of Taxes - Shoregate	155,430		155,976	546
Police Off Duty - Administration Charges	215,000	-	215,000	-
Total Miscellaneous Revenues	<u>7,042,484</u>	<u>1,597,059</u>	<u>8,329,075</u>	<u>(310,468)</u>
Receipts from Delinquent Taxes	-	-	2,034	2,034
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes Including Reserve for				
Uncollected Taxes	10,975,730		11,280,210	304,480
Minimum Library Tax	331,405	-	331,405	-
	<u>11,307,135</u>	<u>-</u>	<u>11,611,615</u>	<u>304,480</u>
	<u>\$19,479,619</u>	<u>\$ 1,597,059</u>	<u>21,072,724</u>	<u>\$ (3,954)</u>
Non-Budget Revenues			140,550	
			<u>\$21,213,274</u>	

See Accompanying Notes to Financial Statements

CITY OF SOUTH AMBOY  
**STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(Continued)

## ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections	
Revenues from Collections	\$ 26,040,590
Less:	
Allocated School and County Taxes	<u>14,634,158</u>
Balance for Support of Municipal Budget Appropriations	11,406,432
Add Appropriation "Reserve for Uncollected Taxes"	<u>205,183</u>
Amount for Support of Municipal Budget Appropriations	<u><u>\$ 11,611,615</u></u>
Delinquent Taxes	
Delinquent Tax Collections	<u>\$ 2,034</u>
	<u><u>\$ 2,034</u></u>
Other Licenses	
Bingo Licenses	\$ 300
Cat Licenses	339
Food Licenses	2,250
Mercantile Licenses	7,700
Outdoor Café Licenses	150
Video License	<u>2,675</u>
	<u><u>\$ 13,414</u></u>
Fees and Permits - Other	
Fire Permits	\$ 818
Photo Copies - Police Records	1,240
Planning & Zoning Fee	90,304
Road Opening Permit	255
Sidewalk and Curbs Fee	7,852
Marriage Local Fee	147
Copy of Birth Certificate Fee	2,944
Copy of Death Certificate Fee	15,109
Copy of Marriage License Fee	2,577
Tax Collector Fees	<u>1,795</u>
	<u><u>\$ 123,041</u></u>
Interest on Investments and Deposits	
Due from Other Trust Fund	\$ 1,053
Cash Receipts	<u>9,331</u>
	<u><u>\$ 10,384</u></u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF REVENUES-REGULATORY BASIS-CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(Continued)**

Non-Budget Revenues		
SIP Awards	\$	4,920
Auction Proceeds		2,846
J.I.F. Dividend		37,882
2% Administration Fee - Senior Citizen and Veterans		1,040
Refund of Prior Year Expenses		65,982
Misc. Tax Office Receipts		1,789
Sewer Connection Fees		2,279
Marriage Fees		1,900
Parking Fees		3,960
Abandoned Property Fee		8,500
PILOT Annual Surcharge		5,353
Other		<u>4,099</u>
	\$	<u>140,550</u>

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budget</u>	<u>Appropriated</u> <u>Budget After</u> <u>Modification</u>	<u>Expended</u> <u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Unexpended</u> <u>Balance</u> <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 352,555	\$ 352,555	\$ 342,759	\$ 9,796	
Other Expenses	109,000	121,000	115,405	5,595	
Mayor and Council					
Salaries and Wages	50,745	50,745	50,729	16	
Other Expenses	7,900	10,900	8,235	2,665	
Municipal Clerk					
Salaries and Wages	132,309	120,309	116,193	4,116	
Other Expenses	14,500	21,500	11,713	9,787	
Codification	4,000	4,000	4,000		
Financial Administration					
Salaries and Wages	218,006	218,006	215,325	2,681	
Other Expenses	35,000	35,000	32,734	2,266	
Audit Services					
Other Expenses	58,000	58,000	51,300	6,700	
Revenue Administration					
Salaries and Wages	106,730	102,230	96,982	5,248	
Other Expenses	16,000	20,500	14,999	5,501	
Tax Assessment Administration					
Salaries and Wages	39,980	39,980	39,976	4	
Other Expenses	5,800	5,800	4,764	1,036	
Legal Services					
Other Expenses	190,000	150,000	147,959	2,041	
Department of Engineering					
Other Expenses	300,000	300,000	288,016	11,984	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	5,400	5,400	5,228	172	
Other Expenses	55,000	55,000	53,978	1,022	
PUBLIC SAFETY					
Police Department					
Salaries and Wages	4,378,050	4,373,050	4,225,975	147,075	
Other Expenses	155,000	167,000	161,975	5,025	
Office of Emergency Management					
Salaries and Wages	14,000	4,000	2,300	1,700	
Other Expenses	9,000	19,000	18,203	797	
Aid to Volunteer Fire Companies					
Other Expenses	100,000	100,000	100,000		
Aid to Volunteer Ambulance Squad					
Other Expenses	70,000	70,000	58,937	11,063	
Department of Fire					
Other Expenses	55,000	61,000	55,879	5,121	
Municipal Prosecutor Office					
Salaries and Wages	17,665	17,665	17,661	4	

See Accompanying Notes to Financial Statements

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC WORKS					
Streets and Roads Maintenance					
Salaries and Wages	\$ 799,383	\$ 799,383	\$ 779,041	\$ 20,342	
Other Expenses	90,000	90,000	68,175	21,825	
Sewers					
Salaries and Wages	229,851	244,851	239,845	5,006	
Other Expenses	140,000	125,000	19,362	105,638	
Other Public Works Functions					
Shade Tree					
Other Expenses	10,000	10,000	10,000		
Solid Waste Collection					
Salaries and Wages	309,050	309,050	301,938	7,112	
Other Expenses	563,000	563,000	484,884	78,116	
Recycling Coordinator					
Salaries and Wages	2,650	2,650	2,614	36	
Other Expenses	800	800	656	144	
Buildings and Grounds					
Salaries and Wages	103,673	58,673	47,465	11,208	
Other Expenses	171,000	191,000	181,127	9,873	
Vehicle Maintenance					
Salaries and Wages	136,963	131,963	128,911	3,052	
Other Expenses	105,000	116,000	113,690	2,310	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	4,884	4,884	4,766	118	
Other Expenses	74,000	83,000	66,289	16,711	
Registrar of Vital Statistics					
Salaries and Wages	11,405	11,405	11,400	5	
Other Expenses	1,500	1,500	1,149	351	
Animal Control Services					
Other Expenses	15,500	15,500	6,763	8,737	
Municipal Court					
Salaries and Wages	159,986	157,986	139,415	18,571	
Other Expenses	11,500	13,500	11,733	1,767	
Public Defender					
Salaries and Wages	7,360	7,360	7,357	3	
PARK AND RECREATION FUNCTIONS					
Department of Recreation					
Senior Citizen Activities					
Salaries and Wages	113,750	113,750	105,584	8,166	
Other Expenses	11,000	11,000	7,405	3,595	
Recreation Services and Programs					
Salaries and Wages	65,402	50,402	41,536	8,866	
Other Expenses	25,000	25,000	24,118	882	
OTHER COMMON OPERATING					
FUNCTIONS (Unclassified)					
Historical Society of South Amboy					
Other Expenses	10,000	10,000	2,948	7,052	
South Amboy Arts District					
Other Expenses	10,000	10,000	7,966	2,034	

See Accompanying Notes to Financial Statements



**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	Balance <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
Insurance (N.J.S.A. 40A:4-45.3(00))					
General Liability	\$ 294,705	\$ 279,705	\$ 274,799	\$ 4,906	
Disability Insurance	10,000	10,000	3,616	6,384	
Workers Compensation	332,000	332,000	331,989	11	
Employee Group Health	2,501,000	2,501,000	1,929,438	571,562	
Health Benefit Waiver	35,000	35,000	27,326	7,674	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
Construction Official					
Salaries and Wages	327,354	334,354	332,252	2,102	
Other Expenses	9,000	9,000	6,109	2,891	
UNCLASSIFIED					
Celebration of Public Events					
Other Expenses	25,000	25,000	17,530	7,470	
Electricity	191,000	191,000	181,429	9,571	
Telecommunications	105,000	150,000	141,628	8,372	
Water	220,000	220,000	203,725	16,275	
Natural Gas	12,000	12,000	11,886	114	
Petroleum Products	145,000	145,000	144,627	373	
Salary and Wage Adjustments	15,000	15,000	-	15,000	
Total Operations Within "CAPS"	13,904,356	13,899,356	12,663,716	1,235,640	
Detail:					
Salaries and Wages	7,637,151	7,560,651	7,255,252	305,399	
Other Expenses	6,267,205	6,338,705	5,408,464	930,241	
DEFERRED CHARGES AND STATUTORY EXPENDITURES -					
MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures					
Public Employees' Retirement System	357,891	357,891	357,891		
Social Security System (O.A.S.I.)	320,000	320,000	316,044	3,956	
Police and Fireman's Retirement System of NJ	995,700	995,700	995,700		
Unemployment Compensation Insurance	10,000	10,000	10,000		
Defined Contribution Retirement Program	9,000	9,000	8,291	709	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	1,692,591	1,692,591	1,687,926	4,665	
Total General Appropriations for Municipal Purposes Within "CAPS"	15,596,947	15,591,947	14,351,642	1,240,305	

See Accompanying Notes to Financial Statements

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
Sewerage Processing & Disposal					
Other Expenses	\$ 735,000	\$ 735,000	\$ 730,459	\$ 4,541	
Municipal Library					
Other Expenses	331,405	331,405	331,405		
Length of Service Awards Program	55,000	55,000		55,000	
Recycling Tax	15,000	15,000	12,916	2,084	
	<u>1,136,405</u>	<u>1,136,405</u>	<u>1,074,780</u>	<u>61,625</u>	
Total Other Operations Excluded from "CAPS"					
	<u>1,136,405</u>	<u>1,136,405</u>	<u>1,074,780</u>	<u>61,625</u>	
<b>Public and Private Programs Offset by Revenues</b>					
Matching Funds for Grants	1,000	4,000	1,572	2,428	
Municipal Alliance Against Alcoholism & Drug Abuse		6,288	6,288		
Municipal Alliance Against Alcoholism & Drug Abuse LM		2,000		2,000	
Clean Communities		16,017	16,017		
Recycling Tonnage Grant	12,824	12,824	12,824		
Body Armor Replacement Fund	2,219	2,219	2,219		
Emergency Management Agency Assistance Grant	10,000	10,000	10,000		
Middlesex County Recycling Enhancement Grant		7,500	7,500		
Middlesex County CARES Act Grant	44,286	44,286	44,286		
NJ DOT Transit Village Grant	120,000	120,000	120,000		
CSX Corp-SAVFD Incident Command Grant	2,500	2,500	2,500		
Middlesex County Arts Grant	3,150	3,150	3,150		
Middlesex County Arts Grant - Local Match	630	630	630		
Middlesex County Open Space Recreation Grant		1,500,000	1,500,000		
Body Worn Cameras Grant	-	67,254	67,254	-	
	<u>196,609</u>	<u>1,798,668</u>	<u>1,794,240</u>	<u>4,428</u>	
Total Public and Private Programs Offset by Revenues					
	<u>196,609</u>	<u>1,798,668</u>	<u>1,794,240</u>	<u>4,428</u>	
<b>Total Operations - Excluded from "CAPS"</b>					
	<u>1,333,014</u>	<u>2,935,073</u>	<u>2,869,020</u>	<u>66,053</u>	
<b>Detail:</b>					
Salaries and Wages	10,000	10,000	10,000		
Other Expenses	1,323,014	2,925,073	2,859,020	66,053	
	<u>1,333,014</u>	<u>2,935,073</u>	<u>2,869,020</u>	<u>66,053</u>	
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>					
Police Department Equip. - SUV's (Ford Interceptors)	125,000	125,000	99,561	25,439	
TV Station Upgrades / Equipment	10,000	10,000	7,168	2,832	
	<u>135,000</u>	<u>135,000</u>	<u>106,729</u>	<u>28,271</u>	
Total Capital Improvements Excluded from "CAPS"					
	<u>135,000</u>	<u>135,000</u>	<u>106,729</u>	<u>28,271</u>	

See Accompanying Notes to Financial Statements

**CITY OF SOUTH AMBOY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<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>
MUNICIPAL DEBT SERVICE - EXCLUDED					
FROM "CAPS"					
Payment of Bond Principal	\$ 1,480,000	\$ 1,480,000	\$ 1,480,000		
Payment of Bond Anticipation Notes and Capital Notes	100	100			\$ 100
Interest on Bonds	539,275	539,275	529,275		10,000
Interest on Notes	100	100			100
Capital Lease Obligations Approved Prior to 7/1/2007					
Principal	18,500	18,500	18,500		
Interest	1,200	1,200	1,192		8
Capital Loan Obligations Approved After 7/1/2007					
Principal	118,250	118,250	118,250		
Interest	<u>52,050</u>	<u>52,050</u>	<u>52,022</u>		<u>28</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>2,209,475</u>	<u>2,209,475</u>	<u>2,199,239</u>		<u>10,236</u>
Total General Appropriations - Excluded from "CAPS"	<u>3,677,489</u>	<u>5,279,548</u>	<u>5,174,988</u>	\$ 94,324	<u>10,236</u>
Subtotal General Appropriations	19,274,436	20,871,495	19,526,630	1,334,629	10,236
Reserve for Uncollected Taxes	<u>205,183</u>	<u>205,183</u>	<u>205,183</u>	-	-
Total General Appropriations	<u>\$ 19,479,619</u>	<u>\$ 21,076,678</u>	<u>\$ 19,731,813</u>	<u>\$ 1,334,629</u>	<u>\$ 10,236</u>
				A	

Original Budget	\$ 19,479,619
Appropriations Added by N.J.S.A. 40A:4-87 (Chap. 159)	<u>1,597,059</u>
	<u>\$ 21,076,678</u>

Cash Disbursements	\$ 17,218,903
Encumbrances Payable	495,086
Due to General Capital Fund	19,973
Reserve for Uncollected Taxes	205,183
Appropriated Grants	<u>1,792,668</u>
	<u>\$ 19,731,813</u>

See Accompanying Notes to Financial Statements

**CITY OF SOUTH AMBOY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS  
AS OF DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>ANIMAL CONTROL TRUST FUND</b>		
Cash	\$ 5,264	\$ 4,736
<b>OTHER TRUST FUND</b>		
Cash	1,938,413	1,743,955
Accounts Receivable - Outside Police Duty	<u>5,060</u>	<u>1,978</u>
	<u>1,943,473</u>	<u>1,745,933</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>		
Cash	<u>146,849</u>	<u>126,874</u>
	<u>146,849</u>	<u>126,874</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT (CBDG) TRUST FUND</b>		
Community Development Block Grants Receivable	<u>42,362</u>	<u>152,931</u>
Total Assets	<u>\$ 2,137,948</u>	<u>\$ 2,030,474</u>

See Accompanying Notes to Financial Statements

**CITY OF SOUTH AMBOY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS  
AS OF DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES AND RESERVES</b>		
<b>ANIMAL CONTROL TRUST FUND</b>		
Prepaid Revenue	\$ 177	\$ 204
Due to State of New Jersey		13
Due to Current Fund	2,586	1,207
Reserve for Animal Control Expenditures	<u>2,501</u>	<u>3,312</u>
	<u>5,264</u>	<u>4,736</u>
<b>OTHER TRUST FUND</b>		
Reserve for		
Third Party Lienholders	3,286	12,923
Escrow Deposits	733,995	993,744
Payroll Deductions Payable	119,158	9,821
Miscellaneous Reserves	<u>1,087,034</u>	<u>729,445</u>
	<u>1,943,473</u>	<u>1,745,933</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>		
Reserve for Unemployment Compensation Insurance	<u>146,849</u>	<u>126,874</u>
	<u>146,849</u>	<u>126,874</u>
<b>COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) TRUST FUND</b>		
Due to Current Fund	2,150	62,565
Reserve for Community Development Programs	<u>40,212</u>	<u>90,366</u>
	<u>42,362</u>	<u>152,931</u>
 Total Liabilities and Reserves	 <u>\$ 2,137,948</u>	 <u>\$ 2,030,474</u>

**CITY OF SOUTH AMBOY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - GENERAL CAPITAL FUND  
AS OF DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash		\$ 1,710,565
Grants Receivable	\$ 1,331,156	2,234,205
Deferred Charges to Future Taxation:		
Funded	13,990,365	15,607,102
Unfunded	<u>8,191,266</u>	<u>4,898,341</u>
Total Assets	<u>\$ 23,512,787</u>	<u>\$ 24,450,213</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
General Serial Bonds	\$ 12,910,000	\$ 14,390,000
Due to Current Fund	446,910	
Middlesex County Improvement Authority Loans Payable	1,080,365	1,217,102
Encumbrances Payable	1,144,109	923,177
Capital Improvement Fund	214,424	356,824
Improvement Authorizations		
Funded	1,438,626	1,426,745
Unfunded	4,713,335	4,198,672
Reserve for Grants Receivable	1,179,366	1,627,041
Reserve for Payment of Debt	79,261	4,261
Fund Balance	<u>306,391</u>	<u>306,391</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 23,512,787</u>	<u>\$ 24,450,213</u>

There were bonds and notes authorized but not issued on December 31, 2021 and 2020 in the amount of \$8,191,266 and \$4,898,341, respectively. (Exhibit C-15).

CITY OF SOUTH AMBOY  
 COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS  
 GENERAL CAPITAL FUND  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Balance, January 1	\$ 306,391	\$ 125,258
Increased by:		
Premium on Loan	<u>-</u>	<u>181,133</u>
Balance, December 31	<u>\$ 306,391</u>	<u>\$ 306,391</u>

See Accompanying Notes to Financial Statements

**CITY OF SOUTH AMBOY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Buildings and Land	\$ 9,625,300	\$ 9,625,300
Machinery and Equipment	<u>9,135,663</u>	<u>7,769,994</u>
	<u>\$ 18,760,963</u>	<u>\$ 17,395,294</u>
<b>FUND BALANCE</b>		
Investment in General Fixed Assets	<u>\$ 18,760,963</u>	<u>\$ 17,395,294</u>

See Accompanying Notes to Financial Statements



## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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.

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

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

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

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

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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

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

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

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, 2021 AND 2020**

**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, 2020 balances to conform to the December 31, 2021 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 which are required by the Division and which differ from the basic financial statements required by GAAP.

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

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

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

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

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

**Property Tax Revenues/Receivables** - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the City. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The City also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 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

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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

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.

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

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

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

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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

**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.

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.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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

**Net Pension Liability and Pension Related Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense** - the requirements of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*" require governmental entities to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources and total pension related expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of these amounts. The audited financial information related to pensions is released annually by the State's Division of Pensions and Benefits and is required to be included as note disclosures in the financial statements. Due to delays in the availability of the information needed for disclosure, the Division issued Local Finance Notice 2022-12 on June 16, 2022. To ensure the timely filing of county and municipal audits, Local Finance Board regulations allow the Division discretion to permit the most recent available audited GASB 68 financial information to be incorporated into the audited financial statements and only requires one year to be disclosed. Refer to Note 10 for these disclosures.

**Other Post-Employment Benefits Other Than Pensions** - The requirements of GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*" that is provided by other entities require governmental entities to record in their financial statements a share of the other governments net OPEB liability, deferred outflows of resources, deferred inflows of resources and total OPEB expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of the amounts. Since the City does not follow generally accepted accounting principles, the GASB did not result in a change in the City's assets, liabilities and contribution requirements. However, it did result in additional note disclosures as required by the GASBs. The audited financial information related to OPEBs is released annually by the State's Division of Pensions and Benefits and is required to be included as note disclosures in the financial statements. Due to delays in the availability of the information needed for disclosure, the Division issued Local Finance Notice 2022-12 on June 16, 2022. To ensure the timely filing of county and municipal audits, Local Finance Board regulations allow the Division discretion to permit the most recent available audited GASB 75 financial information to be incorporated into the audited financial statements and only requires one year to be disclosed. As a result, the latest available audited information is presented in Note 11.

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

**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.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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 2021 and 2020, the City Council increased the original budget by \$1,597,059 and \$6,460,154, respectively. The 2021 and 2020 increases were funded by additional aid allotted to the City. In addition, the governing body approved several budget transfers during 2021 and 2020.

**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, 2021 and 2020, the book value of the City's deposits were \$9,143,720 and \$10,380,839, respectively, and bank and brokerage firm balances of the City's deposits amounted to \$10,505,144 and \$10,584,127, respectively.



**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

**A. Cash Deposits (continued)**

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>2021</u>	<u>2020</u>
Insured	\$ <u>10,505,144</u>	\$ <u>10,584,127</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, 2021 and 2020, the City had no bank balances exposed to custodial credit risk.

**B. Investments**

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

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.

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The City does not have an investment policy that would further limit its investment choices.

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

Interest earned in the General Capital Fund, Animal Control 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, 2021 AND 2020**

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Tax/Sewer Title Liens	\$ -	\$ 242,318
	<u>\$ -</u>	<u>\$ 242,318</u>

In 2021 and 2020, the City collected \$2,034 and \$130,899 from delinquent taxes, which represented 100% and 38%, respectively of the prior year delinquent taxes and sewer receivable balances.

**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>2021</u>	<u>2020</u>
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 451,646	\$ 63,772
Federal and State Grant Fund	1,298,541	926,105
Trust Funds:		
Animal Control Trust Fund		2,586
Other Trust Fund		1,207
Community Development Block Grant Trust		2,150
General Capital Fund	-	446,910
	<u>-</u>	<u>-</u>
Total	<u>\$ 1,750,187</u>	<u>\$ 989,877</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, 2021 AND 2020**

**NOTE 6 FUND BALANCES APPROPRIATED**

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

	2021		2020	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 3,267,655	\$ 1,130,000	\$ 3,077,800	\$ 1,130,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,267,655</u>	<u>\$ 1,130,000</u>	<u>\$ 3,077,800</u>	<u>\$ 1,130,000</u>

**NOTE 7 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, 2021 and 2020.

	Balance January 1, <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2021</u>
<b><u>2021</u></b>				
Buildings and Land	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	<u>7,769,994</u>	<u>\$ 1,368,661</u>	<u>\$ 2,992</u>	<u>9,135,663</u>
	<u>\$ 17,395,294</u>	<u>\$ 1,368,661</u>	<u>\$ 2,992</u>	<u>\$ 18,760,963</u>
	Balance January 1, <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2020</u>
<b><u>2020</u></b>				
Buildings and Land	\$ 9,625,300			\$ 9,625,300
Machinery and Equipment	<u>8,084,220</u>	<u>\$ 81,804</u>	<u>\$ 396,030</u>	<u>7,769,994</u>
	<u>\$ 17,709,520</u>	<u>\$ 81,804</u>	<u>\$ 396,030</u>	<u>\$ 17,395,294</u>

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 8 MUNICIPAL DEBT**

The Local Bond Law (N.J.S.A. 40A:2 et.seq.) governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for general capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City. Bond anticipation notes, which are issued to temporarily finance capital projects and acquisitions or other purposes permitted by the Local Bond Law, must be paid off within ten years and four months or retired by the issuance of bonds.

The City's debt is summarized as follows:

	<u><b>2021</b></u>	<u><b>2020</b></u>
Issued		
General		
Bonds, Notes and Loans	\$ 13,990,365	\$ 15,607,102
Less Funds Temporarily Held to Pay Debt	<u>79,261</u>	<u>4,261</u>
Net Debt Issued	<u>13,911,104</u>	<u>15,602,841</u>
Authorized But Not Issued		
General		
Bonds and Notes	<u>8,191,266</u>	<u>4,898,341</u>
Net Bonds, Notes and Loans Issued and Authorized But Not Issued	<u>\$ 22,102,370</u>	<u>\$ 20,501,182</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 2.198% and 2.108% at December 31, 2021 and 2020, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u><b>2021</b></u>			
General Debt	\$ 24,766,631	\$ 2,664,261	\$ 22,102,370
School Debt	<u>6,070,000</u>	<u>6,070,000</u>	<u>-</u>
Total	<u>\$ 30,836,631</u>	<u>\$ 8,734,261</u>	<u>\$ 22,102,370</u>
<u><b>2020</b></u>			
General Debt	\$ 23,180,443	\$ 2,679,261	\$ 20,501,182
School Debt	<u>6,440,000</u>	<u>6,440,000</u>	<u>-</u>
Total	<u>\$ 29,620,443</u>	<u>\$ 9,119,261</u>	<u>\$ 20,501,182</u>

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 MUNICIPAL DEBT (continued)**

**Statutory Borrowing Power**

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

	<u><b>2021</b></u>	<u><b>2020</b></u>
3 1/2% of Equalized Valuation Basis (Municipal)	\$ 35,180,484	\$ 33,389,200
Net Debt	<u>22,102,370</u>	<u>20,501,182</u>
Remaining Borrowing Power	<u><u>\$ 13,078,114</u></u>	<u><u>\$ 12,888,018</u></u>

**A. Long-Term Debt**

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

**General Obligation Bonds**

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

	<u><b>2021</b></u>	<u><b>2020</b></u>
\$7,920,000, 2010 Bonds, due in annual installments of \$525,000 to \$775,000 through May 1, 2025, interest at 4.0%	\$ 2,620,000	\$ 3,120,000
\$3,355,000, 2015 Refunding Bonds, due in annual installments of \$445,000 to \$450,000 through August 1, 2023, interest at 3.0%	895,000	1,355,000
\$10,405,000, 2019 Bonds, due in annual installments of \$490,000 to \$930,000 through April 15, 2033, interest at 3.0 to 5.0%	<u>9,395,000</u>	<u>9,915,000</u>
	<u><u>\$ 12,910,000</u></u>	<u><u>\$ 14,390,000</u></u>

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 MUNICIPAL 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>2021</u>	<u>2020</u>
\$248,911, 2012 Loans, due in a final annual installment of \$21,235 on September 15, 2022, interest at 4.00%	\$ 21,235	\$ 42,470
\$1,177,367, 2020 Loans, due in annual installments of \$116,221 to \$150,000 through September 15, 2029, interest at 2.00% to 5.00%	<u>1,059,130</u>	<u>1,174,632</u>
	<u>\$ 1,080,365</u>	<u>\$ 1,217,102</u>

The City's principal and interest for long-term debt issued and outstanding as of December 31, 2021 is as follows:

Calendar	<u>General</u>					
	<u>Bonds</u>		<u>Loans</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2022	\$ 1,465,000	\$ 478,800	\$ 140,961	\$ 44,777	\$	2,129,538
2023	1,485,000	424,200	116,221	41,746		2,067,167
2024	1,295,000	361,550	124,358	38,259		1,819,167
2025	1,260,000	305,400	128,825	32,041		1,726,266
2026	930,000	254,500	130,000	25,600		1,340,100
2027-2031	4,625,000	698,375	440,000	38,450		5,801,825
2032-2033	<u>1,850,000</u>	<u>55,500</u>	<u>-</u>	<u>-</u>		<u>1,905,500</u>
	<u>\$ 12,910,000</u>	<u>\$ 2,578,325</u>	<u>\$ 1,080,365</u>	<u>\$ 220,873</u>	\$	<u>16,789,563</u>

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 MUNICIPAL DEBT (Continued)**

**Debt Guarantees**

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

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

On April 20, 2016, the Agency issued \$3,055,000 of Lease Revenue Refunding Bonds, Series 2016 (“2016 Revenue Bonds”) The 2016 Revenue Bonds were purchased by Amboy Bank at an interest rate of 3.50% per annum with principal payments due on August 15<sup>th</sup> 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, 2021 and 2020 is \$2,585,000 and \$2,675,000, respectively.

**CITY OF SOUTH AMBOY**  
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**NOTE 8 MUNICIPAL DEBT (Continued)**

**Changes in Long-Term Municipal Debt**

The City's long-term capital debt activity for the years ended December 31, 2021 and 2020 were as follows:

	Balance, January 1, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2021</u>	Due Within <u>One Year</u>
<b><u>2021</u></b>					
General Capital Fund					
Bonds Payable	\$ 14,390,000		\$ 1,480,000	\$ 12,910,000	\$ 1,465,000
Intergovernmental					
Loans Payable	<u>1,217,102</u>	<u>\$ -</u>	<u>136,737</u>	<u>1,080,365</u>	<u>140,961</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 15,607,102</u>	<u>\$ -</u>	<u>\$ 1,616,737</u>	<u>\$ 13,990,365</u>	<u>\$ 1,605,961</u>
	Balance, January 1, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2020</u>	Due Within <u>One Year</u>
<b><u>2020</u></b>					
General Capital Fund					
Bonds Payable	\$ 15,850,000		\$ 1,460,000	\$ 14,390,000	\$ 1,480,000
Intergovernmental					
Loans Payable	<u>61,519</u>	<u>\$ 1,177,367</u>	<u>21,784</u>	<u>1,217,102</u>	<u>136,737</u>
General Capital Fund					
Long-Term Liabilities	<u>\$ 15,911,519</u>	<u>\$ 1,177,367</u>	<u>\$ 1,481,784</u>	<u>\$ 15,607,102</u>	<u>\$ 1,616,737</u>



**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 9 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

Under the existing policies and labor agreements of the City, employees are allowed to accumulate (with certain restrictions) unused vacation benefits and sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,241,067 and \$1,346,440 at December 31, 2021 and 2020, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2021 and 2020, the City has reserved in the Other Trust Fund \$62,270, and \$62,674, respectively, to fund compensated absences in accordance with NJSA 40A:4-39.

**B. Deferred Pension Obligation**

During the year ended December 31, 2009 the City elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$344,668 and will be paid back with interest over 15 years which commenced in the 2012 year. The City is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (7.00% effective July 1, 2017) at December 31, 2021 and 2020 is \$112,779 and \$158,336, respectively.

During the years ended December 31, 2021, 2020 and 2019, the City was required to contribute for the deferred pension obligation the following amounts which equaled the required contribution for each year.

<u>Year Ended</u> <u>December 31,</u>	<u>PFRS</u>	<u>PERS</u>
2021	\$ 16,364	\$ 37,590
2020	16,321	37,552
2019	16,189	37,364

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS**

*Public Employees' Retirement System*

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

*Plan Membership and Contributing Employers-* Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2021:

	<u>2021</u>
Inactive plan members or beneficiaries currently receiving benefits	184,775
Inactive plan members entitled to but not yet receiving benefits	877
Active plan members	<u>246,576</u>
Total	<u>432,228</u>

Contributing Employers – 1,691

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

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

For the year ended December 31, 2021, the City's total payroll for all employees was \$8,113,439. For the year ended December 31, 2021, total PERS covered payroll was \$2,626,897. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the City to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contributions are based on an amortization of the unfunded accrued liability. Funding or noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2021, the State's pension contribution was less than the actuarial determined amount.

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

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

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (continued)**

*Public Employees' Retirement System (continued)*

City payments to PERS for the year ending December 31, 2021 consisted of the following:

	2021
Total Regular Billing	\$ 402,034

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

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

The following represents the membership tiers for PERS:

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

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

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

At June 30, 2021, the PERS reported a net pension liability of \$11,972,782,878 for its Non-State Employer Member Group. The City's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the City was \$4,066,800 or .0343291290%, which was an increase of 0.0055574186% from its proportion measured as of June 30, 2020.

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10      EMPLOYEE RETIREMENT SYSTEMS (continued)**

*Public Employees' Retirement System (continued)*

At December 31, 2021 the City had deferred outflows of resources and deferred inflows of resources related to PERS from the following sources, if GASB Statement No. 68 was recognized:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expensed and actual experience	\$ 64,139	\$ 29,113
Changes of assumptions	21,180	1,447,807
Net difference between projected and actual investment earnings on pension plan investments		1,071,302
Changes in proportion	1,086,466	758,302
City contributions subsequent to the measurement date	402,034	
	<u>\$ 1,573,819</u>	<u>\$ 3,306,524</u>

\$402,034 shown as deferred outflows of resources related to PERS resulting from City contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS would have been recognized in pension expense as follows, if GASB Statement No. 68 was recognized:

Year ended December 31,	Amount
2022	\$ (921,391)
2023	(667,777)
2024	(385,989)
2025	(182,790)
2026	23,208
Total	<u>\$ (2,134,739)</u>

*Actuarial Assumptions-* The total collective pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

Inflation rate:	<u>2021</u>
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00% - 6.00%
	based on years of service
Therafter	3.00% - 7.00%
	based on years of service
Through all future years	7.00%

**CITY OF SOUTH AMBOY**  
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**NOTE 10      EMPLOYEE RETIREMENT SYSTEMS (continued)**

*Public Employees' Retirement System (continued)*

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 in the following table:

2021		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%
	<u>100.00%</u>	

*Discount Rate* – The discount rate used to measure the total pension liability as of June 30, 2021 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (continued)**

*Public Employees' Retirement System (continued)*

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

At 1% Decrease 6.00%	At Current Discount Rate 7.00%	At 1% Increase 8.00%
\$ 5,538,157	\$ 4,066,800	\$ 2,818,145

*Plan Fiduciary Net Position* – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2021 was \$35,707,804,636. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2021 was \$28,386,785,177.

*Additional information*

Collective Local Group balances at June 30, 2021 are as follows:

Collective deferred outflows of resources	\$ 1,164,738,169
Collective deferred inflows of resources	8,339,123,762
Collective net pension liability	11,972,782,878
City's Proportion	0.0343291290%

Collective pension expense for the Local Group for the measurement period ended June 30, 2021 was \$1,599,674,464. The average of the expected remaining service lives of all plan members is 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

**State Contribution Payable Dates**

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

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

**Receivable Contributions**

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the year ended June 30, 2021 are \$1,207,896,120.

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (continued)**

**Police and Firemen's Retirement System**

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

*Plan Membership and Contributing Employers-* Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2020:

Inactive plan members or beneficiaries currently receiving benefits	45,537
Inactive plan members entitled to but not yet receiving benefits	65
Active plan members	<u>42,520</u>
Total	<u><u>88,122</u></u>

Contributing Employers – 582

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

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

For the year ended December 31, 2021, the City's total payroll for all employees was \$6,917,632. For the year ended December 31, 2021, total PFRS covered payroll was \$2,820,588. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the City to active employees covered by the Plan.

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

City payments to PFRS for the year ending December 31, 2020 consisted of the following:

	<u>2020</u>
Total Regular Billing	\$ 995,700

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

**CITY OF SOUTH AMBOY**  
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**NOTE 10      EMPLOYEE RETIREMENT SYSTEMS (continued)**

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

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

The following represents the membership tiers for PFRS:

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

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

At June 30, 2020, the PFRS reported a net pension liability of \$14,926,648,722 for its Non-State, Non-Special Funding Situation Employer Member Group. The City's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$11,081,604, or 0.0857621730% which was an increase of 0.0117574053% from its proportion, measured as of June 30, 2019.

At December 31, 2020, the City would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources, if GASB Statement No. 68 was recognized:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences between expected and actual experience	\$ 111,721	\$ 39,771
Changes of assumptions	27,887	2,970,912
Net difference between projected and actual investment earnings on pension plan investments	649,766	
Changes in proportion	1,957,463	254,619
City contributions subsequent to the measurement date	995,700	
	<u>\$ 3,742,537</u>	<u>\$ 3,265,302</u>

\$995,700 is reflected above as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense on the GAAP basis as follows:



**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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

Year ended December 31,	Amount
2022	\$ (571,748)
2023	(267,380)
2024	(1,000)
2025	190,099
2026	131,564
Total	<u>\$ (518,465)</u>

*Actuarial Assumptions-* The total collective pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

	<u>2020</u>
Inflation rate:	
Prices	2.75%
Wage	3.25%
Salary Increases:	3.25% - 15.25%
	based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2020 are summarized in the following table:

**CITY OF SOUTH AMBOY**  
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**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (continued)**

*Police and Firemen's Retirement System (continued).*

2020		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%
	<u>100.00%</u>	

*Discount Rate* – The discount rate used to measure the total pension liability as of June 30, 2020 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments was applied to projected benefit payments after that date in determining the total pension liability.

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

At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
\$ 14,736,252	\$ 11,081,604	\$ 8,046,139

*Plan Fiduciary Net Position* – The plan fiduciary net position for PFRS at June 30, 2020 was \$27,412,127,845.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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

*Additional information*

Collective Local Group balances at June 30, 2020 are as follows:

Collective deferred outflows of resources	\$ 1,601,195,680
Collective deferred inflows of resources	4,191,274,402
Collective net pension liability	14,926,648,722
City's Proportion	0.0857621730%

Collective pension expense for the Local Group for the measurement period ended June 30, 2020 was \$949,220,570. The average of the expected remaining service lives of all plan members is 5.90, 5.92, 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2020, 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

*State Contribution Payable Dates*

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

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

*Receivable Contributions*

The Fiduciary Net Position (FNP) includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the year ended June 30, 2020 are \$1,194,176,430.

*Special Funding Situation*

Under N.J.S.A 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and state is treated as a non-employer entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the City as of June 30, 2020 for police and fire is 0.08576217302%. The non-employer contributing entities' contribution for the year ended June 30, 2020 was \$132,339. The state's proportionate share of net pension liability attributable to the City as of June 30, 2020 was \$1,719,814.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10      EMPLOYEE RETIREMENT SYSTEMS (continued)**

**Defined Contribution Retirement Plan**

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

*Plan Membership and Contributing Employers* - Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2020, the membership in the DCRP, based on the information within the Division's database, was 60,336.

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

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

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 7.50% for PERS, 10% for PFRS and 5.5% for DCRP of employees' base wages.

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 11 POST-RETIREMENT HEALTH COVERAGE**

**State Health Benefit Local Government Retired Employees Plan**

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

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

Contributions

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

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 POST-RETIREMENT HEALTH COVERAGE (continued)**

Plan Membership and Contributing Employers

Plan membership and contributing employers/nonemployers consisted of the following at June 30, 2020:

Inactive plan members or beneficiaries currently receiving benefits	24,294
Active plan members	<u>72,485</u>
Total	<u><u>96,779</u></u>
Contributing employers	590
Contributing nonemployers	1

Nonspecial Funding Situation - The State of New Jersey's Total OPEB Liability for nonspecial funding situation was \$12,484,309,814 at June 30, 2020.

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

	June 30, 2020
Total OPEB Liability	\$ 18,111,475,228
Plan Fiduciary Net Position	<u>164,862,282</u>
Net OPEB Liability	<u><u>\$ 17,946,612,946</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

The Net OPEB Liability at June 30, 2020 can be further brodown into its special funding and non-special funding components as follows:

	2020
Special Funding Situation	\$ 5,462,303,132
Non-special Funding Situation	<u>12,484,309,814</u>
Total Net OPEB Liability	<u><u>\$ 17,946,612,946</u></u>

*City of South Amboy's Proportionate Shares of Non-special Funding Situation Net OPEB Liability*

	2020
Non-special Funding Situation:	
Plan Net OPEB Liability	\$ 12,484,309,814
City Allocations:	
Net OPEB Liability	\$ 27,729,491
Allocation Percentage	0.154511%
City Plan Participants	161

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 POST-RETIREMENT HEALTH COVERAGE (continued)**

*Actuarial Assumptions and Other Inputs* - The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. These actuarial valuations used the following actuarial assumptions, applied to all periods (2020) in the measurement:

	June 30, 2020
Inflation	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%

Preretirement and postretirement mortality rates were based on the Pub-2010 Safety Headcount-Weighted mortality table with fully generational mortality improvement projections from the central year using the MP-2019 scale.

Actuarial assumptions used in the July 1, 2019 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

Medical and prescription drug trend rates are determined by utilizing experience data, industry experience which includes surveys and Aon trend guidance. These rates are adjusted further to be appropriate with respect to the plan provisions. For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.50% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage rates for Plan Years 2019 through 2022 are reflected. For Plan Year 2023 the Medicare Advantage trend rate includes an assumed increase in the premiums based on recent experience and discussions with the Medicare Advantage vendor. The assumed post-65 medical trend is 4.50% for all future years. For prescription drug benefits, the initial trend rate is 7.00% decreasing to a 4.50% long-term trend rate after seven years.

*Discount Rate* - The discount rate for June 30, 2020 was 2.21%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

*Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate* - The following presents the collective net OPEB liability of the participating employers as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

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**NOTE 11 POST-RETIREMENT HEALTH COVERAGE (continued)**

	1% Decrease	At Discount Rate	1% Increase
Collective Net OPEB Liability	\$ 21,216,688,254	\$ 17,946,612,946	\$ 15,358,051,000
State's proportionate share of City's liability	32,782,117	27,729,491	23,729,878

*Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* - The following presents the net OPEB liability as of June 30, 2020, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Collective Net OPEB Liability	\$ 14,850,840,718	\$ 17,946,612,946	\$ 22,000,569,109
State's proportionate share of City's liability	22,946,182	27,729,491	33,993,299

*Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2020, the City's allocated deferred outflows of resources and deferred inflows of resources related to its Nonspecial Funding participation in the OPEB Plan were as follows, if GASB Statement No. 75 was recognized:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 4,147,459	\$ 6,166,611
Net difference between projected and actual earnings on OPEB plan investments	17,610	
Differences between expected and actual experience	730,373	5,163,749
Changes in proportion	4,558,540	2,914,405
	<u>\$ 9,453,982</u>	<u>\$ 14,244,765</u>

***Special Funding Situation***

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



**CITY OF SOUTH AMBOY**  
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**NOTE 11 POST-RETIREMENT HEALTH COVERAGE (continued)**

*OPEB Plan Fiduciary Net Position*

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

**NOTE 12 RISK MANAGEMENT**

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

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

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

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Interest</u> <u>Earnings</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>
2021	\$ 204	\$ 10,000	\$ 9,771		\$146,849
2020	736	10,000	9,492	\$ 18,027	126,874
2019		9,218	9,217	22,103	124,673

**CITY OF SOUTH AMBOY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13 CONTINGENT LIABILITIES**

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

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2021 and 2020. 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, 2021 and 2020, the City reserved \$200,000 in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**Federal and State Awards** - The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2021 and 2020, 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.

The full impact of the COVID-19 pandemic continues to evolve as of the date the financial statements were available to be issued. This pandemic has adversely affected the global economic activity which contributed to significant business disruption in the United States. Additionally, given the uncertainty of any future disruption relating to another surge of COVID-19, such disruption could have a material adverse effect on the revenues and operations of the City. Notwithstanding, the City continues to monitor state and local developments and proceeds with proactive strategies to minimize any impact to its current and future operation.

**NOTE 14 FEDERAL ARBITRAGE REGULATIONS**

The City is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2021 and 2020, the City has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 15 TAX ABATEMENTS**

For the years ended December 31, 2021 and 2020, the City provided property tax abatements through certain programs authorized under State statutes. The programs include the Long Term Tax Exemption Law (the "LTTE Law") and the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The Long Term Tax Exemption Law (NJSA 40A:20 et.seq.) is focused on broad areas of redevelopment. It allows for a longer abatement term to carry out a larger development plan through declaring an area as being "in need of redevelopment". These long-term property abatements may last up to 30 years from completion of a project or 35 years from execution of the financial agreement. The process is initiated when the municipality passes a resolution calling for the municipal planning board to study the need for designating an area "in need of redevelopment". Upon adopting the planning board's recommendations and formalizing the redevelopment area designation, a municipality adopts a redevelopment plan, engages redevelopment entities to carry out the plan, and may authorize long-term tax abatements in the

**CITY OF SOUTH AMBOY  
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**NOTE 15 TAX ABATEMENTS (continued)**

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, 2021 and 2020, the City abated property taxes totaling \$1,765,308 and \$1,643,993, respectively under the LTTE program. The City received \$464,694 and \$425,452 in PILOT payments under this program for the years ended December 31, 2021 and 2020, respectively.

- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2021 and 2020, the City abated property taxes totaling \$159,806 and \$156,039, respectively, under the NJHMFA program. The City received \$37,572 and \$45,474 in PILOT payments under this program for the years ended December 31, 2021 and 2020, respectively.

**NOTE 16 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)**

The City of South Amboy Length of Service Awards Program (the Plan) was created by a City ordinance adopted on July 6, 1999, pursuant to 457 (e)(11)(13) of the Internal 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 \$787 and \$753 for 2021 and 2020, respectively, for each eligible volunteer fire department and volunteer first aid squad members into the Plan. The total City contributions were \$44,058 and \$44,436 for 2021 and 2020, 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.

**CITY OF SOUTH AMBOY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 16 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) (Continued)**

**Vesting and Benefits**

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

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

**Reporting Requirements**

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

**NOTE 17 SELECTED TAX INFORMATION**

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

**Comparative Schedule of Tax Rate Information**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Tax Rate</u>	<u>\$ 2.885</u>	<u>\$ 2.817</u>	<u>\$ 2.772</u>
<u>Appointment of Tax Rate</u>			
Municipal	1.256	1.237	1.220
County	.437	.415	.404
Local School	1.192	1.165	1.148

**Assessed Valuations**

2021	<u>\$ 899,311,800</u>		
2020		<u>\$ 902,450,400</u>	
2019			<u>\$ 895,177,300</u>

**CITY OF SOUTH AMBOY**  
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**NOTE 17 SELECTED TAX INFORMATION (continued)**

**Comparison of Tax Levies and Collections**

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

<u>December 31,</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	Percentage of <u>Collection</u>
2021	\$ 26,056,715	\$ 26,040,590	99.94%
2020	25,485,264	25,436,976	99.81%
2019	25,001,378	24,937,329	99.74%

**Delinquent Taxes and Tax Title Liens**

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>December 31,</u>	Amount of Tax/Sewer Title <u>Liens</u>	Total <u>Delinquent</u>	Percentage of <u>Tax Levy</u>
2021	\$ -	\$ -	0.00%
2020	242,318	242,318	0.95%
2019	344,755	344,755	1.38%

**NOTE 18 SUBSEQUENT EVENTS**

The City has reviewed and evaluated all events and transactions from December 31, 2021 through September 8, 2022, the date that the financial statements were available for issuance. Based on this evaluation, the City has determined that the subsequent events that have occurred which requires disclosure in the financial statements are as follows:

The City adopted several bond ordinances authorizing the issuance of \$3,068,706 of bond or notes to fund various capital projects. As of the date of this report, the City has not issued or awarded the sale of any of the bonds or notes associated with the ordinances.

**APPENDIX C**

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

\_\_\_\_\_, 2023

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 its \$5,451,000 Bond Anticipation Note, Series 2023 (the "Note"), 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 our satisfaction and have undertaken such research and analyses as we have deemed necessary.

The Note is issued pursuant to the Local Bond Law of the State of New Jersey and the bond ordinances of the City listed in the Certificate of Determination and Award dated the date hereof, each in all respects duly approved and published as required by law. The Note is a temporary obligation issued in anticipation of the issuance of bonds.

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 Note is a valid and legally binding obligation of the City, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable 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 Note in order to preserve the tax-exempt status of the Note 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 Note to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Note. 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 Note 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 Note is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, for tax years beginning after December 31, 2022, interest on the Note is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Note. Further, in our opinion, based upon existing law, interest on the Note 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,