

**SOUTH AMBOY REDEVELOPMENT AGENCY**

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

**REPORT OF AUDIT**

**FOR THE FISCAL YEARS ENDED**

**JUNE 30, 2018 AND 2017**

**SOUTH AMBOY REDEVELOPMENT AGENCY**

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## 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 fiscal years ended June 30, 2018 and 2017, 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, 2018 and 2017, and the respective changes in its financial position and its cash flows for the fiscal 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 12, 2018 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 12, 2018

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



***SOUTH AMBOY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2018***

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, 2018. 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, 2018 by \$10,812,348.
- The Agency's total assets decreased from the prior year by \$403,002 (3%).
- Operating revenues decreased from 2017 by \$38,759 (12%).
- Operating expenses decreased from 2017 by \$106,199 (19%).
- Operating loss decreased from 2017 by \$67,440 (30%).

**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  
FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)***

**FINANCIAL ANALYSIS OF THE AGENCY**

*Net Position* – The following is a summary of the Agency's financial position as of June 30, 2018, 2017 and 2016:

<b><u>Assets:</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Current and Other Assets	\$ 1,774,842	\$ 1,887,706	\$ 2,252,490
Capital Assets	<u>12,219,674</u>	<u>12,509,812</u>	<u>12,799,949</u>
<b>Total Assets</b>	<b><u>13,994,516</u></b>	<b><u>14,397,518</u></b>	<b><u>15,052,439</u></b>
<b><u>Liabilities:</u></b>			
Current Liabilities	352,168	431,651	689,161
Non-Current Liabilities	<u>2,830,000</u>	<u>2,900,000</u>	<u>2,970,000</u>
<b>Total Liabilities</b>	<b><u>3,182,168</u></b>	<b><u>3,331,651</u></b>	<b><u>3,659,161</u></b>
<b><u>Net Position:</u></b>			
Net Investment in Capital Assets	9,326,286	9,546,411	9,751,536
Unrestricted	<u>1,486,062</u>	<u>1,519,456</u>	<u>1,641,742</u>
<b>Total Net Position</b>	<b><u>\$ 10,812,348</u></b>	<b><u>\$ 11,065,867</u></b>	<b><u>\$ 11,393,278</u></b>

The Agency's Total Net Position decreased \$253,519 or 2% in 2018. Net Investment in Capital Assets and Unrestricted Net Position decreased \$220,125 and \$33,394, respectively.

*Capital Assets* – The following is a summary of capital assets net of depreciation as of June 30, 2018, 2017 and 2016.

<b><u>Capital Assets</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Buildings	\$ 9,429,472	\$ 9,719,610	\$ 10,009,747
Land	290,400	290,400	290,400
Property Held for Redevelopment	572,082	572,082	572,082
Construction in Progress	<u>1,927,720</u>	<u>1,927,720</u>	<u>1,927,720</u>
<b>Total Capital Assets, Net</b>	<b><u>\$ 12,219,674</u></b>	<b><u>\$ 12,509,812</u></b>	<b><u>\$ 12,799,949</u></b>

***SOUTH AMBOY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2018  
(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, 2018, 2017 and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>			
Redeveloper Fees and Contributions	\$ 109,181	\$ 147,940	\$ 323,648
Rent	<u>173,592</u>	<u>173,592</u>	<u>173,592</u>
Total Operating Revenues	<u>282,773</u>	<u>321,532</u>	<u>497,240</u>
<b>OPERATING EXPENSES</b>			
City of South Amboy - Interlocal Agreement	44,882	43,883	296,387
Other Expenses	107,018	214,217	225,642
Depreciation	<u>290,138</u>	<u>290,137</u>	<u>290,138</u>
Total Operating Expenses	<u>442,038</u>	<u>548,237</u>	<u>812,167</u>
<b>OPERATING LOSS</b>	<u>(159,265)</u>	<u>(226,705)</u>	<u>(314,927)</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest Income	7,552	3,616	6,211
Interest Expenses	(101,806)	(104,322)	(172,185)
Costs of Issuance Expenses	<u>-</u>	<u>-</u>	<u>(80,040)</u>
Total Non-Operating Income (Expenses)	<u>(94,254)</u>	<u>(100,706)</u>	<u>(246,014)</u>
<b>CHANGE IN NET POSITION</b>	<u>(253,519)</u>	<u>(327,411)</u>	<u>(560,941)</u>
Total Net Position, Beginning of year	<u>11,065,867</u>	<u>11,393,278</u>	<u>11,954,219</u>
Total Net Position, End of year	<u>\$ 10,812,348</u>	<u>\$ 11,065,867</u>	<u>\$ 11,393,278</u>



***SOUTH AMBOY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)***

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

Operating revenues decreased \$38,759 or 12% in 2018 as the result of a decrease in revenues from Redeveloper Fees and Contributions.

Operating expenses decreased \$106,199 or 19% in 2018 mainly as the result of a decrease in expenses related to redevelopment projects.

**DEBT ADMINISTRATION**

**Capital Debt**

The Agency had the following outstanding capital debt at June 30, 2018, 2017 and 2016.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b><u>Debt</u></b>			
Revenue Bonds Payable	<u>\$ 2,900,000</u>	<u>\$ 2,970,000</u>	<u>\$ 3,055,000</u>
<b>Total Debt</b>	<u><u>\$ 2,900,000</u></u>	<u><u>\$ 2,970,000</u></u>	<u><u>\$ 3,055,000</u></u>

**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, 2019 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  
COMPARATIVE STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 1,494,026	\$ 1,602,734
Accounts Receivable	40,000	-
Prepaid Items	-	575
NJEDA Grants Receivable	<u>83,245</u>	<u>83,245</u>
Total Unrestricted Current Assets	<u>1,617,271</u>	<u>1,686,554</u>
Restricted Current Assets		
Redevelopers Escrow Account		
Cash and Cash Equivalents	150,959	194,553
Cost of Issuance Account		
Cash and Cash Equivalents	<u>6,612</u>	<u>6,599</u>
Total Restricted Current Assets	<u>157,571</u>	<u>201,152</u>
Total Current Assets	<u>1,774,842</u>	<u>1,887,706</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>(2,176,033)</u>	<u>(1,885,895)</u>
Total Noncurrent Assets	<u>12,219,674</u>	<u>12,509,812</u>
Total Assets	<u>13,994,516</u>	<u>14,397,518</u>

**SOUTH AMBOY REDEVELOPMENT AGENCY  
COMPARATIVE STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES</b>		
Current Liabilities Payable from Unrestricted Assets		
Accounts Payable	\$ 9,902	\$ 44,872
Accrued Interest on Bonds	38,062	38,981
Unearned Revenue	<u>83,245</u>	<u>83,245</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>131,209</u>	<u>167,098</u>
Current Liabilities Payable from Restricted Assets		
Revenue Bonds Payable	70,000	70,000
Escrow Deposits Payable	<u>150,959</u>	<u>194,553</u>
Total Current Liabilities Payable from Restricted Assets	<u>220,959</u>	<u>264,553</u>
Total Current Liabilities	<u>352,168</u>	<u>431,651</u>
Non-Current Liabilities		
Revenue Bonds Payable	<u>2,830,000</u>	<u>2,900,000</u>
Total Non-Current Liabilities	<u>2,830,000</u>	<u>2,900,000</u>
Contingencies	<u>-</u>	<u>-</u>
Total Liabilities	<u>3,182,168</u>	<u>3,331,651</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	9,326,286	9,546,411
Unrestricted	<u>1,486,062</u>	<u>1,519,456</u>
Total Net Position	<u>\$ 10,812,348</u>	<u>\$ 11,065,867</u>

**SOUTH AMBOY REDEVELOPMENT AGENCY  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUES</b>		
Redeveloper Fees and Contributions	\$ 109,181	\$ 147,940
Rent	<u>173,592</u>	<u>173,592</u>
 Total Operating Revenues	 <u>282,773</u>	 <u>321,532</u>
<b>OPERATING EXPENSES</b>		
City of South Amboy - Interlocal Agreement	44,882	43,883
Other Expenses	107,018	214,217
Depreciation	<u>290,138</u>	<u>290,137</u>
 Total Operating Expenses	 <u>442,038</u>	 <u>548,237</u>
<b>OPERATING LOSS</b>	<u>(159,265)</u>	<u>(226,705)</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>		
Interest Income	7,552	3,616
Interest Expense	<u>(101,806)</u>	<u>(104,322)</u>
 Total Non-Operating Income (Expenses)	 <u>(94,254)</u>	 <u>(100,706)</u>
<b>CHANGE IN NET POSITION</b>	<u>(253,519)</u>	<u>(327,411)</u>
 Total Net Position, Beginning of year	 <u>11,065,867</u>	 <u>11,393,278</u>
 Total Net Position, End of year	 <u>\$ 10,812,348</u>	 <u>\$ 11,065,867</u>

**SOUTH AMBOY REDEVELOPMENT AGENCY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Redevelopers	\$ 25,587	\$ 130,626
Cash Received from Rent	173,592	173,592
Cash Payments to City of South Amboy - Interlocal	(44,882)	(293,883)
Cash Payments to Suppliers for Goods and Services	(92,232)	(189,313)
Cash Payments to Suppliers for Escrow Projects	<u>(49,181)</u>	<u>(17,940)</u>
Net Cash Provided by (Used for) Operating Activities	<u>12,884</u>	<u>(196,918)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal Paid on Bonds	(70,000)	(85,000)
Interest Paid on Bonds	<u>(102,725)</u>	<u>(86,132)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(172,725)</u>	<u>(171,132)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Received	<u>7,552</u>	<u>3,616</u>
Net Cash Provided by Investing Activities	<u>7,552</u>	<u>3,616</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(152,289)	(364,434)
Cash and Cash Equivalents, Beginning of Year	<u>1,803,886</u>	<u>2,168,320</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,651,597</u>	<u>\$ 1,803,886</u>
<b>ANALYSIS OF BALANCE AT JUNE 30,</b>		
Unrestricted - Cash and Cash Equivalents	\$ 1,494,026	\$ 1,602,734
Restricted - Cash and Cash Equivalents	<u>157,571</u>	<u>201,152</u>
	<u>\$ 1,651,597</u>	<u>\$ 1,803,886</u>

**SOUTH AMBOY REDEVELOPMENT AGENCY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Operating Loss	\$ (159,265)	\$ (226,705)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	290,138	290,137
(Increase) in Accounts Receivable	(40,000)	-
Decrease in Prepaid Items	575	350
(Decrease) in Escrow Deposits Payable	(43,594)	(17,314)
Increase (Decrease) in Accounts Payable	(34,970)	6,614
(Decrease) in Due to City of South Amboy	<u>-</u>	<u>(250,000)</u>
Total Adjustments	<u>172,149</u>	<u>29,787</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 12,884</u>	<u>\$ (196,918)</u>



## **NOTES TO THE FINANCIAL STATEMENTS**

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**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**

The Agency did not adopt any new GASB Statements during the fiscal year ended June 30, 2017. During the fiscal year ended June 30, 2018, the Agency adopted the following GASB Statement:

- GASB 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Other accounting standards that the Authority is currently reviewing for its potential impact on the financial statements include:

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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

**B. New Accounting Standards (Continued)**

Other accounting standards that the Authority is currently reviewing for its potential impact on the financial statements include:

- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

**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.

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

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.
4. **Capital Assets** – Property held for redevelopment is recorded at cost or, if donated or contributed, is stated at the acquisition value on the date donated to 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, 2018 and 2017 was \$101,806 and \$104,322, 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	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.

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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

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

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)

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.

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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

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

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**

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.

**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 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.

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

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 cancelled. 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), National Credit Union Share (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC or NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2018 and 2017, the book value of the Agency's deposits were \$1,651,597 and \$1,803,886, respectively, and the bank balances of the Agency's cash and deposits amounted to \$1,669,504 and \$1,804,507, respectively.

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 Balances</u>	
	<u>2018</u>	<u>2017</u>
Insured		
Unrestricted	\$1,511,916	\$1,603,334
Restricted	<u>157,588</u>	<u>201,173</u>
	<u>\$1,669,504</u>	<u>\$1,804,507</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, 2018 and 2017, 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, 2018 and 2017 the Agency has no outstanding investments.



**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 4 CAPITAL ASSETS**

Capital assets activity for the years ended June 30, 2018 and 2017 are as follows:

	Balance July 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2018</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>(1,885,895)</u>	<u>(290,138)</u>	<u>-</u>	<u>(2,176,033)</u>
Total capital assets, not being depreciated	<u>(1,885,895)</u>	<u>(290,138)</u>	<u>-</u>	<u>(2,176,033)</u>
Total capital assets, being depreciated, net	<u>9,719,610</u>	<u>(290,138)</u>	<u>-</u>	<u>9,429,472</u>
Total capital assets, net	<u>\$ 12,509,812</u>	<u>\$ (290,138)</u>	<u>\$ -</u>	<u>\$ 12,219,674</u>
	Balance July 1, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2017</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>(1,595,758)</u>	<u>(290,137)</u>	<u>-</u>	<u>(1,885,895)</u>
Total capital assets, not being depreciated	<u>(1,595,758)</u>	<u>(290,137)</u>	<u>-</u>	<u>(1,885,895)</u>
Total capital assets, being depreciated, net	<u>10,009,747</u>	<u>(290,137)</u>	<u>-</u>	<u>9,719,610</u>
Total capital assets, net	<u>\$ 12,799,949</u>	<u>\$ (290,137)</u>	<u>\$ -</u>	<u>\$ 12,509,812</u>

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**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 Lease Revenue Refunding Bonds"). The 2016 Lease Revenue Refunding 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.

The Agency's schedule of principal and interest requirements for long-term debt issued and outstanding as of June 30, 2018 is as follows:

Year Ending June 30,	Revenue Bonds		Total
	Principal	Interest	
2019	\$ 70,000	\$ 100,275	\$ 170,275
2020	75,000	97,737	172,737
2021	80,000	95,025	175,025
2022	90,000	92,050	182,050
2023	100,000	88,725	188,725
2024	105,000	85,138	190,138
2025-2029	685,000	360,587	1,045,587
2030-2034	790,000	227,150	1,017,150
2035-2039	<u>905,000</u>	<u>81,288</u>	<u>986,288</u>
	<u>\$ 2,900,000</u>	<u>\$ 1,227,975</u>	<u>\$ 4,127,975</u>

The Agency's long-term liability activity for the year ended June 30, 2018 is as follows:

2018	Balance, July 1, 2017	Additions	Reductions	Balance, June 30, 2018	Due Within One Year
Revenue Bonds	\$ 2,970,000	\$ -	\$ (70,000)	\$ 2,900,000	\$ 70,000
Total Bonds Payable	<u>\$ 2,970,000</u>	<u>\$ -</u>	<u>\$ (70,000)</u>	<u>\$ 2,900,000</u>	<u>\$ 70,000</u>

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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

The Agency's long-term liability activity for the year ended June 30, 2017 is as follows:

<u>2017</u>	Balance, July 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2017</u>	Due Within <u>One Year</u>
Revenue Bonds	\$ 3,055,000	\$ -	\$ (85,000)	\$ 2,970,000	\$ 70,000
Total Bonds Payable	<u>\$ 3,055,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 2,970,000</u>	<u>\$ 70,000</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.

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

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 2016 Lease Revenue Refunding 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 fiscal years ended June 30, 2018 and 2017.

**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, 2018, 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, 2018 and 2017, the Agency was required to reimburse the City \$44,882 and \$43,883, respectively.

**SOUTH AMBOY REDEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 10 OPERATING LEASES**

The Agency has entered into an operating sublease agreement, effective May 31, 2016, for office space with the Media and Performance Collective. The term of the lease was extended for a total of two years and expired on May 31, 2018. The lease payments including utilities for the fiscal years ended June 30, 2018 and 2017 were \$6,875 and \$4,825, respectively.

The Agency entered into a new operating lease agreement on August 17, 2018 for office space with Historic Downtown Property Management, LLC. The term of the lease is for three years commencing on September 1, 2018 and ending on August 31, 2021. The future minimum lease payments for this lease not including utilities totals \$23,000, \$28,180, \$28,876 and \$4,832 for the fiscal years ended June 30, 2019, 2020, 2021 and 2022, respectively. All amounts due for utilities including gas, electric, water and sewer will be assessed based on actual metered usage and paid in addition to the rental payments shown above. The lease contains an option to renew for two (2) additional terms of two years each.

**NOTE 11 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 \$11,000 and \$17,000 for the years ended June 30, 2018 and 2017, respectively. These liabilities have not been paid or recorded in the financial statements as of and for the years ended June 30, 2018 and 2017 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.

**NOTE 12 OTHER MATTERS**

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. Genon Rema paid the \$100,000 due under the settlement agreement in March, 2017. The Agency utilized the funds received to cover all of the legal fees incurred through September 30, 2015. The two acres of land due to the Agency has not been transferred to the Agency due to a pending subdivision on the property which has not been completed as of the date of this report.

**NOTE 13 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, 2018 and 2017, 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 FISCAL YEAR ENDED JUNE 30, 2018**  
**BUDGETARY BASIS**  
**(With Comparative Amounts for the Fiscal Year Ended June 30, 2017)**

	2018 <u>Budget</u>	2018 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2017 <u>Actual</u>
<b>OPERATING REVENUES</b>				
Redevelopers Fees	\$ 90,000	\$ 60,000	\$ (30,000)	\$ 130,000
Miscellaneous Fees	<u>173,592</u>	<u>173,592</u>	<u>-</u>	<u>173,592</u>
Total Operating Revenues	<u>263,592</u>	<u>233,592</u>	<u>(30,000)</u>	<u>303,592</u>
<b>NON-OPERATING REVENUES</b>				
Interest	<u>100</u>	<u>7,552</u>	<u>7,452</u>	<u>3,616</u>
Total Non-Operating Revenues	<u>100</u>	<u>7,552</u>	<u>7,452</u>	<u>3,616</u>
<b>UNRESTRICTED NET POSITION UTILIZED</b>	<u>121,433</u>	<u>121,433</u>	<u>-</u>	<u>178,946</u>
<b>Total Revenues</b>	<u><b>385,125</b></u>	<u><b>362,577</b></u>	<u><b>(22,548)</b></u>	<u><b>486,154</b></u>
<b>OPERATING APPROPRIATIONS</b>				
Administration:				
City of South Amboy - Interlocal Agreement	44,700	44,882	(182)	43,883
Other Expenses	<u>53,100</u>	<u>47,036</u>	<u>6,064</u>	<u>46,545</u>
Total Administration	<u>97,800</u>	<u>91,918</u>	<u>5,882</u>	<u>90,428</u>
Cost of Providing Services				
City of South Amboy - Interlocal Agreement	100,000	-	100,000	-
Other Expenses	<u>14,600</u>	<u>10,801</u>	<u>3,799</u>	<u>149,732</u>
Total Cost of Providing Services	<u>114,600</u>	<u>10,801</u>	<u>103,799</u>	<u>149,732</u>
<b>NON-OPERATING APPROPRIATIONS</b>				
Principal Payments on Debt	70,000	70,000	-	85,000
Interest Payments on Debt	<u>102,725</u>	<u>102,725</u>	<u>-</u>	<u>86,132</u>
Total Non-Operating Appropriations	<u>172,725</u>	<u>172,725</u>	<u>-</u>	<u>171,132</u>
<b>Total Appropriations</b>	<u><b>385,125</b></u>	<u><b>275,444</b></u>	<u><b>109,681</b></u>	<u><b>411,292</b></u>
<b>Budgetary Basis Income</b>	<u><b>\$ -</b></u>	<u><b>87,133</b></u>	<u><b>\$ 87,133</b></u>	<u><b>74,862</b></u>

**Reconciliation to GAAP Basis:**

## Increases to Budget Income (Loss):

Bond Principal Paid	70,000	85,000
Accrued Interest Payable	919	-
Redeveloper Contributions	49,181	17,940

## Decreases to Budget Income (Loss):

Accrued Interest Payable	-	(18,190)
Redeveloper Escrow Project Expenses	(49,181)	(17,940)
Depreciation Expense	(290,138)	(290,137)
Unrestricted Net Position Utilized	<u>(121,433)</u>	<u>(178,946)</u>

**Change in Net Position**

<u><b>\$ (253,519)</b></u>	<u><b>\$ (327,411)</b></u>
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## **GOVERNMENT AUDITING STANDARDS REPORT**



# **LERCH, VINCI & HIGGINS, LLP**

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**CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS**

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**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 fiscal year ended June 30, 2018, 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 12, 2018.

**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.

## 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.

## 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 12, 2018

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

## **ROSTER OF OFFICIALS**

**AS OF JUNE 30, 2018**

### Commissioners

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

### Other Officials

Eric Chubenko	Executive Director
Fred Henry	Mayor
Angel Albanese	Treasurer
Kelly Wolff	Secretary

## **COMMENTS/RECOMMENDATIONS**

### **General Comments**

There are none.

### **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, Treasurer and Agency staff during the course of our audit.

Respectfully submitted,



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