

*Report of Audit*

*on the*

*Financial Statements  
and  
Supplementary Schedules*

*of*

*Perth Amboy Redevelopment  
Agency*

*for the*

*Years Ended  
June 30, 2010 and 2009*



**SUPLEE, CLOONEY & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

Annual  
Financial Report

of the

**Perth Amboy Redevelopment  
Agency**

For the Years Ended June 30, 2010 and 2009

Prepared By

Perth Amboy Redevelopment Agency

Finance Department

PERTH AMBOY REDEVELOPMENT AGENCY

I N D E X

PAGE  
NUMBER

**FINANCIAL SECTION**

Independent Auditor's Report	1-2
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	3-4
Management Discussion and Analysis (Unaudited)	5-8

**BASIC FINANCIAL STATEMENTS**

EXHIBITS

"A"	Statements of Net Assets as of June 30, 2010 and 2009	9
"B"	Statements of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30, 2010 and 2009	10
"C"	Statements of Cash Flows for the Years Ended June 30, 2010 and 2009	11
	Notes to Financial Statements, June 30, 2010 and 2009	12-17

**SUPPLEMENTARY INFORMATION**

SCHEDULES

"1"	Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget for the Period Ended June 30, 2010	18
	General Comments and Recommendations	19

**FINANCIAL SECTION**

## SUPLEE, CLOONEY & COMPANY

The Management Discussion and Analysis and the required supplementary information, as listed in the foregoing table of contents, respectively, are not a required part of the basic financial statements but are supplementary information required by the U.S. Generally Accepted Accounting Principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial statements and other schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Perth Amboy Redevelopment Agency. Such information, except for that portion marked unaudited on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly represented in all material respects in relation to the basic financial statements taken as a whole.

*Suplee, Clooney & Company*

March 17, 2011

# SUPLEE, CLOONEY & COMPANY

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Perth Amboy Redevelopment Agency and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

March 17, 2011

A handwritten signature in cursive script that reads "Suplee, Clooney & Company".

**MANAGEMENT DISCUSSION AND ANALYSIS**

The financial statements report information about the Agency using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Assets; a Statement of Revenues, Expenses and Changes to Net Assets; a Statement of Cash Flows; and notes to the financial statements.

The Statement of Net Assets presents the financial position of the Agency on a full accrual historical cost basis. This statement presents information on all of the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Assets provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Assets presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Agency's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

### **Summary of Organization and Business**

The Perth Amboy Redevelopment Agency (the "Agency") is a public body corporate and politic. The Redevelopment Agency is an agency or instrumentality of the City of Perth Amboy established under the provisions of the Local Redevelopment and Housing Law (N.J.S.A. 40A:12A-1 et seq.). The Redevelopment Agency was established May 28, 1997 by resolution of the City Council of the City of Perth Amboy.

The Agency was created by the City Council and charged with developing and managing the essential elements to foster successful redevelopment within the City. The Agency's goal of generating a influx of new enterprises and the revitalization of existing resources seeks to improve Perth Amboy's image and stature, increase tax revenues, facilitate new residential and commercial construction, generate employment opportunities for the local work force and draw consumers and tourists to the City.

### **Financial Analysis**

The attached condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning.

**Notes Payable**

At June 30, 2009, the Agency had outstanding \$3,800,000 in Project Notes. These notes matured in June 2010 and were then reissued.

Notes Payable – June 30, 2009	\$3,800,000
Notes Paid	(3,800,000)
Notes Issued	<u>3,800,000</u>
Notes Payable – June 30, 2010	<u>\$3,800,000</u>

These notes mature in June 2011 and pays interest at 4.90%.

**Contacting the Agency's Management**

Any questions about the Agency's report or if additional information is needed, please contact the Executive Director of the Perth Amboy Redevelopment Agency, 260 High Street, Perth Amboy, New Jersey 08861.

**BASIC FINANCIAL STATEMENTS**

THE PERTH AMBOY REDEVELOPMENT AGENCY

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Operating Revenue:		
Developer Income	\$ 300,000	\$
Administrative Fees	72,038	48,588
Rental Income	<u>59,106</u>	<u>49,636</u>
<u>TOTAL OPERATING REVENUE</u>	<u>\$ 431,144</u>	<u>\$ 98,224</u>
Operating Expenses:		
Salary and Benefits	\$ 190,534	\$ 179,903
Operating Costs	<u>48,232</u>	<u>86,876</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 238,766</u>	<u>\$ 266,779</u>
<u>OPERATING INCOME (LOSS)</u>	<u>\$ 192,378</u>	<u>\$ (168,555)</u>
Non-Operating Revenue (Expense):		
Interest Income	\$ 1,026	\$ 4,554
Other Income	36,520	87,450
Interest Expense	(204,886)	(181,320)
Wireless Project	(109,671)	(131,800)
Note Issuance Costs	<u></u>	<u>(4,899)</u>
<u>TOTAL NON-OPERATING REVENUE (EXPENSE)</u>	<u>\$ (277,011)</u>	<u>\$ (226,015)</u>
<u>INCREASE (DECREASE) IN NET ASSETS</u>	<u>\$ (84,633)</u>	<u>\$ (394,570)</u>
Net Assets, Beginning of Year	<u>338,605</u>	<u>733,175</u>
Net Assets, End of Year	<u>\$ 253,972</u>	<u>\$ 338,605</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PERTH AMBOY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(1) GENERAL

The Perth Amboy Redevelopment Agency (the "Agency") is a public body corporate and politic. The Redevelopment Agency is an agency or instrumentality of the City of Perth Amboy established under the provisions of the Local Redevelopment and Housing Law (N.J.S.A. 40A:12A-1 et seq.). The Redevelopment Agency was established May 28, 1997 by resolution of the City Council of the City of Perth Amboy.

The Agency was created by the City Council and charged with developing and managing the essential elements to foster successful redevelopment within the City. The Agency's goal of generating a influx of new enterprises and the revitalization of existing resources seeks to improve Perth Amboy's image and stature, increase tax revenues, facilitate new residential and commercial construction, generate employment opportunities for the local work force and draw consumers and tourists to the City.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Agency have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the GASB's accounting policies are described below.

Reporting Entity

The Agency's financial statements include the activities relating to the redevelopment of the City of Perth Amboy for which the Board of Commissioners of the Agency exercises financial accountability. The Agency is not a component unit of any entity. There are no additional entities required to be included in the reporting entity and the Agency is not included in any other reporting entity.

Basis of Accounting

The financial statements of the Agency have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The Agency's reports are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles, Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

PERTH AMBOY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets represent the difference between assets and liabilities and are classified into three categories:

Invested in Capital Assets, Net of Related Debt – This reflects the net assets of the Agency that are invested in capital assets, net of related debt. This indicates that these net assets are not accessible for other purposes.

Restricted Net Assets – This represents the net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties.

Unrestricted Net Assets – This represents those net assets that are available for general use.

Pension Plan

Agency employees participate in the Public Employee's Retirement System (PERS) of New Jersey, a multi-employer cost sharing plan. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the plan. The plan does not maintain separate records for each member in the state and, therefore, the actuarial data for the Agency is not available.

The plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The plans are cost sharing multiple-employer defined benefit plans and as such do not maintain separate records for each Agency in the state and, therefore, the actual data for the Agency is not available. The division of pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

Participating employees are required by State statute to contribute a certain percentage (5.5%) of their salary to the plan. In addition, the Agency is billed for its required contribution.

Budgetary Procedures

The Agency follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Agency is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services prior to the beginning of the Agency's fiscal year for approval prior to its adoption.

PERTH AMBOY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(3) CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents at June 30 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Cash – Unrestricted	<u>\$504,968</u>	<u>\$552,801</u>

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes permit the deposit of public funds only in banks which meet the requirements of the Governmental Unit Deposit Protection Act or the State of New Jersey Cash Management Fund. This Act, commonly referred to as "GUDPA", requires that banks which accept public funds to be a public depository. The statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Agency does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2010, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk.

(4) LAND

The Agency obtained from the City of Perth Amboy land (Block 93 Lot 103) which is being used for development. The land is valued at \$3,800,000.

(5) LEASES

The Agency leases to a tenant under an operating lease land which is used for a billboard and cell tower. Rental income from this lease for the year ended June 30, 2010 and 2009 was \$59,106 and \$49,636.

(6) DEPOSITS PAYABLE

The Agency, as part of its operations, collects from its developer's deposits and advances, which are held for future expenses of development projects. At June 30, 2010, these deposits totaled \$538,107.

**SUPPLEMENTARY INFORMATION**

PERTH AMBOY REDEVELOPMENT AGENCY

JUNE 30, 2010

GENERAL COMMENTS AND RECOMMENDATIONS

NONE



