

SOUTH AMBOY REDEVELOPMENT AGENCY

(A component unit of the City of South Amboy)

REPORT OF AUDIT

FOR THE FISCAL YEARS ENDED

JUNE 30, 2024 AND 2023

SOUTH AMBOY REDEVELOPMENT AGENCY

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	4-5
<u>Required Supplementary Information</u>	
Management's Discussion and Analysis (MD&A)	6-9
<u>Basic Financial Statements</u>	
<u>Exhibits</u>	
A Comparative Statements of Net Position as of June 30, 2024 and 2023	10-11
B Comparative Statements of Revenues, Expenses and Changes in Net Position for the Fiscal Years Ended June 30, 2024 and 2023	12
C Comparative Statements of Cash Flows for the Fiscal Years Ended June 30, 2024 and 2023	13-14
Notes to the Financial Statements	15-25
<u>Supplementary Schedule</u>	
1 Schedule of Revenues and Expenses Compared to Budget for the Fiscal Year Ended June 30, 2024 – Budgetary Basis	26
<u>Roster of Officials as of June 30, 2024</u>	27
<u>Comments/Recommendations</u>	28
<u>Status of Prior Year's Audit Recommendations</u>	28
<u>Appreciation</u>	28

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the South Amboy Redevelopment Agency (the "Agency"), a component unit of the City of South Amboy, as of and for the fiscal years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency as of June 30, 2024 and 2023, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in compliance with the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Our responsibilities under those standards and requirements are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* and the requirements of the Division, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary schedule is presented for additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 GAAS. In our opinion, the supplementary schedule 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 11, 2024, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's 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 Agency's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
October 11, 2024

A handwritten signature in blue ink, appearing to read "Gary W. Higgins".

Gary W. Higgins
Certified Public Accountant



**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 Auditors' Report

Honorable Chairman 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 and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the financial statements of the South Amboy Redevelopment Agency ("the Agency") a component unit of the City of South Amboy, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Agency'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
October 11, 2024



Gary W. Higgins
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

***SOUTH AMBOY REDEVELOPMENT AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024***

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, 2024. 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, 2024 by \$9,547,867.
- The Agency’s total assets decreased from the prior year by \$820,854 (5.82%).
- Operating revenues increased from 2023 by \$372,358 (140.36%).
- Operating expenses increased from 2023 by \$486,230 (88.07%).
- Operating loss increased from 2023 by \$113,872.

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, 2024***

FINANCIAL ANALYSIS OF THE AGENCY

Net Position – The following is a summary of the Agency's financial position as of June 30, 2024, 2023 and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u> <u>Restated</u>
<u>Assets:</u>			
Current	\$ 1,538,473	\$ 1,883,795	\$ 2,047,748
Noncurrent	<u>11,744,451</u>	<u>12,219,983</u>	<u>12,690,038</u>
Total Assets	<u>13,282,924</u>	<u>14,103,778</u>	<u>14,737,786</u>
<u>Liabilities:</u>			
Current Liabilities	473,423	536,964	537,183
Non-Current Liabilities	<u>2,270,712</u>	<u>2,427,159</u>	<u>2,574,037</u>
Total Liabilities	<u>2,744,135</u>	<u>2,964,123</u>	<u>3,111,220</u>
<u>Deferred Inflows of Resources</u>	<u>990,922</u>	<u>1,128,530</u>	<u>1,259,628</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	8,469,886	8,655,024	8,845,162
Unrestricted	<u>1,077,981</u>	<u>1,356,101</u>	<u>1,521,776</u>
Total Net Position	<u>\$ 9,547,867</u>	<u>\$ 10,011,125</u>	<u>\$ 10,366,938</u>

The Agency's Total Net Position decreased \$463,258 or 4.62% in 2024. Net Investment in Capital Assets decreased \$185,138 and Unrestricted Net Position decreased \$278,120.

Capital Assets – The following is a summary of capital assets net of depreciation as of June 30, 2024, 2023 and 2022

<u>Capital Assets</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Buildings	\$ 7,688,646	\$ 7,978,784	\$ 8,268,922
Land	290,400	290,400	290,400
Property Held for Redevelopment	943,120	943,120	943,120
Construction in Progress	1,927,720	1,927,720	1,927,720
Right to Use Assets	<u>47,159</u>	<u>89,037</u>	<u>131,347</u>
Total Capital Assets, Net	<u>\$ 10,897,045</u>	<u>\$ 11,229,061</u>	<u>\$ 11,561,509</u>

***SOUTH AMBOY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024***

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, 2024, 2023 and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u> <u>Restated</u>
OPERATING REVENUES			
Redeveloper Fees and Contributions	\$ 500,046	\$ 121,697	\$ 847,500
Rent	137,608	131,099	123,952
Miscellaneous Revenues	<u>-</u>	<u>12,500</u>	<u>-</u>
Total Operating Revenues	<u>637,654</u>	<u>265,296</u>	<u>971,452</u>
OPERATING EXPENSES			
Interlocal Agreement	666,161	164,310	361,029
Other Expenses	40,122	55,311	83,272
Depreciation/Amortization	<u>332,016</u>	<u>332,448</u>	<u>332,884</u>
Total Operating Expenses	<u>1,038,299</u>	<u>552,069</u>	<u>777,185</u>
OPERATING INCOME (LOSS)	<u>(400,645)</u>	<u>(286,773)</u>	<u>194,267</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	24,905	20,586	3,957
Interest Expenses	<u>(87,518)</u>	<u>(89,626)</u>	<u>(91,559)</u>
Total Non-Operating Revenues (Expenses)	<u>(62,613)</u>	<u>(69,040)</u>	<u>(87,602)</u>
CHANGE IN NET POSITION	<u>(463,258)</u>	<u>(355,813)</u>	<u>106,665</u>
Total Net Position, Beginning of year	<u>10,011,125</u>	<u>10,366,938</u>	<u>10,260,273</u>
Total Net Position, End of year	<u>\$ 9,547,867</u>	<u>\$ 10,011,125</u>	<u>\$ 10,366,938</u>

***SOUTH AMBOY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024
(Continued)***

FINANCIAL ANALYSIS OF THE AGENCY (Continued)

Operating revenues increased \$372,358 or 140.36% in fiscal year 2024 mainly as the result of an increase in revenues from Redeveloper Fees and Contributions.

Operating expenses increased \$486,230 or 88.07% in fiscal year 2024 mainly as the result of an increase in Interlocal Agreement expenses.

DEBT ADMINISTRATION

Capital Debt

The Agency had the following outstanding capital debt at June 30, 2024, 2023 and 2022.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>Debt</u>			
Revenue Bonds Payable	<u>\$ 2,380,000</u>	<u>\$ 2,585,000</u>	<u>\$ 2,675,000</u>
Total Debt	<u><u>\$ 2,380,000</u></u>	<u><u>\$ 2,585,000</u></u>	<u><u>\$ 2,675,000</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, 2025 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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 1,142,688	\$ 1,412,110
Accounts Receivable	8,337	8,337
Prepaid Items		3,723
Lease Receivable	143,516	137,608
NJEDA Grants Receivable	<u>83,228</u>	<u>83,228</u>
Total Unrestricted Current Assets	<u>1,377,769</u>	<u>1,645,006</u>
Restricted Current Assets		
Redevelopers Escrow Account		
Cash and Cash Equivalents	<u>160,704</u>	<u>238,789</u>
Total Restricted Current Assets	<u>160,704</u>	<u>238,789</u>
Total Current Assets	<u>1,538,473</u>	<u>1,883,795</u>
Noncurrent Assets		
Capital Assets, Net	10,897,045	11,229,061
Lease Receivable	<u>847,406</u>	<u>990,922</u>
Total Noncurrent Assets	<u>11,744,451</u>	<u>12,219,983</u>
TOTAL ASSETS	<u><u>\$ 13,282,924</u></u>	<u><u>\$ 14,103,778</u></u>

**SOUTH AMBOY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets		
Accounts Payable	\$ 41,806	\$ 35,453
Accrued Interest on Bonds	31,238	32,616
Unearned Revenue	83,228	83,228
Revenue Bonds Payable - Current Portion	115,000	105,000
Leases Payable - Operating Lease - Current Portion	<u>41,447</u>	<u>41,878</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>312,719</u>	<u>298,175</u>
Current Liabilities Payable from Restricted Assets		
Escrow Deposits Payable	<u>160,704</u>	<u>238,789</u>
Total Current Liabilities Payable from Restricted Assets	<u>160,704</u>	<u>238,789</u>
Total Current Liabilities	<u>473,423</u>	<u>536,964</u>
Non-Current Liabilities		
Revenue Bonds Payable	2,265,000	2,380,000
Leases Payable - Operating Lease	<u>5,712</u>	<u>47,159</u>
Total Non-Current Liabilities	<u>2,270,712</u>	<u>2,427,159</u>
Total Liabilities	<u>2,744,135</u>	<u>2,964,123</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amount from Lease	<u>990,922</u>	<u>1,128,530</u>
Total Deferred Inflows of Resources	<u>990,922</u>	<u>1,128,530</u>
NET POSITION		
Net Investment in Capital Assets	8,469,886	8,655,024
Unrestricted	<u>1,077,981</u>	<u>1,356,101</u>
Total Net Position	<u>9,547,867</u>	<u>10,011,125</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 13,282,924</u>	<u>\$ 14,103,778</u>

SOUTH AMBOY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Redeveloper Fees and Contributions	\$ 500,046	\$ 121,697
Rent	137,608	131,099
Miscellaneous Revenues	<u>-</u>	<u>12,500</u>
Total Operating Revenues	<u>637,654</u>	<u>265,296</u>
OPERATING EXPENSES		
Interlocal Agreement	666,161	164,310
Other Expenses	40,122	55,311
Depreciation/Amortization	<u>332,016</u>	<u>332,448</u>
Total Operating Expenses	<u>1,038,299</u>	<u>552,069</u>
OPERATING (LOSS)	<u>(400,645)</u>	<u>(286,773)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	24,905	20,586
Interest Expense	<u>(87,518)</u>	<u>(89,626)</u>
Total Non-Operating Revenues (Expenses)	<u>(62,613)</u>	<u>(69,040)</u>
CHANGE IN NET POSITION	(463,258)	(355,813)
Total Net Position, Beginning of year	<u>10,011,125</u>	<u>10,366,938</u>
Total Net Position, End of year	<u><u>\$ 9,547,867</u></u>	<u><u>\$ 10,011,125</u></u>

**SOUTH AMBOY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Redevelopers	\$ 500,046	\$ 129,905
Cash Received from Rent	137,608	131,099
Cash Paid to Redevelopers	(78,085)	-
Cash Paid to City of South Amboy - Interlocal	(666,161)	(164,310)
Cash Paid for Providing Services	<u>(30,046)</u>	<u>(56,554)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(136,638)</u>	<u>40,140</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Paid on Bonds	(105,000)	(100,000)
Principal Paid on Leases	(41,878)	(42,310)
Interest Paid on Leases	(3,758)	(2,213)
Interest Paid on Bonds	<u>(85,138)</u>	<u>(88,725)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(235,774)</u>	<u>(233,248)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	<u>24,905</u>	<u>20,586</u>
Net Cash Provided by Investing Activities	<u>24,905</u>	<u>20,586</u>
Net (Decrease) in Cash and Cash Equivalents	(347,507)	(172,522)
Cash and Cash Equivalents, Beginning of Year	<u>1,650,899</u>	<u>1,823,421</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,303,392</u></u>	<u><u>\$ 1,650,899</u></u>
ANALYSIS OF BALANCE AT JUNE 30,		
Unrestricted - Cash and Cash Equivalents	\$ 1,142,688	\$ 1,412,110
Restricted - Cash and Cash Equivalents	<u>160,704</u>	<u>238,789</u>
	<u><u>\$ 1,303,392</u></u>	<u><u>\$ 1,650,899</u></u>

**SOUTH AMBOY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Operating (Loss)	\$ (400,645)	\$ (286,773)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided by (Used for) Operating Activities:		
Depreciation/Amortization	332,016	332,448
Decrease in Accounts Receivable	-	1,663
(Increase) Decrease in Prepaid Items	3,723	(3,723)
Increase (Decrease) in Escrow Deposits Payable	(78,085)	6,545
Increase (Decrease) in Accounts Payable	<u>6,353</u>	<u>(10,020)</u>
Total Adjustments	<u>264,007</u>	<u>326,913</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (136,638)</u></u>	<u><u>\$ 40,140</u></u>

NOTES TO THE FINANCIAL STATEMENTS

**SOUTH AMBOY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

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

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

The GASB issued Statement No. 101, "*Compensated Absences*" in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has not determined the impact of the Statement on the financial statements.

The GASB Statement No. 102, "*Certain Risk Disclosures*", provides guidance on disclosures within government financial statements on risks related to a government's vulnerabilities due to certain concentrations or constraints. A concentration is defined as a lack of diversity related to an aspect of a significant inflow or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. Under this statement, a government is required to assess whether an event or events associated with a concentration or constraint that could cause substantial impact have occurred, have begun to occur, or are more likely than not to begin within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

The GASB Statement No. 103, "*Financial Reporting Model Improvements*", has been issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing the government's accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

**SOUTH AMBOY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

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 and deferred inflows of resources 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.

**SOUTH AMBOY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Inflows of Resources, 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. **Accounts Receivable** – All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Changes in the allowance for uncollectibles is recorded as an adjustment to revenue or as bad debt expense depending on its effect on current year or prior year allowance amounts and the results of those changes.
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, land and buildings are recorded at cost or, if donated or contributed, are 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. Property held for redevelopment and land are not depreciated.

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, 2024 and 2023 was \$87,518 and \$89,626, respectively. Of these amounts, none were included as part of the cost of capital assets under construction for those years.

All Capital assets that are depreciated/amortized are done 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
Right to Use Assets	5 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. **Lease Receivable/Deferred Inflows of Resources** – The Agency is a lessor for a noncancellable lease of a building. The Agency recognizes a lease receivable and a deferred inflow of resources in the financial statements. The Agency measures the lease receivable at the present value of the payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The Agency uses its estimated incremental borrowing rate as the discount rate used to discount the expected lease receipts to present value. Then Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. The lease term includes the noncancellable period of the lease.

**SOUTH AMBOY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Inflows of Resources, Liabilities and Net Position (Continued)

- 8. Right to Use Asset/Lease Payable** – The Agency is a lessee for the lease of office space. The Agency recognizes a right to use asset and a lease payable in the financial statements. The Agency measures the lease payable at the present value of the payments expected to be paid during the lease term.

Subsequently, the lease payable is reduced by the principal portion of the lease payments paid. The right to use asset is initially measured as the initial amount of the lease payable. Subsequently, the right to use asset is amortized as an expense over the life of the lease term.

The Agency uses its estimated incremental borrowing rate as the discount rate used to discount the expected lease payments to present value. Then Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease payable and right to use asset if certain changes occur that are expected to significantly affect the amount of the lease receivable. The lease term includes the noncancellable period of the lease.

- 9. Net Position** – In the statement of net position, there are two classes of net position:

- **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. A description of the use of the respective funds are as follows:

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.

**SOUTH AMBOY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Establishment of Funds (Continued)

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

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 Schedule

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.

**SOUTH AMBOY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Accounting Continued

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 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 reappropriated.

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 Agency 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 lessor 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, 2024 and 2023, the book value of the Agency's deposits were \$1,303,392 and \$1,650,899, respectively, and the bank balances of the Agency's cash and deposits amounted to \$1,306,991 and \$1,654,622, respectively.

The Agency's deposits which are displayed on the statement of net position as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balances</u>	
	<u>2024</u>	<u>2023</u>
Insured		
Unrestricted	\$1,143,995	\$1,415,833
Restricted	<u>162,996</u>	<u>238,789</u>
	<u>\$1,306,991</u>	<u>\$1,654,622</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, 2024 and 2023, 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, 2024 and 2023 the Agency had no outstanding investments.

**SOUTH AMBOY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 4 CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2024 and 2023 are as follows:

<u>2024</u>	Balance July 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2024</u>
Capital assets, not being depreciated:				
Property Held for Redevelopment	\$ 943,120			\$ 943,120
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>3,161,240</u>	<u>-</u>	<u>-</u>	<u>3,161,240</u>
Capital assets, being depreciated/amortized:				
Buildings	11,605,505	-	-	11,605,505
Right to Use Assets	<u>174,093</u>	<u>-</u>	<u>-</u>	<u>174,093</u>
Total capital assets, being depreciated/amortized	<u>11,779,598</u>	<u>-</u>	<u>-</u>	<u>11,779,598</u>
Less accumulated depreciation/amortization for:				
Buildings	(3,626,721)	\$ (290,138)	-	(3,916,859)
Right to Use Assets	<u>(85,056)</u>	<u>(41,878)</u>	<u>-</u>	<u>(126,934)</u>
Total accumulated depreciation/amortization	<u>(3,711,777)</u>	<u>(332,016)</u>	<u>-</u>	<u>(4,043,793)</u>
Total capital assets, being depreciated/amortized, net	<u>8,067,821</u>	<u>(332,016)</u>	<u>-</u>	<u>7,735,805</u>
Total capital assets, net	<u>\$ 11,229,061</u>	<u>\$ (332,016)</u>	<u>\$ -</u>	<u>\$ 10,897,045</u>

**SOUTH AMBOY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 4 CAPITAL ASSETS (Continued)

2023	Balance July 1, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2023</u>
Capital assets, not being depreciated:				
Property Held for Redevelopment	\$ 943,120			\$ 943,120
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>3,161,240</u>	<u>-</u>	<u>-</u>	<u>3,161,240</u>
Capital assets, being depreciated/amortized:				
Buildings	11,605,505	-	-	11,605,505
Right to Use Assets	<u>174,093</u>	<u>-</u>	<u>-</u>	<u>174,093</u>
Total capital assets, being depreciated/amortized	<u>11,779,598</u>	<u>-</u>	<u>-</u>	<u>11,779,598</u>
Less accumulated depreciation/amortization for:				
Buildings	(3,336,583)	\$ (290,138)	-	(3,626,721)
Right to Use Assets	<u>(42,746)</u>	<u>(42,310)</u>	<u>-</u>	<u>(85,056)</u>
Total accumulated depreciation/amortization	<u>(3,379,329)</u>	<u>(332,448)</u>	<u>-</u>	<u>(3,711,777)</u>
Total capital assets, being depreciated/amortized, net	<u>8,400,269</u>	<u>(332,448)</u>	<u>-</u>	<u>8,067,821</u>
Total capital assets, net	<u>\$ 11,561,509</u>	<u>\$ (332,448)</u>	<u>\$ -</u>	<u>\$ 11,229,061</u>

SOUTH AMBOY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 5 LONG-TERM LIABILITIES

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, 2024 is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 115,000	\$ 81,288	\$ 196,288
2026	125,000	77,088	202,088
2027	135,000	72,537	207,537
2028	150,000	67,550	217,550
2029	160,000	62,125	222,125
2030-2034	790,000	227,150	1,017,150
2035-2039	<u>905,000</u>	<u>81,287</u>	<u>986,287</u>
	<u>\$ 2,380,000</u>	<u>\$ 669,025</u>	<u>\$ 3,049,025</u>

The Agency’s long-term liability activity for the fiscal year ended June 30, 2024 and 2023 are as follows:

<u>2024</u>	Balance, July 1, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2024</u>	Due Within <u>One Year</u>
Revenue Bonds	\$ 2,485,000	\$ -	\$ 105,000	\$ 2,380,000	\$ 115,000
Total Bonds Payable	<u>\$ 2,485,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 2,380,000</u>	<u>\$ 115,000</u>
 <u>2023</u>	Balance, July 1, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2023</u>	Due Within <u>One Year</u>
Revenue Bonds	\$ 2,585,000	\$ -	\$ 100,000	\$ 2,485,000	\$ 105,000
Total Bonds Payable	<u>\$ 2,585,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 2,485,000</u>	<u>\$ 105,000</u>

**SOUTH AMBOY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

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, 2024 and 2023.

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, 2024, 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 fiscal years ended June 30, 2024 and 2023, the Agency was required to reimburse the City \$666,161 and \$164,310, respectively.

NOTE 10 LEASES RECEIVABLE

The Agency entered a rental agreement for a building owned by the Agency in the total amount of \$3,224,688, and increased by \$678,717 in 2015 for additional space, totaling \$3,903,303. The Agency reported leases receivable and related deferred inflows of resources of \$990,922 at June 30, 2024.

The following is a schedule of future minimum receipts on the Agency's lease receivable as of June 30, 2024:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 143,516	\$ 18,484	\$ 162,000
2026	156,235	26,465	182,700
2027	163,122	34,278	197,400
2028	157,519	39,881	197,400
2029	152,108	45,292	197,400
2030-2031	<u>218,422</u>	<u>77,678</u>	<u>296,100</u>
	<u>\$ 990,922</u>	<u>\$ 242,078</u>	<u>\$ 1,233,000</u>

**SOUTH AMBOY REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

NOTE 10 LEASES RECEIVABLE (Continued)

Under the provisions of GASB 87, the Agency recognized lease revenue of \$137,608 and \$131,099 and \$12,392 and \$6,901 of interest income for the years ended June 30, 2024 and 2023, respectively.

NOTE 11 LEASES PAYABLE

The Agency has entered into a lease for property at 141 North Broadway, South Amboy, New Jersey for use as office space.

The following is a schedule of future minimum payments on the Agency's lease payable as of June 30, 2024:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 41,447	\$ 5,325	\$ 46,772
2026	<u>5,712</u>	<u>865</u>	<u>6,577</u>
	<u>\$ 47,159</u>	<u>\$ 6,190</u>	<u>\$ 53,349</u>

Under the provisions of GASB 87, the Agency recognized lease expense of \$41,878 and \$42,310 and \$3,758 and \$2,213 of interest expense for the years ended June 30, 2024 and 2023, respectively.

NOTE 12 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, 2024 and 2023, the Agency had not estimated arbitrage earnings due to the IRS, if any.

NOTE 13 SUBSEQUENT EVENTS

Reviews for events subsequent to the date of the financial statements and through October 11, 2024, the date the financial statements were available for issuance, indicated no matters for which additional disclosures are required.

SUPPLEMENTARY SCHEDULE

SOUTH AMBOY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
BUDGETARY BASIS

(With Comparative Amounts for the Fiscal Year Ended June 30, 2023)

	2024 <u>Budget</u>	2024 <u>Actual</u>	<u>Variance</u>	2023 <u>Actual</u>
OPERATING REVENUES				
Redevelopers Fees	\$ 100,000	\$ 500,046	\$ 400,046	\$ 121,697
Lease Rental	150,000	137,608	(12,392)	138,000
Miscellaneous Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,500</u>
Total Operating Revenues	<u>250,000</u>	<u>637,654</u>	<u>387,654</u>	<u>272,197</u>
NON-OPERATING REVENUES				
Interest	<u>1,000</u>	<u>24,905</u>	<u>23,905</u>	<u>13,685</u>
Total Non-Operating Revenues	<u>1,000</u>	<u>24,905</u>	<u>23,905</u>	<u>13,685</u>
Total Revenues	<u>251,000</u>	<u>662,559</u>	<u>411,559</u>	<u>285,882</u>
OPERATING APPROPRIATIONS				
Administration:				
Interlocal Agreement	66,075	66,161	(86)	64,310
Other Expenses	<u>58,500</u>	<u>30,761</u>	<u>27,739</u>	<u>45,868</u>
Total Administration	<u>124,575</u>	<u>96,922</u>	<u>27,653</u>	<u>110,178</u>
Cost of Providing Services				
Interlocal Agreement	200,000	600,000	(400,000)	100,000
Other Expenses	<u>89,400</u>	<u>54,997</u>	<u>34,403</u>	<u>53,966</u>
Total Cost of Providing Services	<u>289,400</u>	<u>654,997</u>	<u>(365,597)</u>	<u>153,966</u>
NON-OPERATING APPROPRIATIONS				
Principal Payments on Debt	105,000	105,000	-	100,000
Interest Payments on Debt	<u>85,138</u>	<u>85,138</u>	<u>-</u>	<u>88,725</u>
Total Non-Operating Appropriations	<u>190,138</u>	<u>190,138</u>	<u>-</u>	<u>188,725</u>
Total Appropriations	<u>604,113</u>	<u>942,057</u>	<u>(337,944)</u>	<u>452,869</u>
Budgetary Basis Income (Loss)	<u>\$ (353,113)</u>	<u>(279,498)</u>	<u>\$ 73,615</u>	<u>(166,987)</u>

Reconciliation to GAAP Basis:

Increases to Budgetary Income (Loss):

Bond Principal Paid	105,000	100,000
Accrued Interest Payable	1,378	1,312
Redeveloper Contributions - Net	(78,085)	6,545
Rent - Operating Lease	45,636	44,523
Lease Receivable Principal - Lease Rent	137,608	131,099
Lease Receivable Interest - Lease Rent	12,392	6,901

Decreases to Budgetary Income (Loss):

Redeveloper Escrow Project Expenses	78,085	(6,545)
Lease Payable Principal - Interest	(3,758)	(2,213)
Lease Rental	(150,000)	(138,000)
Depreciation/Amortization Expense	<u>(332,016)</u>	<u>(332,448)</u>

Change in Net Position	<u>\$ (463,258)</u>	<u>\$ (355,813)</u>
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ROSTER OF OFFICIALS
AND
GENERAL COMMENTS AND RECOMMENDATIONS

ROSTER OF OFFICIALS
AS OF JUNE 30, 2024

Commissioners

Kevin F. Meszaros	Chairperson
Camille Tooker	Vice-Chairperson
Zusette Dato	Member
Tony Gonsalves	Member
Gary Forshner	Member
Rachel Draudt	Member
Christine Noble	Member

Other Officials

Eric Chubenko	Executive Director
Fred Henry	Mayor
Dan Balka	Treasurer
Rainone Coughlin Minchello	Attorney
Kelly Wolff	Secretary
Kristal Manion	QPA/Escrows Accountant

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,

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Certified Public Accountants