

Annual
Financial Report

of the

**Perth Amboy Redevelopment
Agency**

For the Years Ended June 30, 2014 and 2013

Prepared By

Perth Amboy Redevelopment Agency

Finance Department

PERTH AMBOY REDEVELOPMENT AGENCY

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Perth Amboy Redevelopment Agency, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

SUPLEE, CLOONEY & COMPANY

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Perth Amboy Redevelopment Agency, as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perth Amboy Redevelopment Agency's basic financial statements. The supplemental data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SUPLEE, CLOONEY & COMPANY

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of the Perth Amboy Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Perth Amboy Redevelopment Agency's internal control over financial reporting and compliance.

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December 12, 2014



SUPLEE, CLOONEY & COMPANY

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF BASIC 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, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Perth Amboy Redevelopment Agency as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Perth Amboy Redevelopment Agency' financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Perth Amboy Redevelopment Agency's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Perth Amboy Redevelopment Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Perth Amboy Redevelopment Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

SUPLEE, CLOONEY & COMPANY

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

December 12, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

PERTH AMBOY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 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, 2014 and 2013. 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 \$4.2 million and exceeded liabilities of \$3.9 million. Net position total \$352 thousand at June 30, 2014. Working capital balances are adequate to meet the operational needs of the Agency.

Operating revenue totaled \$223,000 versus \$47,000 in the prior fiscal year. Operating expenditures totaled \$133,000, which is a decrease from the prior year expenditures of \$38,000.

Cash of \$439 thousand increased \$182,000 from the prior year's total of \$257 thousand.

Notes payable of \$500 thousand is a decrease of \$1 million from prior year. Interest expense for the year was \$16,849.

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 Position; a Statement of Revenues, Expenses and Changes to Net Position; a Statement of Cash Flows; and notes to the financial statements.

The Statement of Net Position 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 position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position 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, 2014, Project Notes payable is \$500,000. \$1,000,000 was paid towards the principal balance on January 22, 2014.

Notes Payable – June 30, 2013	\$ 1,500,000
Notes Paid	(1,000,000)
Notes Issued	<u>-0-</u>
Notes Payable – June 30, 2014	<u>\$ 500,000</u>

These notes mature in January 2015 and pays interest at 2.00%.

The Agency and the City of Perth Amboy entered into an agreement to which the City of Perth Amboy will provide funds to pay these notes. These funds are considered advances to the Agency by the City of Perth Amboy and will be repaid by the Agency from its unrestrictive fund balance as its operations will permit. In January 2014, the City of Perth Amboy provided the Agency the sum of \$1,000,000, which was used to pay off the outstanding principal balance on these notes to \$500,000.

The agreed upon Debt Management Plan between the Agency and the City of Perth Amboy is as follows:

<u>Year</u>	<u>Payment Date</u>	<u>Agency Note Balance</u>	<u>Principal Payment</u>	<u>Note Balance</u>
2012	06/22/2012	\$ 3,700,000	\$ 500,000*	\$ 3,200,000
2013	01/22/2013	\$ 3,200,000	\$ 1,700,000*	\$ 1,500,000
2014	01/22/2014	\$ 1,500,000	\$ 500,000*	\$ 1,000,000
2015	01/22/2015	\$ 1,000,000	\$ 500,000*	\$ 500,000
2016	01/22/2016	\$ 500,000	\$ 500,000	
Total			\$ 3,700,000	

* Paid

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 Position

	June 30,			Variance	
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Dollars</u>	<u>%</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$ 439,427	\$ 257,089	214,811	\$ 182,338	70.9%
Accounts Receivable	53,181	196,098	231,200	(142,917)	-72.9%
Other Assets	<u>3,800,000</u>	<u>3,800,000</u>	<u>3,800,000</u>	<u>-</u>	<u>0.0%</u>
Total Assets	<u>\$ 4,292,608</u>	<u>\$ 4,253,187</u>	<u>4,246,011</u>	<u>\$ 39,421</u>	<u>0.9%</u>
<u>Liabilities</u>					
Current Liabilities	\$ 3,440,665	\$ 2,489,070	726,034	\$ 951,595	38.2%
Notes Payable	<u>500,000</u>	<u>1,500,000</u>	<u>3,200,000</u>	<u>(1,000,000)</u>	<u>-66.7%</u>
Total Liabilities	<u>\$ 3,940,665</u>	<u>\$ 3,989,070</u>	<u>3,926,034</u>	<u>\$ (48,405)</u>	<u>-1.2%</u>
<u>Net Position</u>					
Invested in Capital Assets	\$ 18,750	\$ 48,667	600,000	\$ (29,917)	-61.5%
Unreserved	<u>333,193</u>	<u>215,450</u>	<u>(280,023)</u>	<u>117,743</u>	<u>54.6%</u>
Total Net Position	<u>\$ 351,943</u>	<u>\$ 264,117</u>	<u>319,977</u>	<u>\$ 87,826</u>	<u>33.3%</u>
Total Liabilities and Net Position	<u>\$ 4,292,608</u>	<u>\$ 4,253,187</u>	<u>4,246,011</u>	<u>\$ 39,421</u>	<u>0.9%</u>

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

	June 30,			Variance	
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Dollars</u>	<u>%</u>
Operating Revenues	\$ 222,826	\$ 47,417	180,030	\$ 175,409	369.9%
Operating Expenses	<u>133,277</u>	<u>38,251</u>	<u>124,303</u>	<u>95,026</u>	<u>248.4%</u>
Operating Income (Loss)	\$ 89,549	\$ 9,166	55,727	\$ 80,383	877.0%
Non-Operating Revenues (Expenses)	<u>(1,723)</u>	<u>(65,026)</u>	<u>(10,900)</u>	<u>63,303</u>	<u>-97.4%</u>
Change in Net Position	<u>\$ 87,826</u>	<u>\$ (55,860)</u>	<u>44,827</u>	<u>\$ 143,686</u>	<u>-257.2%</u>
Net Position, Beginning of Year	<u>264,117</u>	<u>319,977</u>	<u>275,150</u>	<u>(55,860)</u>	<u>-17.5%</u>
Net Position, End of Year	<u>\$ 351,943</u>	<u>\$ 264,117</u>	<u>319,977</u>	<u>\$ 87,826</u>	<u>33.3%</u>

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BASIC FINANCIAL STATEMENTS

THE PERTH AMBOY REDEVELOPMENT AGENCY

STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 439,427	\$ 257,089
Accounts Receivable	53,181	196,098
	<u>492,608</u>	<u>453,187</u>
<u>TOTAL UNRESTRICTED ASSETS</u>	<u>\$ 492,608</u>	<u>\$ 453,187</u>
Other Assets:		
Land	\$ 3,800,000	\$ 3,800,000
	<u>3,800,000</u>	<u>3,800,000</u>
<u>TOTAL NON-CURRENT ASSETS</u>	<u>\$ 3,800,000</u>	<u>\$ 3,800,000</u>
	<u>\$ 4,292,608</u>	<u>\$ 4,253,187</u>
<u>TOTAL ASSETS</u>	<u>\$ 4,292,608</u>	<u>\$ 4,253,187</u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	\$ 29,330	\$ 38,322
Deposits Payable	130,085	186,347
	<u>159,415</u>	<u>224,669</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>\$ 159,415</u>	<u>\$ 224,669</u>
Current Liabilities Payable From Restricted Assets:		
Notes Payable	\$ 500,000	\$ 1,500,000
Accrued Interest Payable		13,068
Due to City of Perth Amboy	3,281,250	2,251,333
	<u>3,781,250</u>	<u>3,764,401</u>
<u>TOTAL RESTRICTED LIABILITIES</u>	<u>\$ 3,781,250</u>	<u>\$ 3,764,401</u>
	<u>\$ 3,940,665</u>	<u>\$ 3,989,070</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 3,940,665</u>	<u>\$ 3,989,070</u>
Net Position for:		
Invested in Capital Assets, Net of Related Liabilities	\$ 18,750	\$ 48,667
Unreserved (Deficit)	333,193	215,450
	<u>351,943</u>	<u>264,117</u>
<u>TOTAL NET POSITION</u>	<u>\$ 351,943</u>	<u>\$ 264,117</u>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 4,292,608</u>	<u>\$ 4,253,187</u>

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

THE PERTH AMBOY REDEVELOPMENT AGENCY

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenue:		
Administrative Fees	\$ 106,961	\$ 2,631
Sale of Land	61,000	
Rental Income	<u>54,865</u>	<u>44,786</u>
<u>TOTAL OPERATING REVENUE</u>	<u>\$ 222,826</u>	<u>\$ 47,417</u>
Operating Expenses:		
Operating Costs	178	69
Other Expenses	<u>133,099</u>	<u>38,182</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 133,277</u>	<u>\$ 38,251</u>
<u>OPERATING INCOME (LOSS)</u>	<u>\$ 89,549</u>	<u>\$ 9,166</u>
Non-Operating Revenue (Expense):		
Interest Income	\$ 261	\$ 188
Other Income	17,365	
Interest Expense	(16,849)	(62,714)
Note Issuance Costs	<u>(2,500)</u>	<u>(2,500)</u>
<u>TOTAL NON-OPERATING REVENUE (EXPENSE)</u>	<u>\$ (1,723)</u>	<u>\$ (65,026)</u>
<u>INCREASE (DECREASE) IN NET POSITION</u>	<u>\$ 87,826</u>	<u>\$ (55,860)</u>
Net Position, Beginning of Year	<u>264,117</u>	<u>319,977</u>
Net Position, End of Year	<u>\$ 351,943</u>	<u>\$ 264,117</u>

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

THE PERTH AMBOY REDEVELOPMENT AGENCYSTATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Fees and Deposits	\$ 210,978	\$ 40,139
Receipts from Sale of Land	61,000	
Receipts from Rental Income	54,865	54,287
Payments to Vendors	<u>(142,269)</u>	<u>(49,836)</u>
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 184,574</u>	<u>\$ 44,590</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Interest Paid on Notes	\$ (29,917)	\$ (51,333)
Payment of Notes	(1,500,000)	(3,200,000)
Proceeds from Issuance of Notes	500,000	1,500,000
Received from the City of Perth Amboy	1,029,917	1,751,333
Note Issuance Costs	<u>(2,500)</u>	<u>(2,500)</u>
<u>Net Cash Used by Capital and Related Financing Activities</u>	<u>\$ (2,500)</u>	<u>\$ (2,500)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Received	\$ 261	\$ 188
		3
<u>Net Cash Provided by Investing Activities</u>	<u>\$ 261</u>	<u>\$ 191</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 182,335	\$ 42,281
Cash and Cash Equivalents, Beginning of Year	<u>257,092</u>	<u>214,811</u>
Cash and Cash Equivalents, End of Year	<u>\$ 439,427</u>	<u>\$ 257,092</u>
<u>Reconciliation of Operating Income to Net Cash Provided</u> <u>by Operating Activities:</u>		
Net Income (Loss) From Operations	\$ 89,549	\$ 9,166
Add (Deduct) Changes in Non-Cash Working Capital:		
Accounts Receivable	160,279	35,102
Accrued Expenses		(11,817)
Accounts Payable	(8,992)	232
Deposits Payable	<u>(56,262)</u>	<u>11,907</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 184,574</u>	<u>\$ 44,590</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, 2014 AND 2013

(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, 2014 AND 2013

(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, 2014 AND 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets and liabilities and is 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 Position – 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 Position – 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 (6.71%) 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, 2014 AND 2013

(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.

PERTH AMBOY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(3) CASH AND CASH EQUIVALENTS

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

	<u>2014</u>	<u>2013</u>
Cash – Unrestricted	<u>\$439,427</u>	<u>\$257,089</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, 2014, based upon the coverage provided by FDIC and NJGUDPA, \$189,427 of the bank balance was exposed to custodial credit risk.

(4) LAND

The Agency had obtained from the City of Perth Amboy land (Block 93 Lot 103). This land was turned back over to the City in August 2014. 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, 2014 and 2013 was \$54,865 and \$44,786.

(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, 2014 and 2013, these deposits totaled \$130,085 and \$186,347.

PERTH AMBOY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(7) NOTES PAYABLE

At June 30, 2013, the Agency had outstanding \$1,500,000 in project notes. These notes matured in January 2014 and were reissued in the amount of \$500,000 and now mature in January 2015. The notes pay interest at 2.00%.

The Agency and the City of Perth Amboy entered into an agreement to which the City of Perth Amboy will provide funds to pay these notes. These funds are considered advances to the Agency by the City of Perth Amboy and will be repaid by the Agency from its unrestrictive fund balance as its operations will permit. In January 2014, the City of Perth Amboy provided the Agency the sum of \$1,000,000, which was used to reduce the outstanding principal balance on these notes to \$500,000 at June 30, 2014.

The agreed upon Debt Management Plan between the Agency and the City of Perth Amboy and the advances to be made by the City are as follows:

<u>Year</u>	<u>Payment Date</u>	<u>Agency Note Balance</u>	<u>Principal Payment</u>	<u>Note Balance</u>
2012	06/22/2012	\$ 3,700,000	\$ 500,000*	\$ 3,200,000
2013	01/22/2013	\$ 3,200,000	\$ 1,700,000*	\$ 1,500,000
2014	01/22/2014	\$ 1,500,000	\$ 500,000*	\$ 1,000,000
2015	01/22/2015	\$ 1,000,000	\$ 500,000*	\$ 500,000
2016	01/22/2016	\$ 500,000	\$ 500,000	
Total			\$ 3,700,000	

*Paid

(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.

(10) LITIGATION AND CLAIMS

In the ordinary conduct of its business, the Agency may be a party to litigation. At June 30, 2014, 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.

PERTH AMBOY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(11) SUBSEQUENT EVENTS

The Agency has evaluated subsequent events occurring after the financial statement date through December 12, 2014, 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.

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THE PERTH AMBOY REDEVELOPMENT AGENCY

SCHEDULE OF OPERATING REVENUES AND COSTS
 FUNDED BY OPERATING REVENUES COMPARED TO BUDGET
 FOR THE YEAR ENDED JUNE 30, 2014
 WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2013

	2014 <u>BUDGET</u>	2014 <u>ACTUAL</u>	2013 <u>ACTUAL</u>
Surplus	\$ -	\$ -	\$ -
Revenues:			
Operating Revenues:			
Administrative Fees	\$ 75,000	\$ 106,961	\$ 106,961
Rental Income	<u>50,000</u>	<u>54,865</u>	<u>54,865</u>
Total Operating Revenues	\$ <u>125,000</u>	\$ <u>161,826</u>	\$ <u>161,826</u>
Non-Operating Revenues:			
City of Perth Amboy Debt Service	\$ -	\$ 1,029,917	\$ 1,751,333
Interest on Investments	200	261	188
Proceeds from Issuance of Notes	<u>1,550,000</u>	<u> </u>	<u>1,500,000</u>
Total Non-Operating Revenues	\$ <u>1,550,200</u>	\$ <u>1,030,178</u>	\$ <u>3,251,521</u>
Total Anticipated Revenues	\$ <u><u>1,675,200</u></u>	\$ <u><u>1,192,004</u></u>	\$ <u><u>3,413,347</u></u>
Expenses:			
Other Expenses	<u>117,500</u>	<u>133,277</u>	<u>38,251</u>
Total Operating Appropriations	\$ <u>117,500</u>	\$ <u>133,277</u>	\$ <u>38,251</u>
Non-Operating Appropriations:			
Principal on Notes	\$ 1,500,000	\$ 1,000,000	\$ 3,200,000
Interest Payments Notes	30,000	29,917	51,333
Note Issuance Costs	<u>-</u>	<u>2,500</u>	<u>2,500</u>
Total Non-Operating Appropriations	\$ <u>1,530,000</u>	\$ <u>1,032,417</u>	\$ <u>3,253,833</u>
TOTAL COSTS	\$ <u><u>1,647,500</u></u>	\$ <u><u>1,165,694</u></u>	\$ <u><u>3,292,084</u></u>

SUPPLEMENTARY INFORMATION

PERTH AMBOY REDEVELOPMENT AGENCY

JUNE 30, 2014

GENERAL COMMENTS AND RECOMMENDATIONS

NONE



