

**SOUTH AMBOY REDEVELOPMENT AGENCY**

**(A component unit of the City of South Amboy)**

**REPORT OF AUDIT**

**FOR THE YEARS ENDED**

**JUNE 30, 2016 AND 2015**

**SOUTH AMBOY REDEVELOPMENT AGENCY**

**TABLE OF CONTENTS**

	<u>Page</u>
<b><u>Exhibit</u></b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis (MD&A)	3-6
<b><u>Basic Financial Statements</u></b>	
A Comparative Statements of Net Position as of June 30, 2016 and 2015	7-8
B Comparative Statements of Revenues, Expenses and Changes in Net Position for the Years Ended June 30, 2016 and 2015	9
C Comparative Statements of Cash Flows for the Years Ended June 30, 2016 and 2015	10-11
Notes to the Financial Statements	12-20
<b><u>Supplementary Schedule</u></b>	
1 Schedule of Revenues and Expenses Compared to Budget for the Year Ended June 30, 2016 – Budgetary Basis	21
<b><u>Government Auditing Standards</u></b>	
Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	22-23
<b><u>Roster of Officials as of June 30, 2016</u></b>	24
<b><u>Comments/Recommendations</u></b>	25
<b><u>Status of Prior Year's Audit Recommendations</u></b>	25
<b><u>Appreciation</u></b>	25



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

## INDEPENDENT AUDITOR'S REPORT

Honorable Chairperson and Members of the Board  
South Amboy Redevelopment Agency  
South Amboy, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of the South Amboy Redevelopment Agency, a component unit of the City of South Amboy, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the South Amboy Redevelopment 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Amboy Redevelopment Agency as of June 30, 2016 and 2015, and the respective changes in its financial position and its cash flows 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 and analysis identified in the table of contents 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 an opinion on the financial statements that collectively comprise the South Amboy Redevelopment Agency's basic financial statements as a whole. The supplementary schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedule listed in the table of contents is the responsibility of management and was derived from and relates 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 supplementary schedule listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2016 on our consideration of the South 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 South Amboy Redevelopment Agency's internal control over financial reporting and compliance.

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

Fair Lawn, New Jersey  
October 31, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)**

***SOUTH AMBOY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016***

This section of the South Amboy Redevelopment Agency's ("Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year ended on June 30, 2016. Please read it in conjunction with the Agency's basic financial statements and accompanying notes.

The purpose of the Agency is to carryout the redevelopment plans of the City of South Amboy.

**FINANCIAL HIGHLIGHTS**

- The Agency's assets exceeded its liabilities at June 30, 2016 by \$11,393,278.
- The Agency's total assets decreased from the prior year by \$1,795,721 (11%).
- Operating revenues decreased from 2015 by \$65,018 (12%).
- Operating expenses decreased from 2015 by \$1,523,494 (65%).
- Operating loss decreased from 2015 by \$1,458,476 (82%).

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Agency is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Enterprise fund financial statements offer short and long term financial information about the activities and operations of the Agency. These statements are presented in the Government Accounting Standards Board ("GASB") prescribed manner.

***SOUTH AMBOY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)***

**FINANCIAL ANALYSIS OF THE AGENCY**

*Net Position* – The following is a summary of the Agency's financial position as of June 30, 2016, 2015 and 2014:

<b><u>Assets:</u></b>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 2,252,490	\$ 3,758,073	\$ 637,909
Capital Assets	<u>12,799,949</u>	<u>13,090,087</u>	<u>18,385,835</u>
<b>Total Assets</b>	<u>15,052,439</u>	<u>16,848,160</u>	<u>19,023,744</u>
<b><u>Liabilities:</u></b>			
Current Liabilities	689,161	488,941	592,532
Non-Current Liabilities	<u>2,970,000</u>	<u>4,405,000</u>	<u>4,515,000</u>
<b>Total Liabilities</b>	<u>3,659,161</u>	<u>4,893,941</u>	<u>5,107,532</u>
<b><u>Net Position:</u></b>			
Net Investment in Capital Assets	9,744,949	8,575,087	13,765,835
Unrestricted	<u>1,648,329</u>	<u>3,379,132</u>	<u>150,377</u>
<b>Total Net Position</b>	<u>\$ 11,393,278</u>	<u>\$ 11,954,219</u>	<u>\$ 13,916,212</u>

The Agency's Net Position decreased \$560,941, or 5% in 2016. Net Investment in Capital Assets increased \$1,169,862 while Unrestricted Net Position decreased \$1,730,803.

*Capital Assets* – The following is a summary of capital assets net of depreciation as of June 30, 2016, 2015 and 2014.

<b><u>Capital Assets</u></b>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Buildings	\$ 10,009,747	\$ 10,299,885	\$ 10,590,023
Land	290,400	290,400	290,400
Property Held for Redevelopment	572,082	572,082	5,577,692
Construction in Progress	<u>1,927,720</u>	<u>1,927,720</u>	<u>1,927,720</u>
<b>Total Capital Assets, Net</b>	<u>\$ 12,799,949</u>	<u>\$ 13,090,087</u>	<u>\$ 18,385,835</u>

***SOUTH AMBOY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)***

**FINANCIAL ANALYSIS OF THE AGENCY (Continued)**

*Operating Activities* – The following table summarizes the revenues, expenses and changes in net position for the fiscal years ended June 30, 2016, 2015 and 2014:

<b>OPERATING REVENUES</b>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Municipal Contributions			\$ 200,300
Intergovernmental Grants		\$ 21,056	6,636
Redeveloper Fees and Contributions	\$ 323,648	380,144	270,078
Rent	173,592	161,058	137,592
Miscellaneous Fees	<u>-</u>	<u>-</u>	<u>685</u>
 Total Operating Revenues	 <u>497,240</u>	 <u>562,258</u>	 <u>615,291</u>
 <b>OPERATING EXPENSES</b>			
City of South Amboy - Interlocal Agreement	296,387	292,734	42,734
Other Expenses	225,642	547,179	101,749
Disposition of Property Held for Redevelopment	-	1,205,610	-
Depreciation	<u>290,138</u>	<u>290,138</u>	<u>290,138</u>
 Total Operating Expenses	 <u>812,167</u>	 <u>2,335,661</u>	 <u>434,621</u>
 <b>OPERATING INCOME (LOSS)</b>	 <u>(314,927)</u>	 <u>(1,773,403)</u>	 <u>180,670</u>
 <b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest Income	6,211	3,855	348
Interest Expenses	(172,185)	(192,445)	(196,882)
Costs of Issuance Expense	<u>(80,040)</u>	<u>-</u>	<u>-</u>
 Total Non-Operating Income (Expenses)	 <u>(246,014)</u>	 <u>(188,590)</u>	 <u>(196,534)</u>
 <b>CHANGE IN NET POSITION</b>	 <u>(560,941)</u>	 <u>(1,961,993)</u>	 <u>(15,864)</u>
 Total Net Position, Beginning of year	 <u>11,954,219</u>	 <u>13,916,212</u>	 <u>13,932,076</u>
 Total Net Position, End of year	 <u>\$ 11,393,278</u>	 <u>\$ 11,954,219</u>	 <u>\$ 13,916,212</u>

***SOUTH AMBOY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)***

**FINANCIAL ANALYSIS OF THE AGENCY (Continued)**

Operating revenues decreased \$65,018 or 12% in 2016 mainly as the result of a decrease in revenues from Redeveloper Fees and Contributions in the amount of \$56,496 in 2016.

Operating expenses decreased \$1,523,494 or 65% in 2016 mainly as a result of: i) a decrease in expenses related to the disposition of property held for redevelopment and ii) a decrease in expenses related to redeveloper projects.

**DEBT ADMINISTRATION**

*Capital Debt*

The Agency had the following outstanding capital debt at June 30, 2016, 2015 and 2014.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Debt</u></b>			
Revenue Bonds Payable	\$ <u>3,055,000</u>	\$ <u>4,515,000</u>	\$ <u>4,620,000</u>
<b>Total Debt</b>	\$ <u>3,055,000</u>	\$ <u>4,515,000</u>	\$ <u>4,620,000</u>

The decrease in Revenue Bonds Payable in 2016 is mainly the result a bond refunding that was completed in 2016. As part of the refunding, the Agency made an equity contribution to the payment of principal in the amount of \$1,350,000.

**OTHER FINANCIAL INFORMATION**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Agency has committed itself to financial excellence. Its system for financial planning, budgeting, and internal financial controls is audited annually and it plans to continue to manage its finances in order to meet the many challenges ahead.

The budget for the fiscal year ended June 30, 2017 was approved by the Division of Local Government Services and adopted by the Agency.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the City of South Amboy, New Jersey citizens and redevelopers with a general overview of the Agency's finances to demonstrate the South Amboy Redevelopment Agency's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the office of the Executive Director at 140 North Broadway, South Amboy, New Jersey 08879.

**FINANCIAL STATEMENTS**

**SOUTH AMBOY REDEVELOPMENT AGENCY  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 1,949,866	\$ 3,459,590
Prepaid Items	925	-
NJEDA Grants Receivable	<u>83,245</u>	<u>83,245</u>
Total Unrestricted Current Assets	<u>2,034,036</u>	<u>3,542,835</u>
Restricted Current Assets		
Redevelopers Escrow Account		
Cash and Cash Equivalents	211,867	215,238
Cost of Issuance Account		
Cash and Cash Equivalents	<u>6,587</u>	<u>-</u>
Total Restricted Current Assets	<u>218,454</u>	<u>215,238</u>
Total Current Assets	<u>2,252,490</u>	<u>3,758,073</u>
Noncurrent Assets		
Capital Assets		
Buildings	11,605,505	11,605,505
Land	290,400	290,400
Property Held for Redevelopment	572,082	572,082
Construction In Progress	1,927,720	1,927,720
Accumulated Depreciation	<u>(1,595,758)</u>	<u>(1,305,620)</u>
Total Noncurrent Assets	<u>12,799,949</u>	<u>13,090,087</u>
Total Assets	<u>15,052,439</u>	<u>16,848,160</u>

The Notes to the Financial Statements are an Integral Part of this Statement

**SOUTH AMBOY REDEVELOPMENT AGENCY  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>LIABILITIES</b>		
Current Liabilities Payable from Unrestricted Assets		
Accounts Payable	\$ 38,258	\$ 8,500
Due to City of South Amboy	250,000	-
Unearned Revenue	<u>83,245</u>	<u>83,245</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>371,503</u>	<u>91,745</u>
Current Liabilities Payable from Restricted Assets		
Revenue Bonds Payable	85,000	110,000
Accrued Interest on Bonds and Notes	20,791	71,958
Escrow Deposits Payable	<u>211,867</u>	<u>215,238</u>
Total Current Liabilities Payable from Restricted Assets	<u>317,658</u>	<u>397,196</u>
Total Current Liabilities	<u>689,161</u>	<u>488,941</u>
Non-Current Liabilities		
Revenue Bonds Payable	<u>2,970,000</u>	<u>4,405,000</u>
Total Non-Current Liabilities	<u>2,970,000</u>	<u>4,405,000</u>
Contingencies	<u>-</u>	<u>-</u>
Total Liabilities	<u>3,659,161</u>	<u>4,893,941</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	9,744,949	8,575,087
Unrestricted	<u>1,648,329</u>	<u>3,379,132</u>
Total Net Position	<u>\$ 11,393,278</u>	<u>\$ 11,954,219</u>

The Notes to the Financial Statements are an Integral Part of this Statement

**SOUTH AMBOY REDEVELOPMENT AGENCY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Intergovernmental Grants		
New Jersey Economic Development Authority (NJEDA)	\$ -	21,056
Redeveloper Fees and Contributions	323,648	380,144
Rent	<u>173,592</u>	<u>161,058</u>
 Total Operating Revenues	 <u>497,240</u>	 <u>562,258</u>
<b>OPERATING EXPENSES</b>		
City of South Amboy - Interlocal Agreement	296,387	292,734
Other Expenses	225,642	547,179
Disposition of Property Held for Redevelopment	-	1,205,610
Depreciation	<u>290,138</u>	<u>290,138</u>
 Total Operating Expenses	 <u>812,167</u>	 <u>2,335,661</u>
 <b>OPERATING LOSS</b>	 <u>(314,927)</u>	 <u>(1,773,403)</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>		
Interest Income	6,211	3,855
Interest Expense	(172,185)	(192,445)
Costs of Issuance Expense	<u>(80,040)</u>	<u>-</u>
 Total Non-Operating Income (Expenses)	 <u>(246,014)</u>	 <u>(188,590)</u>
 <b>CHANGE IN NET POSITION</b>	 <u>(560,941)</u>	 <u>(1,961,993)</u>
Total Net Position, Beginning of year	<u>11,954,219</u>	<u>13,916,212</u>
Total Net Position, End of year	<u>\$ 11,393,278</u>	<u>\$ 11,954,219</u>

The Notes to the Financial Statements are an Integral Part of this Statement

**SOUTH AMBOY REDEVELOPMENT AGENCY  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from NJEDA Grant	\$ -	\$ 3,300
Cash Received from Redevelopers	380,598	336,016
Cash Received from Rent	173,592	149,592
Cash Received from Sale of Property Held for Redevelopment	-	3,800,000
Cash Payments to City of South Amboy - Interlocal	(46,387)	(314,101)
Cash Payments to Suppliers for Goods and Services	(53,161)	(326,435)
Cash Payments to Suppliers for Escrow Projects	(143,648)	(222,144)
Cash Payments for Closed Escrow Accounts	<u>(60,321)</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>250,673</u>	<u>3,426,228</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from Issuance of Long-Term Debt	3,055,000	-
Principal Paid on Bonds	(4,515,000)	(105,000)
Interest Paid on Bonds	(223,352)	(194,119)
Payment of Debt Issuance Costs	<u>(80,040)</u>	<u>-</u>
Net Cash Used for Capital and Related Financing Activities	<u>(1,763,392)</u>	<u>(299,119)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Received	<u>6,211</u>	<u>3,855</u>
Net Cash Provided by Investing Activities	<u>6,211</u>	<u>3,855</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,506,508)	3,130,964
Cash and Cash Equivalents, Beginning of Year	<u>3,674,828</u>	<u>543,864</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,168,320</u>	<u>\$ 3,674,828</u>
<b>ANALYSIS OF BALANCE AT JUNE 30,</b>		
Unrestricted - Cash and Cash Equivalents	\$ 1,949,866	\$ 3,459,590
Restricted - Cash and Cash Equivalents	<u>218,454</u>	<u>215,238</u>
	<u>\$ 2,168,320</u>	<u>\$ 3,674,828</u>

The Notes to the Financial Statements are an Integral Part of this Statement

**SOUTH AMBOY REDEVELOPMENT AGENCY  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating Loss	\$ (314,927)	\$ (1,773,403)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	290,138	290,138
Decrease in Accounts Receivable	-	7,500
(Increase) in Prepaid Items	(925)	-
Decrease in NJEDA Grants Receivable	-	3,300
Decrease in Property Held for Redevelopment	-	5,005,610
(Decrease) in Escrow Deposits Payable	(3,371)	(51,628)
(Decrease) in Unearned Revenue	-	(32,522)
Increase (Decrease) in Accounts Payable	29,758	(1,400)
Increase (Decrease) in Due to City of South Amboy	<u>250,000</u>	<u>(21,367)</u>
Total Adjustments	<u>565,600</u>	<u>5,199,631</u>
Net Cash Provided by Operating Activities	<u>\$ 250,673</u>	<u>\$ 3,426,228</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Reporting Entity and Activities**

The South Amboy Redevelopment Agency was established by an Ordinance enacted by the governing body of the City of South Amboy to improve and redevelop areas in the City of South Amboy, Middlesex County, New Jersey.

The Agency has been vested with all powers and privileges conferred upon Redevelopment Agencies by the Laws of the State of New Jersey and by the United States of America, including the power and authority to participate in any state or federal program for the clearance, replanning, development and redevelopment of a blighted area after same has been determined as such and a Redevelopment Plan is approved by ordinances of the City of South Amboy. Such powers shall include the ability to enter into all rights and duties necessary or appropriate to accomplish its established objectives and to participate in any relevant program available to it under applicable laws.

The agency is governed by a Board of Commissioners consisting of seven members, who are appointed by the Governing Body of the City of South Amboy. The Board of Commissioners determines policy actions, approves resolutions and is responsible for the overall operation of the Agency.

The South Amboy Redevelopment Agency includes in its financial statements the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose its will on the component unit, or b) the possibility that the component unit will provide a financial benefit or to impose a financial burden on the primary government. There were no component units with a positive response to any of these reporting criteria. Furthermore, the Agency would be includable as a component unit of the City of South Amboy on the basis of such criteria.

**B. New Accounting Standards**

During fiscal years 2016 and 2015, the Authority implemented the following GASB statements:

- GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.
- GASB 72, *Fair Value Measurement and Application*, will be effective beginning with the fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective beginning with the fiscal year ending June 30, 2016. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Agency are organized and operated on the basis of funds. The agency maintains an Enterprise Fund to account for its operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal and contractual provisions. A description of the Agency's fund type it maintains to account for its financial transactions is as follows:

*Proprietary Fund Types* – This fund type accounts for operations that are organized to be self-supporting and includes Enterprise Funds.

An enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the entity has decided that the periodic determination of revenues earned, costs incurred and/or net income is appropriate for management accountability purposes.

The Agency's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of operations and services, administrative expenses and depreciation on capital assets. The Agency considers transactions pertaining to property held for redevelopment to be operating revenues and expenses since these transactions are connected with its principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. **Use of Estimates** – The preparation of financial statements requires management of the Agency 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 expenses during the reporting period. Accordingly, actual results could differ from those estimates.
2. **Reclassifications** – Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

**D. Assets, Liabilities and Net Position**

1. **Cash, Cash Equivalents and Investments** – The Agency considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are stated at fair value and are limited by N.J.S.A. 40A:5-15.1.
2. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expense when consumed rather than when purchased.
3. **Restricted Assets** – Certain assets are classified restricted because they are maintained in separate bank accounts and/or their use is limited as the result of certain agreements entered into between the Agency and third parties.

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

**D. Assets, Liabilities and Net Position (Continued)**

4. **Capital Assets** – Property held for redevelopment is recorded at cost or, if donated or contributed, is stated at the estimated fair market value on the date of receipt by the Agency. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are expensed.

Construction costs are charged to construction in progress until such time as they are completed and certified by the Agency's consulting engineers, at which time they are transferred to their respective asset category and are then depreciated over their useful lives. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets construction. The total interest expense incurred by the Agency during the years ended June 30, 2016 and 2015 was \$172,185 and \$192,445, respectively. Of these amounts, none were included as part of the cost of capital assets under construction for those years.

All capital assets are depreciated on the straight-line method based on their asset class and estimated useful lives as follows:

<u>Class</u>	<u>Life</u>
Buildings and Building Improvements	20-40 Years

5. **Escrow Deposits Payable** – Certain monies held by the Agency or third parties on behalf of the Agency in conjunction with a specific project or purpose are reported as project deposits.
6. **Unearned Revenue** – Grant funds and related program income, redeveloper and developer fees received, but not earned at year end, are reported as unearned revenue. Additionally, deposits received from purchases of Agency or City assets whereby contract requirements are not satisfied as of the date of audit are considered unearned revenue.
7. **Net Position** – In the statement of net position, there are two classes of net position:
- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.
  - **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

**E. Establishment of Funds**

Under the original Bond Resolution pertaining to the 2008 Lease Revenue Bonds, the following funds are required to be created and held by the Agency's Trustee:

- A) Construction Fund (Restricted)
- B) Revenue Fund (Restricted)
- C) Operating Fund (Unrestricted)
- D) Bond Service Fund (Restricted)
- E) Sinking Fund (Restricted)
- F) Bond Reserve Fund (Restricted)
- G) Operating Reserve Fund (Restricted)
- H) Rebate Fund (Restricted)
- I) Renewal and Replacement Fund (Restricted)
- J) General Fund (Restricted)

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

**E. Establishment of Funds (Continued)**

Each of the above funds represents separate accounts held by a trustee, except for the Operating Accounts which are held by the Agency.

Only those funds and accounts that are presently required by the Trustee are described herein.

*Construction Fund* - To account for all financial resources received by the Agency for the payment of costs related to the construction, acquisition or restoration of the systems. All moneys that are on deposit in the Construction Account are pledged to secure the payment of the principal of, redemption premium, if any, and the interest on the Bonds.

*Revenue Fund* - To account for all revenues and deficiency advances received by the Agency. All revenues and deficiency advances deposited into the Revenue Fund are transferred by the Trustee on the transfer dates as defined by the Bond Resolution to the following funds described below.

*Operating Fund* - To account for the payment of all operating costs of the Agency.

*Bond Service Fund* - To account for the accumulation of resources for the payment of principal and interest due during the current fiscal year on outstanding bonds.

*Sinking Fund* - To account for the accumulation of resources required to pay principal on all term bonds in accordance with the Sinking Fund requirements. This fund is included in the Revenue Bond Service Accounts on the statement of net position.

*Bond Reserve Fund* - To account for funds held in accordance with the Bond Resolution to meet the Bond Reserve requirement, an amount which is equal to the maximum annual debt service on outstanding bonds.

*Operating Reserve Fund* - To account for funds needed if the Bond Service Fund has a deficiency.

*Rebate Fund* - To account for rebatable arbitrage relating to the Agency's bonds.

*Renewal and Replacement Fund* - To account for the accumulation of resources to meet the renewal and replacement reserve requirement, as certified by the Agency's consulting engineers, in accordance with the Bond Resolution. The Trustee can withdraw from this fund, upon a certification of the consulting engineers, for the use of reasonable and necessary expenses of the Agency with respect to major repairs, renewals, replacements, maintenance items, equipment or operating expenses.

*General Fund* - To account for the accumulation of resources resulting from excess monies which are not required to be maintained in any of the above funds. Withdrawals from this Fund are permitted for the funding of any deficit which may occur in the above funds, payments to the City under the revenue sharing percentage or to the Agency for any lawful purpose.

**F. Revenue Recognition**

City budget appropriations are recognized as operating revenue when they become available as appropriations in the City's budget. Grants received are recognized as revenue when the resources are expended for the purpose specified in the grant agreement. Grant funds received and the related program income not yet expended are reported as unearned revenue.

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

**G. Supplementary Schedules**

The supplementary schedule presented is required by the "New Jersey Authority Accounting Principles and Auditing Standards Manual".

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Accounting**

The Agency annually prepares an operating budget. The budget is prepared in accordance with the Budget Manual for Local Public Authorities as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America. The budget serves as a plan for expenses and the proposed means for financing them. Budgetary control is exercised within the respective system. Unexpended appropriations lapse at year end.

The annual budget is required to be approved at least sixty days prior to the beginning of the fiscal year. The budget must be approved by the Agency and submitted to the Division of Local Government Services, Bureau of Authority regulation for approval prior to adoption. The budget adoption and amendments are recorded in the Agency's minutes.

A six year capital budget is also required to be prepared. Included within the budget are individual projects along with their estimated cost, completion date and source of funding.

The encumbrance method of accounting is utilized by the Agency for budgetary purposes. Under this method purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve a portion of the applicable budget appropriation.

In accordance with accounting principles generally accepted in the United States of America, outstanding encumbrances at year-end for which goods or services are received, are classified to expenses and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either cancelled or are included as reappropriations of fund equity for the subsequent year. Encumbrances at year-end in funds that are budgeted on a project basis automatically carry forward along with their related appropriations and are not subject to annual cancellations and reappropriations.

**NOTE 3 DEPOSITS AND INVESTMENTS**

**Cash Deposits** – The Agency's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Agency is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protect 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 lessor of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2016 and 2015, the book value of the Agency's deposits were \$2,168,320 and \$3,674,828, respectively, and the bank balance of the Agency's cash and deposits amounted to \$2,177,600 and \$3,677,350, respectively.

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

The Agency's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2016</u>	<u>2015</u>
Insured		
Unrestricted	\$1,959,146	\$3,462,090
Restricted	<u>218,454</u>	<u>215,260</u>
	<u>\$2,177,600</u>	<u>\$3,677,350</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 Agency does not have a formal policy for custodial credit risk. As of June 30, 2016 and 2015, none of the Agency's bank balances were exposed to custodial credit risk.

Investments – The Agency is permitted to invest unrestricted operating funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Agency or bonds or other obligations of the school districts which are part of the Agency or school districts located within the Agency, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 40A:5-15.1 (8a-8e). As of June 30, 2016 and 2015 the Agency has no outstanding investments.

**NOTE 4 CAPITAL ASSETS**

Capital assets activity for the years ended June 30, 2016 and 2015 are as follows:

	Balance July 1, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2016</u>
Capital assets, not being depreciated:				
Property Held for Redevelopment	\$ 572,082			\$ 572,082
Land	290,400			290,400
Construction in Progress	<u>1,927,720</u>	<u>-</u>	<u>-</u>	<u>1,927,720</u>
Total capital assets, not being depreciated	<u>2,790,202</u>	<u>-</u>	<u>-</u>	<u>2,790,202</u>
Capital assets, being depreciated:				
Buildings	<u>11,605,505</u>	<u>-</u>	<u>-</u>	<u>11,605,505</u>
Total capital assets, being depreciated	<u>11,605,505</u>	<u>-</u>	<u>-</u>	<u>11,605,505</u>
Less accumulated depreciation for:				
Buildings	<u>(1,305,620)</u>	<u>(290,138)</u>	<u>-</u>	<u>(1,595,758)</u>
Total capital assets, not being depreciated	<u>(1,305,620)</u>	<u>(290,138)</u>	<u>-</u>	<u>(1,595,758)</u>
Total capital assets, being depreciated, net	<u>10,299,885</u>	<u>(290,138)</u>	<u>-</u>	<u>10,009,747</u>
Total capital assets, net	<u>\$ 13,090,087</u>	<u>\$ (290,138)</u>	<u>\$ -</u>	<u>\$ 12,799,949</u>

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 4 CAPITAL ASSETS (Continued)**

	Balance July 1, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2015</u>
Capital assets, not being depreciated:				
Property Held for Redevelopment	\$ 5,577,692		\$ (5,005,610)	\$ 572,082
Land	290,400			290,400
Construction in Progress	<u>1,927,720</u>	<u>-</u>	<u>-</u>	<u>1,927,720</u>
Total capital assets, not being depreciated	<u>7,795,812</u>	<u>-</u>	<u>(5,005,610)</u>	<u>2,790,202</u>
Capital assets, being depreciated:				
Buildings	<u>11,605,505</u>	<u>-</u>	<u>-</u>	<u>11,605,505</u>
Total capital assets, being depreciated	<u>11,605,505</u>	<u>-</u>	<u>-</u>	<u>11,605,505</u>
Less accumulated depreciation for:				
Buildings	<u>(1,015,482)</u>	<u>(290,138)</u>	<u>-</u>	<u>(1,305,620)</u>
Total capital assets, not being depreciated	<u>(1,015,482)</u>	<u>(290,138)</u>	<u>-</u>	<u>(1,305,620)</u>
Total capital assets, being depreciated, net	<u>10,590,023</u>	<u>(290,138)</u>	<u>-</u>	<u>10,299,885</u>
Total capital assets, net	<u>\$ 18,385,835</u>	<u>\$ (290,138)</u>	<u>\$ (5,005,610)</u>	<u>\$ 13,090,087</u>

**NOTE 5 LONG-TERM LIABILITIES**

On August 15, 2008, 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 for the years 2010 through 2038.

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

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 5 LONG-TERM LIABILITIES (Continued)**

The Agency's schedule of principal and interest requirements for long-term debt issued and outstanding as of June 30, 2016 is as follows:

Year Ending <u>June 30,</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 85,000	\$ 86,132	\$ 171,132
2018	70,000	102,725	172,725
2019	70,000	100,275	170,275
2020	75,000	97,737	172,737
2021	80,000	95,025	175,025
2022-2026	535,000	424,288	959,288
2027-2031	765,000	309,137	1,074,137
2032-2036	815,000	171,588	986,588
2037-2039	560,000	29,925	589,925
	<u>\$ 3,055,000</u>	<u>\$ 1,416,832</u>	<u>\$ 4,471,832</u>

The Agency's long-term liability activity for the years ended June 30, 2016 and 2015 are as follows:

<u>2016</u>	Balance, June 30, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2016</u>	<u>Due Within One Year</u>
	Revenue Bonds	\$ 4,515,000	\$ 3,055,000	\$ (4,515,000)	\$ 3,055,000
Total Bonds Payable	<u>\$ 4,515,000</u>	<u>\$ 3,055,000</u>	<u>\$ (4,515,000)</u>	<u>\$ 3,055,000</u>	<u>\$ 85,000</u>
<u>2015</u>	Balance, June 30, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2015</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 4,620,000	\$ -	\$ (105,000)	\$ 4,515,000	\$ 110,000
Total Bonds Payable	<u>\$ 4,620,000</u>	<u>\$ -</u>	<u>\$ (105,000)</u>	<u>\$ 4,515,000</u>	<u>\$ 110,000</u>

**NOTE 6 RISK MANAGEMENT**

The Agency is exposed to various risks of loss related to general liability, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is included in the City of South Amboy's insurance policy to guard against these events which are intended to provide minimum exposure to the Agency should they occur.

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 7 CITY OF SOUTH AMBOY DEBT GUARANTEE**

In conjunction with the issuance of the 2008 Revenue Bonds, the City and the Agency entered into a subsidy agreement dated February 15, 2007 ("2007 Subsidy Agreement"). 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 and/or the 2016 Revenue Bonds to the extent such funds are not otherwise available from the Agency. The City has not made any payments under this debt guarantee for the years ended June 30, 2016 and 2015.

**NOTE 8 RELATED PARTY TRANSACTIONS**

On September 20, 2000 the Governing Body of the City of South Amboy adopted a bond ordinance appropriating and authorizing bonds or notes for \$1,500,000 for the South Amboy Regional Intermodal Transportation Improvements as part of the Redevelopment Plan. The purpose of this appropriation is to provide a portion of the cost of Transportation Improvements and meet grant in aid requirements in conjunction with a 'TEA' 21 grant awarded to the City in the approximate amount of \$15,500,000 from the United States Government. As of June 30, 2016, all of the City ordinance proceeds have been transferred to the Agency and expended. These payments have been capitalized by the Agency as construction in progress.

**NOTE 9 INTERLOCAL AGREEMENT**

The Agency has entered into an interlocal agreement with the City of South Amboy whereby the Agency will reimburse the City of South Amboy for certain costs on an ongoing basis. During the years ended June 30, 2016 and 2015, the Agency was required to reimburse the City \$296,387 and \$292,734, respectively.

**NOTE 10 CONTINGENCIES**

*Contingent Liabilities:* The Agency acknowledges that professional fees have been incurred by certain developers pertaining to certain redevelopment projects within the City of South Amboy totaling approximately \$149,000 and \$195,000 for the years ended June 30, 2016 and 2015, respectively. These liabilities have not been paid or recorded in the financial statements as of and for the years ended June 30, 2016 and 2015 since management and governance of the Agency have represented that the Agency intends on seeking reimbursement from the respective developers for the payment of said professional fees.

*Litigation:* On January 18, 2013, Genon Rema, LLC and NRG Energy, Inc. ("GenOn") instituted a civil action against the Agency and the City of South Amboy to declare the December 7, 2012 Redevelopment Agreement between the Agency and GenOn void and unenforceable. GenOn also sought reimbursement for legal fees and costs incurred. The Agency and City asserted counterclaims to enforce the Redevelopment Agreement and for damages and legal fees incurred. The case was settled in September, 2015 resulting in a payment due to the Agency from GenOn of \$100,000 to cover the Agency's legal fees and GenOn deeding two acres of land to the Agency. As of the date of this report, Genon Rema has not paid the \$100,000 due under the settlement agreement. In addition, the two acres of land due to the Agency has not been transferred due to a mechanics lien on the property.

**NOTE 11 FEDERAL ARBITRAGE REGULATIONS**

The Agency 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 June 30, 2016 and 2015, the Agency had not estimated arbitrage earnings due to the IRS, if any.

**SUPPLEMENTARY SCHEDULE**

**SOUTH AMBOY REDEVELOPMENT AGENCY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Fiscal Year Ended June 30, 2015)

	2016 <u>Budget</u>	2016 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2015 <u>Actual</u>
<b>OPERATING REVENUES</b>				
Redevelopers Fees	\$ 180,000	\$ 180,000	\$ -	\$ 158,000
Miscellaneous Fees	173,592	173,592	-	161,058
Total Operating Revenues	<u>353,592</u>	<u>353,592</u>	<u>-</u>	<u>319,058</u>
<b>NON-OPERATING REVENUES</b>				
Interest	100	6,211	6,111	3,855
Total Non-Operating Revenues	<u>100</u>	<u>6,211</u>	<u>6,111</u>	<u>3,855</u>
UNRESTRICTED NET POSITION UTILIZED	<u>304,292</u>	<u>304,292</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<b><u>657,984</u></b>	<b><u>664,095</u></b>	<b><u>6,111</u></b>	<b><u>322,913</u></b>
<b>OPERATING APPROPRIATIONS</b>				
Administration:				
City of South Amboy - Interlocal Agreement	42,734	46,387	(3,653)	
Other Expenses	51,100	44,168	6,932	39,174
Total Administration	<u>93,834</u>	<u>90,555</u>	<u>3,279</u>	<u>39,174</u>
Cost of Providing Services				
City of South Amboy - Interlocal Agreement	250,000	250,000	-	292,734
Other Expenses	14,600	37,826	(23,226)	12,979
Total Cost of Providing Services	<u>264,600</u>	<u>287,826</u>	<u>(23,226)</u>	<u>305,713</u>
<b>NON-OPERATING APPROPRIATIONS</b>				
Principal Payments on Debt	110,000	110,000	-	105,000
Interest Payments on Debt	189,550	223,352	(33,802)	194,119
Total Non-Operating Appropriations	<u>299,550</u>	<u>333,352</u>	<u>(33,802)</u>	<u>299,119</u>
<b>Total Appropriations</b>	<b><u>657,984</u></b>	<b><u>711,733</u></b>	<b><u>(53,749)</u></b>	<b><u>644,006</u></b>
<b>Budgetary Basis Income (Loss)</b>	<b><u>\$ -</u></b>	<b><u>(47,638)</u></b>	<b><u>\$ (47,638)</u></b>	<b><u>(321,093)</u></b>

**Reconciliation to GAAP Basis:**

## Increases to Budget Income (Loss):

Bond Principal Paid	110,000	105,000
Accrued Interest Payable	51,167	1,674
Redeveloper Contributions	143,648	222,144
Intergovernmental Grants - NJEDA	-	21,056

## Decreases to Budget Income (Loss):

Disposition of Property Held for Redevelopment	-	(1,205,610)
Redeveloper Escrow Project Expenses	(143,648)	(473,970)
Intergovernmental Grants - NJEDA	-	(21,056)
Cost of Issuance Expense	(80,040)	-
Depreciation Expense	(290,138)	(290,138)
Unrestricted Net Position Utilized	<u>(304,292)</u>	<u>-</u>

**Change in Net Position**

<b><u>\$ (560,941)</u></b>	<b><u>\$ (1,961,993)</u></b>
----------------------------	------------------------------

**GOVERNMENT AUDITING STANDARDS REPORT**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

**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**

**INDEPENDENT AUDITOR'S REPORT**

Honorable Chairperson and Members of the Board  
South Amboy Redevelopment Agency  
South Amboy, New Jersey

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 South Amboy Redevelopment Agency, as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents which collectively comprise the South Amboy Redevelopment Agency's basic financial statements, and have issued our report thereon dated October 31, 2016.

**Internal Control over Financial Reporting**

Management of the South Amboy Redevelopment Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the South Amboy Redevelopment Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 South Amboy Redevelopment Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the South 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.

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.

17-17 ROUTE 208 • FAIR LAWN, NJ 07410 • TELEPHONE (201) 791-7100 • FACSIMILE (201) 791-3035

WWW.LVHCPA.COM

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South 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.

However, we noted a certain other matter that are not required to be reported under Government Auditing Standards that we have reported to management of the South Amboy Redevelopment Agency in the Section of our report entitled "Comments/Recommendations".

## 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 South Amboy Redevelopment Agency'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 South Amboy Redevelopment Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

Fair Lawn, New Jersey  
October 31, 2016

**ROSTER OF OFFICIALS**  
**AND**  
**GENERAL COMMENTS AND RECOMMENDATIONS**

**ROSTER OF OFFICIALS**

**JUNE 30, 2016**

Commissioners

Kevin F. Meszaros	Chairperson
Benjamin Block	Vice-Chairperson
Zusette Dato	Member
Camille Tooker	Member
John F. O'Connell	Member
Tony Gonsalves	Member
Fred Henry	Mayor

Agency Executive Staff

Eric Chubenko	Executive Director
Angel Albanese	Treasurer

## COMMENTS/RECOMMENDATIONS

### General Comments

The audit revealed that the Agency's Board of Commissioners did not approve the January, 2016 Bills List. No recommendation is warranted since this is considered an isolated instance and the total of the 3 checks is immaterial.

### Recommendations

There are none.

### Status of Prior Year's Audit Comments and Recommendations

There were none.

### Appreciation

We desire to express our appreciation of the assistance of the Executive Director, Chief Financial Officer and Agency staff during the course of our audit.

Respectfully submitted,



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