

Annual  
Financial Report

of the

**Perth Amboy Redevelopment  
Agency**

For the Years Ended June 30, 2011 and 2010

Prepared By

Perth Amboy Redevelopment Agency

Finance Department



PERTH AMBOY REDEVELOPMENT AGENCY

I N D E X

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**FINANCIAL SECTION**



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@scnco.com](mailto:info@scnco.com)

## INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners  
Perth Amboy Redevelopment Agency  
Perth Amboy, New Jersey 08861

We have audited the accompanying statements of net assets of the Perth Amboy Redevelopment Agency at June 30, 2011 and 2010 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Perth Amboy Redevelopment Agency at June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 17, 2012 on our consideration of the Perth Amboy Redevelopment Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is important for assessing the results of our audit.

## 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.

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

February 17, 2012



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@scnco.com](mailto:info@scnco.com)

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners  
Perth Amboy Redevelopment Agency  
Perth Amboy, New Jersey 08861

We have audited the financial statements of the Perth Amboy Redevelopment Agency for the year ended June 30, 2011, and have issued our report thereon dated February 17, 2012. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Governing Auditing Standards issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was limited for the purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

# 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.

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

February 17, 2012

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**MANAGEMENT DISCUSSION AND ANALYSIS**

**PERTH AMBOY REDEVELOPMENT AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**  
**UNAUDITED**

**Management Discussion and Analysis**

The Management Discussion and Analysis (MD&A) represents the Agency's financial performance during the fiscal years ended June 30, 2011 and 2010. The Agency's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis is an element of a reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

**Audit Assurance**

The unqualified opinion of our independent auditors, Suplee Clooney & Company is included in this report.

This section presents management's analysis of the Agency's financial condition and activities for the year. This information should be read in conjunction with the attached financial statements.

**Financial Highlights**

Total assets at year-end totaled \$4.4 million and exceeded liabilities of \$4.1 million. Net assets total \$275 thousand at June 30, 2011. Working capital balances are adequate to meet the operational needs of the Agency.

Operating revenue totaled \$376,000 versus \$431,000 in the prior fiscal year. Operating expenditures totaled \$155,000, which is a decrease of 8% over prior year expenditures of \$253,000.

Cash of \$436 thousand decreased \$69,000 from the prior year's total of \$505 thousand.

Notes payable of \$3.7 million is a decrease of \$ 100,000 from the prior year. Interest expense for the year was \$186,193.

**Overview of Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Agency's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Agency's budget, and bond resolutions and other management tools were used for this 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, 2010, the Agency had outstanding \$3,800,000 in Project Notes. These notes matured in June 2011 and were then reissued.

Notes Payable – June 30, 2010	\$3,800,000
Notes Paid	(3,800,000)
Notes Issued	<u>3,700,000</u>
Notes Payable – June 30, 2011	<u>\$3,700,000</u>

These notes mature in June 2012 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.

## Condensed Financial Statements

### Condensed Statement of Net Assets

	June 30,		Variance	
	<u>2011</u>	<u>2010</u>	<u>Dollars</u>	<u>%</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 435,544	\$ 504,968	\$ (69,424)	-13.7%
Accounts Receivable	161,771	516,378	(354,607)	-68.7%
Prepaid Expenses		14,353	(14,353)	-100.0%
Other Assets	<u>3,800,000</u>	<u>3,800,000</u>	<u>-</u>	<u>0.0%</u>
Total Assets	<u>\$ 4,397,315</u>	<u>\$ 4,835,699</u>	<u>\$ (438,384)</u>	<u>-9.1%</u>
<u>Liabilities</u>				
Current Liabilities	\$ 422,165	\$ 781,727	\$ (359,562)	-46.0%
Notes Payable	<u>3,700,000</u>	<u>3,800,000</u>	<u>(100,000)</u>	<u>-2.6%</u>
Total Liabilities	<u>\$ 4,122,165</u>	<u>\$ 4,581,727</u>	<u>\$ (459,562)</u>	<u>-10.0%</u>
<u>Net Assets</u>				
Invested in Capital Assets	\$ 100,000	\$ - 0 -	\$ - 0 -	- 0 -
Unreserved	<u>175,150</u>	<u>253,972</u>	<u>(78,822)</u>	<u>-31.0%</u>
Total Net Assets	<u>\$ 275,150</u>	<u>\$ 253,972</u>	<u>\$ 21,178</u>	<u>8.3%</u>
Total Liabilities and Net Assets	<u>\$ 4,397,315</u>	<u>\$ 4,835,699</u>	<u>\$ (438,384)</u>	<u>-9.1%</u>

### Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	June 30,		Variance	
	<u>2011</u>	<u>2010</u>	<u>Dollars</u>	<u>%</u>
Operating Revenues	\$ 376,364	\$ 431,144	\$ (54,780)	-12.7%
Operating Expenses	<u>155,981</u>	<u>238,766</u>	<u>(82,785)</u>	<u>-34.7%</u>
Operating Income (Loss)	\$ 220,383	\$ 192,378	\$ 28,005	14.6%
Non-Operating Revenues (Expenses)	<u>(199,205)</u>	<u>(277,011)</u>	<u>77,806</u>	<u>-28.1%</u>
Change in Net Assets	<u>\$ 21,178</u>	<u>\$ (84,633)</u>	<u>\$ 105,811</u>	<u>-125.0%</u>
Net Assets, Beginning of Year	<u>253,972</u>	<u>338,605</u>	<u>(84,633)</u>	<u>-25.0%</u>
Net Assets, End of Year	<u>\$ 275,150</u>	<u>\$ 253,972</u>	<u>\$ 21,178</u>	<u>8.3%</u>

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**BASIC FINANCIAL STATEMENTS**

THE PERTH AMBOY REDEVELOPMENT AGENCY

STATEMENTS OF NET ASSETS  
JUNE 30, 2011 AND 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and Cash Equivalents	\$ 435,544	\$ 504,968
Accounts Receivable	161,771	458,875
Other Receivables		57,503
Prepaid Expenses		14,353
	<hr/>	<hr/>
<u>TOTAL CURRENT ASSETS</u>	<u>\$ 597,315</u>	<u>\$ 1,035,699</u>
Other Assets:		
Land	\$ 3,800,000	\$ 3,800,000
	<hr/>	<hr/>
<u>TOTAL NON-CURRENT ASSETS</u>	<u>\$ 3,800,000</u>	<u>\$ 3,800,000</u>
<u>TOTAL ASSETS</u>	<u>\$ 4,397,315</u>	<u>\$ 4,835,699</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	\$ 33,359	\$ 157,994
Accrued Sick and Vacation Payable	81,404	82,565
Deposits Payable	303,831	538,107
	<hr/>	<hr/>
<u>TOTAL CURRENT LIABILITIES</u>	<u>\$ 418,594</u>	<u>\$ 778,666</u>
Current Liabilities Payable From Restricted Assets:		
Notes Payable	\$ 3,700,000	\$ 3,800,000
Accrued Interest Payable	3,571	3,061
	<hr/>	<hr/>
<u>TOTAL RESTRICTED LIABILITIES</u>	<u>\$ 3,703,571</u>	<u>\$ 3,803,061</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 4,122,165</u>	<u>\$ 4,581,727</u>
Net Assets Reserve for:		
Invested in Capital Assets, Net of Related Liabilities	\$ 100,000	\$ - 0 -
Unreserved	175,150	253,972
	<hr/>	<hr/>
<u>TOTAL NET ASSETS</u>	<u>\$ 275,150</u>	<u>\$ 253,972</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 4,397,315</u>	<u>\$ 4,835,699</u>

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

THE PERTH AMBOY REDEVELOPMENT AGENCYSTATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating Revenue:		
Developer Income	\$ 500	\$ 300,000
Administrative Fees	64,140	72,038
Sale of Property	270,000	
Rental Income	41,724	59,106
	<hr/>	<hr/>
<u>TOTAL OPERATING REVENUE</u>	<u>\$ 376,364</u>	<u>\$ 431,144</u>
Operating Expenses:		
Salary and Benefits	\$ 27,542	\$ 190,534
Operating Costs	66,494	48,232
Other Expenses	61,945	
	<hr/>	<hr/>
<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 155,981</u>	<u>\$ 238,766</u>
<u>OPERATING INCOME (LOSS)</u>	<u>\$ 220,383</u>	<u>\$ 192,378</u>
Non-Operating Revenue (Expense):		
Interest Income	\$ 862	\$ 1,026
Other Income	60	36,520
Interest Expense	(186,193)	(204,886)
Wireless Project		(109,671)
Note Issuance Costs	(13,934)	
	<hr/>	<hr/>
<u>TOTAL NON-OPERATING REVENUE (EXPENSE)</u>	<u>\$ (199,205)</u>	<u>\$ (277,011)</u>
<u>INCREASE (DECREASE) IN NET ASSETS</u>	<u>\$ 21,178</u>	<u>\$ (84,633)</u>
Net Assets, Beginning of Year	<hr/>	<hr/>
	253,972	338,605
Net Assets, End of Year	<u>\$ 275,150</u>	<u>\$ 253,972</u>

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

THE PERTH AMBOY REDEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Developer - Net	\$ 500	\$ 407,650
Receipts from Fees and Deposits	146,426	72,038
Receipts from Rental Income	41,724	50,403
Sale of Property	245,000	
Payments to Suppliers	(202,563)	(125,549)
Salaries and Benefits	(13,190)	(175,620)
	<u>217,897</u>	<u>228,922</u>
<u>Net Cash Provided (Used) by Operating Activities</u>		
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Interest Paid on Notes	\$ (185,683)	\$ (204,630)
Payment of Notes	(3,800,000)	(3,800,000)
Proceeds from Issuance of Notes	3,700,000	3,800,000
Projects		(109,671)
Note Issuance Costs	(2,500)	
	<u>(288,183)</u>	<u>(314,301)</u>
<u>Net Cash Used by Capital and Related Financing Activities</u>		
<u>Cash Flows from Investing Activities:</u>		
Interest Received	\$ 862	\$ 1,026
Miscellaneous Receipts		36,520
	<u>862</u>	<u>37,546</u>
<u>Net Cash Provided by Investing Activities</u>		
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (69,424)	\$ (47,833)
Cash and Cash Equivalents, Beginning of Year	<u>504,968</u>	<u>552,801</u>
Cash and Cash Equivalents, End of Year	<u>\$ 435,544</u>	<u>\$ 504,968</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Net Income (Loss) From Operations	\$ 220,383	\$ 192,378
Add (Deduct) Changes in Non-Cash Working Capital:		
Accounts Receivable	235,159	(231,054)
Prepaid Expenses	14,353	(216)
Other Receivable	57,503	87,450
Accounts Payable	(124,635)	(77,317)
Accrued Sick and Vacation Payable	(1,161)	14,700
Deposits Payable	(183,705)	242,981
	<u>217,897</u>	<u>228,922</u>
<u>Net Cash Provided by Operating Activities</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, 2011 AND 2010

(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, 2011 AND 2010

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Operating revenue is derived from leases and developer fees.

Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business redevelopment. Non-operating revenues mainly consist of investment income and miscellaneous income. Non-operating expenses mainly consist of infrastructure improvements and debt service interest and debt-related fees.

Revenue

Revenue is derived from an operating lease and various fees to provide sufficient funds to cover operating expenses.

Restricted Assets

In accordance with the Note Resolution and supplemental resolutions, the Agency has established various cash and investment accounts with a trustee. In addition, the Note Resolution provides for certain restrictions on the use of funds in these accounts.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers investments with maturities of three months or less to be cash equivalents.

Accounts Receivable

The Agency considers all accounts receivable to be fully collectible. If amounts become uncollectible, they will be charged to operations when that determination is made.

Fixed Assets

Fixed assets are stated at cost. Depreciation is determined on a straight-line basis for all equipment and leasehold improvements and is provided for over an estimated useful life of five years.

Land

Land is stated at cost.

PERTH AMBOY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

(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, 2011 AND 2010

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Procedures (Continued)

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No Agency budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

Income Taxes

No provision for income taxes has been made as the Agency is exempt from Federal and State income taxes.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

The Agency permits employees to accrue unused sick and vacation pay, which may be taken at a later date as time off or paid at a later date at current rates of pay if the employee meets specific requirements. Payment at termination is governed by these specific requirements at current rates of pay. Employees may also carry forward their unused annual vacation time. This liability at June 30, 2011 and 2010 was \$81,404 and \$82,565, respectively.

PERTH AMBOY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

(3) CASH AND CASH EQUIVALENTS

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

	<u>2011</u>	<u>2010</u>
Cash – Unrestricted	<u>\$435,544</u>	<u>\$504,968</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, 2011, 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, 2011 and 2010 was \$41,724 and \$59,106.

(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, 2011, these deposits totaled \$303,831.

PERTH AMBOY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

(7) NOTES PAYABLE

At June 30, 2010, the Agency had outstanding \$3,800,000 in project notes. These notes matured in June 2011 and were reissued in the amount of \$3,700,000 and now mature in June 2012 and pay interest at 4.90%.

(8) RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Agency maintains commercial insurance coverage through the City covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Agency.

(9) LITIGATION AND CLAIMS

In the ordinary conduct of its business, the Agency may be a party to litigation. At June 30, 2011, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which could have a material adverse effect on the financial position of the Agency.

(10) SUBSEQUENT EVENTS

The Agency has evaluated subsequent events occurring after the financial statement date through February 17, 2012, which is the date the financial statements were available to be issued. Based on this evaluation, the Agency has determined that no subsequent events have occurred which require disclosure in the financial statements.

**SUPPLEMENTARY INFORMATION**

THE PERTH AMBOY REDEVELOPMENT AGENCY

SCHEDULE OF OPERATING REVENUES AND COSTS  
FUNDED BY OPERATING REVENUES COMPARED TO  
BUDGET FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE  
YEAR ENDED JUNE 30, 2010

	<u>2011</u> <u>BUDGET</u>	<u>2011</u> <u>ACTUAL</u>	<u>2010</u> <u>ACTUAL</u>
Revenues:			
Operating Revenues:			
Administrative Fees	\$ 150,000	\$ 64,140	\$ 72,038
Rental Income	49,890	41,724	59,106
Miscellaneous		60	36,520
	<u>199,890</u>	<u>105,924</u>	<u>167,664</u>
Total Operating Revenues	\$ <u>199,890</u>	\$ <u>105,924</u>	\$ <u>167,664</u>
Non-Operating Revenues:			
Developer Contributions	\$ -	\$ 500	\$ 300,000
Interest on Investments	1,000	862	1,026
Proceeds from Issuance of Notes		3,700,000	3,800,000
Sale of Property	4,100,000	270,000	-
	<u>4,101,000</u>	<u>3,971,362</u>	<u>4,101,026</u>
Total Non-Operating Revenues	\$ <u>4,101,000</u>	\$ <u>3,971,362</u>	\$ <u>4,101,026</u>
Total Anticipated Revenues	\$ <u><u>4,300,890</u></u>	\$ <u><u>4,077,286</u></u>	\$ <u><u>4,268,690</u></u>
Expenses:			
Salary and Benefits	\$ 175,000	\$ 27,542	\$ 190,534
Other Expenses	181,890	66,494	48,232
Wireless Project			109,671
	<u>356,890</u>	<u>94,036</u>	<u>348,437</u>
Total Operating Appropriations	\$ <u>356,890</u>	\$ <u>94,036</u>	\$ <u>348,437</u>
Non-Operating Appropriations:			
Principal on Notes	\$ 3,800,000	\$ 3,800,000	\$ 3,800,000
Interest Payments Notes	144,000	186,193	204,886
Note Issuance Costs	-	13,934	
	<u>3,944,000</u>	<u>4,000,127</u>	<u>4,004,886</u>
Total Non-Operating Appropriations	\$ <u>3,944,000</u>	\$ <u>4,000,127</u>	\$ <u>4,004,886</u>
TOTAL COSTS	\$ <u><u>4,300,890</u></u>	\$ <u><u>4,094,163</u></u>	\$ <u><u>4,353,323</u></u>

PERTH AMBOY REDEVELOPMENT AGENCY

ROSTER OF OFFICIALS

JUNE 30, 2011

<u>Name</u>	<u>Title</u>
Wilda Diaz	Chairwoman
Natasha James-Waldon	Vice Chairwoman
Kenneth Gonzalez, Councilman	Commissioner
Geraldine Bolanowski	Commissioner
Elaine Jasko	Commissioner
Allan Jacobs	Commissioner
Helga E. van Eckert	Executive Director and Secretary

PERTH AMBOY REDEVELOPMENT AGENCY

JUNE 30, 2011

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

