

JERSEY CITY REDEVELOPMENT AGENCY
REPORT OF AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

JERSEY CITY REDEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members of the Board
of Commissioners
Jersey City Redevelopment Agency
Jersey City, New Jersey

We have audited the accompanying basic financial statements of the Jersey City Redevelopment Agency, a component unit of the City of Jersey City, as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Jersey City Redevelopment Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jersey City Redevelopment Agency as of December 31, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

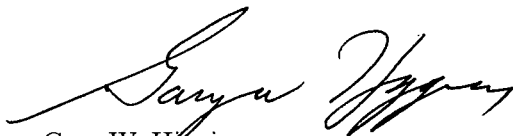
In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2009 on our consideration of the Jersey City Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Jersey City Redevelopment Agency. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Jersey City Redevelopment Agency. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid" and are also not a required part of the basic financial statements of the Jersey City Redevelopment Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
April 22, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JERSEY CITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008

This section of the Jersey City Redevelopment Agency's ("JCRA" or "Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year ended on December 31, 2008. Please read it in conjunction with the Agency's financial statements and accompanying notes.

The 1949 creation ordinance for the JCRA had two key tasks to be accomplished by the JCRA.

- Undertake certain urban renewal program activities for the City of Jersey City ("the City").
- Carryout redevelopment plans for the City.

FINANCIAL HIGHLIGHTS

- The Agency's total net assets increased \$1,634,157 or approximately 5 percent. The increase is the net result of an increase in investment in capital assets of \$2,987,673, along with a decrease in both restricted net assets of \$656,664 and unrestricted net assets of \$696,852.
- Cash and Cash Equivalents increased \$2,824,577 or approximately 20 percent. The majority of the increase is the result of an increase in unrestricted deferred revenue of \$2,643,241.
- Operating Revenues increased \$3,179,067. The majority of the increase is the result of an increase in contributions from the City of Jersey City of \$4,639,859 net of a decrease in contributions of property held for redevelopment of \$2,361,900.
- Operating Expenses increased \$2,990,344. The majority of the increase is the result of an increase in the disposition of property held for redevelopment of \$1,149,485 along with certain legal matters for which settlements were agreed upon in 2008.

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 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.

JERSEY CITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2008 (Continued)

FINANCIAL ANALYSIS OF THE AGENCY

Net Assets – The following table summarizes Net Assets as of December 31, 2008, 2007 and 2006:

	<u>2008</u>	<u>2007</u>	<u>2006</u> (Restated)
Net Assets:			
Invested in Capital Assets	\$ 26,800,614	\$ 23,812,941	\$ 22,509,267
Restricted	1,499,828	2,156,492	1,999,120
Unrestricted	<u>6,961,584</u>	<u>7,658,436</u>	<u>7,547,243</u>
Total Net Assets	<u>\$ 35,262,026</u>	<u>\$ 33,627,869</u>	<u>\$ 32,055,630</u>

The Agency's Net Assets increased \$1,634,157 and \$1,572,239 or 4.8% and 4.9% in the years ended December 31, 2008 and 2007 as a result of the following:

Invested in capital assets increased during 2008 and 2007 mainly as a result of the acquisition of certain properties.

Restricted net assets decreased \$656,664 during 2008 mainly due to the reprogramming of funds pursuant to a memorandum of understanding with the Port Authority of NY or NJ. *Restricted net assets* increased \$157,372 during 2007 as a result of increasing the renewal and replacement reserve for the Community/Educational Center in Ward E by \$106,370 and the accrued interest of \$147,043 pursuant to a cooperation agreement with the Port Authority of New York and New Jersey, and decreasing the reserve for the cooperation agreement income conditions by \$96,041 pertaining to the Center.

Unrestricted net assets decreased \$696,852 during 2008 and increased \$111,193 during 2007.

The following table summarizes the changes in investment in capital assets between fiscal years 2008, 2007 and 2006.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>Invested in Capital Assets:</u>			
Buildings	\$ 9,436,058	\$ 9,436,058	\$ 9,436,058
Property Held for Redevelopment	19,125,776	15,948,676	14,455,576
Vehicles and Equipment	<u>37,855</u>	<u>37,855</u>	<u>37,855</u>
	28,599,689	25,422,589	23,929,489
Less:			
Accumulated Depreciation	<u>(1,799,075)</u>	<u>(1,609,648)</u>	<u>(1,420,222)</u>
	<u>\$ 26,800,614</u>	<u>\$ 23,812,941</u>	<u>\$ 22,509,267</u>

JERSEY CITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2008

(Continued)

OPERATING ACTIVITIES

The following table summarizes the changes in revenues, expenses and net assets for the fiscal years 2008, 2007 and 2006:

OPERATING REVENUES:	<u>2008</u>	<u>2007</u>	<u>2006</u> (Restated)
Federal and State Grants:			
Jersey City Pass-Through	\$ 1,613,707	\$ 596,517	\$ 2,093,166
Other:			
City Contributions	4,639,859		
Redeveloper Fees	440,350	480,320	1,415,000
Redeveloper Reimbursements	102,468	180,227	120,435
Miscellaneous	1,383,135	1,381,488	1,058,721
Contributions of Property Held for Redevelopment	<u>535,100</u>	<u>2,897,000</u>	<u>3,699,441</u>
Total Operating Revenues	<u>8,714,619</u>	<u>5,535,552</u>	<u>8,386,763</u>
OPERATING EXPENSES			
Grant Related			
Federal and State	1,253,707	271,517	552,900
Nongrant Related			
Jersey City Capital	49,474		
Other	3,170,148	2,360,954	1,824,598
Depreciation	189,427	189,426	190,477
Disposition of Property Held for Redevelopment	<u>2,088,385</u>	<u>938,900</u>	<u>3,063,441</u>
Total Operating Expenses	<u>6,751,141</u>	<u>3,760,797</u>	<u>5,631,416</u>
OPERATING INCOME	<u>1,963,478</u>	<u>1,774,755</u>	<u>2,755,347</u>
NONOPERATING REVENUES (EXPENSES):			
Interest Revenue	415,895	550,352	500,654
Cooperation Agreement-City of Jersey City	<u>(745,216)</u>	<u>(752,868)</u>	<u>(737,973)</u>
Total Nonoperating Revenues (Expenses)	<u>(329,321)</u>	<u>(202,516)</u>	<u>(237,319)</u>
Change in Net Assets	1,634,157	1,572,239	2,518,028
Total Net Assets, Beginning of Year	<u>33,627,869</u>	<u>32,055,630</u>	<u>29,537,602</u>
Total Net Assets, End of year	<u>\$ 35,262,026</u>	<u>\$ 33,627,869</u>	<u>\$ 32,055,630</u>

**JERSEY CITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008
(Continued)**

DEBT ADMINISTRATION

Capital Debt

The Agency has no debt outstanding at December 31, 2008, 2007 and 2006.

OTHER FINANCIAL INFORMATION

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The adopted 2009 budget was approved by the Division of Local Government Services. The Agency has applied and been approved for Community Development Block Grants from the City to continue existing projects.

The Agency continues to seek redevelopers to undertake redevelopment projects. These redevelopers are responsible to pay administrative fees, as well as passing through to the redeveloper all professional fees for engineering, environmental and legal services. The Agency continues to review options to sell surplus property held for redevelopment.

All of these factors were considered in preparing the JCRA's budget for the 2009 fiscal year.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City of Jersey City, New Jersey citizens and redevelopers with a general overview of the Agency's finances to demonstrate the JCRA'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 30 Montgomery Street, Suite 910, Jersey City, New Jersey 07302.

BASIC FINANCIAL STATEMENTS

JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2008 AND 2007

ASSETS	<u>2008</u>	<u>2007</u>
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 10,948,968	\$ 10,432,623
Accounts Receivable	626,171	65,046
Intergovernmental Receivables	438,931	404,216
Mortgage Loans Receivable	<u>160,117</u>	<u>159,898</u>
Total Unrestricted Current Assets	<u>12,174,187</u>	<u>11,061,783</u>
Restricted Current Assets		
Cash and Cash Equivalents	6,122,200	3,813,968
Accounts Receivable	80,584	80,584
Mortgage Loan Receivable	<u>2,500,000</u>	<u>-</u>
Total Restricted Current Assets	<u>8,702,784</u>	<u>3,894,552</u>
Total Current Assets	<u>20,876,971</u>	<u>14,956,335</u>
Noncurrent Assets		
Mortgage Loans Receivable		
Unrestricted	<u>1,196,689</u>	<u>1,988,535</u>
	<u>1,196,689</u>	<u>1,988,535</u>
Capital Assets		
Buildings (Net of Accumulated Depreciation of \$1,761,397 and \$1,572,676)	7,674,661	7,863,382
Property Held for Redevelopment	19,125,776	15,948,676
Vehicles and Equipment (Net of Accumulated Depreciation of \$37,678 and \$36,972)	<u>177</u>	<u>883</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>26,800,614</u>	<u>23,812,941</u>
Total Noncurrent Assets	<u>27,997,303</u>	<u>25,801,476</u>
Total Assets	<u>48,874,274</u>	<u>40,757,811</u>

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

JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2008 AND 2007

LIABILITIES	<u>2008</u>	<u>2007</u>
Current Liabilities Payable from Unrestricted Assets		
Payroll Taxes Payable	\$ 5,868	
Deferred Revenue	5,533,542	\$ 2,890,301
Redeveloper Contracts Payable	113,370	111,585
Intergovernmental Payables	426,178	2,109,911
Compensated Absences Payable	<u>330,334</u>	<u>280,085</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>6,409,292</u>	<u>5,391,882</u>
Current Liabilities Payable from Restricted Assets		
Project Deposits	4,702,956	1,738,060
Deferred Revenue	<u>2,500,000</u>	<u>-</u>
Total Current Liabilities Payable from Restricted Assets	<u>7,202,956</u>	<u>1,738,060</u>
Total Current Liabilities	<u>13,612,248</u>	<u>7,129,942</u>
Total Liabilities	<u>13,612,248</u>	<u>7,129,942</u>
NET ASSETS		
Invested in Capital Assets	26,800,614	23,812,941
Restricted for:		
Renewal and Replacement	1,204,993	1,049,976
Other Purposes	294,835	1,106,516
Unrestricted	<u>6,961,584</u>	<u>7,658,436</u>
Total Net Assets	<u>\$ 35,262,026</u>	<u>\$ 33,627,869</u>

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

JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Federal Grants		
Jersey City Pass-Through	\$ 1,013,673	\$ 596,517
State Grants		
UEZA	17,937	
EDA	582,097	
Other		
Redeveloper Fees	440,350	480,320
Redeveloper Reimbursements	102,468	180,227
City Contributions	4,639,859	
Miscellaneous	1,383,135	1,381,488
Contributions of Property Held for Redevelopment	<u>535,100</u>	<u>2,897,000</u>
 Total Operating Revenues	 <u>8,714,619</u>	 <u>5,535,552</u>
OPERATING EXPENSES		
Grant Related		
Federal	653,673	271,517
State	600,034	
Nongrant Related		
City Contributions	49,474	
Other	3,170,148	2,360,954
Depreciation	189,427	189,426
Disposition of Property Held for Redevelopment	<u>2,088,385</u>	<u>938,900</u>
 Total Operating Expenses	 <u>6,751,141</u>	 <u>3,760,797</u>
 Operating Income	 <u>1,963,478</u>	 <u>1,774,755</u>
NONOPERATING REVENUES (EXPENSES):		
Interest Revenue	415,895	550,352
Cooperation Agreement-City of Jersey City	<u>(745,216)</u>	<u>(752,868)</u>
 Total Nonoperating Revenues (Expenses)	 <u>(329,321)</u>	 <u>(202,516)</u>
 Change in Net Assets	 1,634,157	 1,572,239
Total Net Assets, Beginning of Year	<u>33,627,869</u>	<u>32,055,630</u>
Total Net Assets, End of year	<u>\$ 35,262,026</u>	<u>\$ 33,627,869</u>

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

JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Cash Receipts	\$ 12,728,704	\$ 3,735,783
Operating Cash Payments	(4,417,212)	(2,673,842)
Receipts of Project Deposits	4,163,412	1,290,367
Payments from Project Deposits	(2,879,008)	(760,753)
Receipts from the Sale of Property Held for Redevelopment		907,000
Payments for the Acquisition of Property Held for Redevelopment	(7,230,385)	(595,000)
Receipts from Mortgages	<u>791,628</u>	<u>6,899</u>
Net Cash Provided by Operating Activities	<u>3,157,139</u>	<u>1,910,454</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cooperation Agreement Payments-City of Jersey City	<u>(748,457)</u>	<u>(757,050)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(748,457)</u>	<u>(757,050)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>415,895</u>	<u>550,352</u>
Net Cash Provided by Investing Activities	<u>415,895</u>	<u>550,352</u>
Net Increase in Cash and Cash Equivalents	2,824,577	1,703,756
Cash and Cash Equivalents at Beginning of Year	<u>14,246,591</u>	<u>12,542,835</u>
Cash and Cash Equivalents at End of Year	<u>\$ 17,071,168</u>	<u>\$ 14,246,591</u>
Analysis of Balance at December 31,		
Unrestricted - Cash and Cash Equivalents	\$ 10,948,968	\$ 10,432,623
Restricted - Cash and Cash Equivalents	<u>6,122,200</u>	<u>3,813,968</u>
	<u>\$ 17,071,168</u>	<u>\$ 14,246,591</u>

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

JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY		
Operating Activities	<u>\$ 1,963,478</u>	<u>\$ 1,774,755</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	189,427	189,426
Change in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	(561,125)	(550)
(Increase)/Decrease in Intergovernmental Receivables	(34,715)	(196,392)
(Increase)/Decrease in Mortgage Loans Receivable	(1,708,373)	(146,101)
Increase/(Decrease) in Payroll Taxes Payable	5,868	(5,890)
Increase/(Decrease) in Deferred Revenue	5,143,241	1,290,624
Increase/(Decrease) in Redeveloper Contracts Payable	1,785	3,549
Increase/(Decrease) in Compensated Absences Payable	50,249	(35,481)
Increase/(Decrease) in Project Deposits	1,284,404	529,614
(Increase)/Decrease in Property Held for Redevelopment	<u>(3,177,100)</u>	<u>(1,493,100)</u>
Total Adjustments	<u>1,193,661</u>	<u>135,699</u>
Net Cash Provided by Operating Activities	<u>\$ 3,157,139</u>	<u>\$ 1,910,454</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Jersey City Redevelopment Agency (the "Agency") is a public body corporate and politic of the State of New Jersey. The Agency was created by municipal ordinance on August 16, 1949 pursuant to the provisions of Chapter 306 of the New Jersey Sessions Law of 1949, N.J.S.A. 40:55C-1, for the purpose of carrying out certain urban renewal program activities for City of Jersey City (the "City"). The Agency is empowered to exercise public and essential government functions, including acquisition, condemnation, clearance, renovation and redevelopment of property in designated blighted areas and to carry out redevelopment plans for the City.

The agency is governed by a Board of Commissioners (the "Board") consisting of seven members, who are appointed by the Governing Body of the City of Jersey City. The Board of Commissioners determines policy actions, approves resolutions and selects an executive director to be responsible for the overall operation of the Agency.

The Jersey City 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 will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or 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 Jersey City on the basis of such criteria.

On August 5, 1992, the Legislature of the State of New Jersey adopted the Local Redevelopment and Housing Law (NJSA 40A:12A-1 et. seq.) which became effective on a retroactive basis to January 1, 1992. This law requires all redevelopment agencies to be subject to the provisions of the "Local Authorities Fiscal Control Law". As a result of this change, the Jersey City Redevelopment Agency is subject to the laws, rules and regulations promulgated for Authorities in the State of New Jersey and must report to the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

In June of 1992 the City of Jersey City created by City Ordinance #92-066, a Division of Redevelopment. The purpose of said Division was to assume many of the programmatic duties of the Agency on a day-to-day basis. In addition thereto, a Cooperation Agreement was entered into between the Agency and the City of Jersey City whereby the Redevelopment Agency transferred a substantial portion of its personnel to this Division of Redevelopment.

B. 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 a 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.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Assets. 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.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow FASB guidance issued subsequent to December 1, 1989.

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.

C. Assets, Liabilities and Net Assets

Deposits and Investments

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash held in escrow represents cash held by a third party on behalf of the Agency until such time as certain contractual commitments are satisfied. Investments held by the Agency approximate fair value, which is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

State statutes authorize the Agency to invest in certain types of investments. These investment vehicles are summarized in Note 3.

Intergovernmental Receivables and Payables

Transactions between the Agency and the City of Jersey City and other City and State of New Jersey (the "State") agencies that are representative of capital allotment/grant award arrangements outstanding at the end of the fiscal year are referred to as intergovernmental receivables.

Amounts owed to the City of Jersey City and other City and State agencies at the end of the year as a result of contractual arrangements are reported as intergovernmental payables.

Mortgage Loans Receivable

The Agency has issued mortgage loans to secure a portion of the project costs on certain renovation and rehabilitation projects within the City.

Restricted Assets

Certain assets are restricted as the result of certain agreements entered into between the Agency and third parties.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

Capital Assets

Buildings, property held for redevelopment and vehicles and equipment are recorded at cost or, if donated or contributed, are stated at their estimated fair market value on the date of receipt by the Agency.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are expensed.

Major outlays for capital assets are capitalized as projects are constructed by the Agency. All other costs to place the assets in the intended location and condition for use are capitalized in the value of the asset constructed.

Buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Year</u>
Buildings	50
Vehicles	5
Equipment	3-6

Project Deposits

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.

Deferred Revenue

Unrestricted

Grant funds and related program income, City capital contributions and redeveloper reimbursements received, but not earned at year-end, are reported as deferred revenue.

Restricted

The Agency has received certain funding for the purpose of acquiring property for redevelopment. These properties were sold to redevelopers and a mortgage was issued by the Agency. The mortgage will be released without remuneration as the project is completed. Deferred revenues will be realized equal to the amount of the mortgage reduction as the project continues.

Net Assets

Restricted net assets are limited to outside third-party restrictions either by law or by other organizations or persons external to the Authority. Unrestricted net assets represent the net assets neither restricted nor invested in capital assets.

D. Grant Programs/Revenues

Community Development Block Grant Program: The Agency as a subgrantee to the City of Jersey City receives entitlement funds under the Community Development Block Grant (CDBG) Program from the U.S. Department of Housing and Urban Development (HUD). Annually, the Agency enters into a grant agreement with the City to administer and implement specific project activities for the City's CDBG Program.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Grant Programs/Revenues (Continued)

UEZA Program: The Agency receives funds from the New Jersey Urban Enterprise Zone Authority. The Agency as a subgrantee entered into a project agreement with the Jersey City Economic Development Corporation (JCEDC), the City's zone program administrator, to administer and implement redevelopment projects.

Grants received are recognized as revenue when the resources are expended for the purpose specified in the grant agreement. Grant funds received and not yet expended are reported as deferred revenue.

E. Other

Reclassifications

Certain reclassifications may have been made to the December 31, 2007 balances to conform to the December 31, 2008 presentations.

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 expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Supplementary Schedules

The supplementary schedules presented are 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. 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 Board and submitted to the Division of Local Government Services, Bureau of Authority regulation for approval prior to adoption. The budget adoption and amendments are recorded in the Agency's minutes.

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

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

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

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 3 DEPOSITS AND INVESTMENTS

The Agency considers petty cash, change funds, cash in banks and certificates of deposit as cash and cash equivalents.

Deposits

The Agency's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for a temporary period ending December 31, 2009 and \$100,000 in the aggregate by the FDIC for each bank for the year ended December 31, 2007, respectively. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At December 31, 2008 and 2007, the book value of the Agency's deposits were \$17,071,168 and \$14,246,591 and bank balances of the Agency's cash and deposits amounted to \$17,287,073 and \$14,306,082. The Agency's deposits which are displayed on the statement of net assets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>2008</u>	<u>2007</u>
Insured	\$ 7,822,838	\$6,363,599
Uninsured and Collateralized	<u>9,464,235</u>	<u>7,942,483</u>
	<u>\$17,287,073</u>	<u>\$14,306,082</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 December 31, 2008 and 2007, the Agency's bank balances of \$9,464,235 and \$7,942,483 were exposed to custodial credit risk as follows:

	<u>2008</u>	<u>2007</u>
Uninsured and collateral held by pledging bank's trust department, not in the Agency's name	<u>\$9,464,235</u>	<u>\$7,942,483</u>

Investments

The Agency is permitted to invest public 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 a 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 NJSA 40A:5-15.1 (8a-8e).

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 3 DEPOSITS AND INVESTMENTS

Investments (Continued)

As of December 31, 2008 and 2007, the Agency had no outstanding investments.

NOTE 4 MORTGAGE LOANS RECEIVABLE

The mortgage loan receivable balances at December 31, 2008 and 2007 consists of mortgage loans on various properties in certain redevelopment areas.

<u>Location Description</u>	<u>Loan Terms</u>
• Ocean/Bayview	Issued to New Community Ocean/Bayview Housing Associates, L.P. on December 28, 1989 as a balloon mortgage for \$274,000 at an interest rate of 9% and subsequently rolled over in 1991 at an interest rate of 1% for a term of 20 years.
• Public School No. 2 (Second Mortgage)	Issued to Public School No. 2 Urban Renewal Company L.L.C on August 4, 1998 for \$400,000 as a balloon mortgage payable on August 4, 2028 at 3% interest rate payable beginning on December 31, 1998 and every six months thereafter. The mortgage was paid in full during 2008.
• Public School No. 2 (Third Mortgage)	Issued to Public School No. 2 Urban Renewal Company L.L.C on August 4, 1998 for \$385,000 as a balloon mortgage at 1% interest rate payable on August 4, 2028. The mortgage was paid in full during 2008.
• Grove Street	Issued to Exeter Property Services Corp. on September 21, 2001 for \$275,000 at a 3% interest rate. Principal and interest shall be paid monthly based upon a thirty year payout, however, all sums owed under the mortgage are due no later than October 5, 2011.
• Journal Square	Issued to Kennedy, LLC on June 2, 2003 for \$700,000 as a balloon mortgage payable on June 2, 2033 at interest rates of 1% for years one through five, 3% for years six through fifteen, and 5% for years fifteen through thirty.
• Harriet Tubman Estates	Issued to Eagle Rock Development, LLC on October 23, 2007 for \$153,000, at a 9.75% interest rate for three years, payable on October 23, 2010.
• Summit Heights	Issued to City Lines Properties, LLC on December 15, 2008 for \$2,500,000, interest free, maturing on January 31, 2012. This mortgage will be released from the mortgagee without remuneration to the Agency as the affordable housing redevelopment project continues.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 4 MORTGAGE LOANS RECEIVABLE (Continued)

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Ocean/Bayview	\$ 274,000	\$ 274,000
Public School No. 2 (Second Mortgage)		400,000
Public School No. 2 (Third Mortgage)		385,000
Grove Street	229,806	236,433
Journal Square	700,000	700,000
Harriet Tubman Estates	153,000	153,000
Summit Heights	<u>2,500,000</u>	<u>-</u>
	<u>\$ 3,856,806</u>	<u>\$ 2,148,433</u>
Restricted	\$ 2,500,000	
Unrestricted	<u>1,356,806</u>	<u>\$ 2,148,433</u>
	<u>\$ 3,856,806</u>	<u>\$ 2,148,433</u>

NOTE 5 EMPLOYEE RETIREMENT SYSTEM

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement system (retirement system) covering substantially all state and local government employees which includes those Agency employees who are eligible for pension coverage.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement system to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for the PERS is funded directly by the system and is considered in the annual actuarial calculation of the required contributions for the system.

According to state law, all obligations of the retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 5 EMPLOYEE RETIREMENT SYSTEM (Continued)

Other Pension Funds (Continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above system. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Basis of Accounting

The financial statements of the pension Fund are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the Fund. Benefits or refunds are recognized when due and payable in accordance with the applicable eligibility terms of the fund.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management fund, Common Pension Fund A, Common Pension Fund B, and Common Pension Fund D. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

Chapter 108, P.L. 2003, effective July 1, 2003 provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ending June 30, 2005, 20 percent; for payments due in the State fiscal year ending June 30, 2006, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2007, not more than 60 percent; and for payments due in the State fiscal year ending June 30, 2009, not more than 80 percent.

Chapter 42, P.L. 2002 permitted local government units to issue refunding bonds to retire unfunded accrued liability resulting from early retirement benefits under PERS, effective July 12, 2002.

JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 5 EMPLOYEE RETIREMENT SYSTEM (Continued)

Contribution Requirement

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension fund provides for employee contributions based on 5.0% for PERS of the employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

During the years ended December 31, 2008, 2007 and 2006, the Agency was required to contribute \$54,489, \$23,014 and \$12,173, respectively to the PERS for normal cost pension contributions or post-retirement medical benefits.

NOTE 6 CAPITAL ASSETS

The following is a summary of the Agency's capital assets activity for the years ended at December 31, 2008 and 2007:

	2008			
	Balance, January 1, 2008	Increases	Decreases	Balance, December 31, 2008
Capital Assets, Not Being Depreciated:				
Property Held for Redevelopment	\$ 15,948,676	\$ 7,765,485	\$ (4,588,385)	\$ 19,125,776
Total Capital Assets, Not Being Depreciated	<u>15,948,676</u>	<u>7,765,485</u>	<u>(4,588,385)</u>	<u>19,125,776</u>
Capital Assets, Being Depreciated:				
Buildings	9,436,058			9,436,058
Vehicles and Equipment	<u>37,855</u>	<u>-</u>	<u>-</u>	<u>37,855</u>
Total Capital Assets Being Depreciated	<u>9,473,913</u>	<u>-</u>	<u>-</u>	<u>9,473,913</u>
Less Accumulated Depreciation for:				
Buildings	(1,572,676)	(188,721)		(1,761,397)
Vehicles and Equipment	<u>(36,972)</u>	<u>(706)</u>	<u>-</u>	<u>(37,678)</u>
Total Accumulated Depreciation	<u>(1,609,648)</u>	<u>(189,427)</u>	<u>-</u>	<u>(1,799,075)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,864,265</u>	<u>(189,427)</u>	<u>-</u>	<u>7,674,838</u>
Capital Assets, Net	<u>\$ 23,812,941</u>	<u>\$ 7,576,058</u>	<u>\$ (4,588,385)</u>	<u>\$ 26,800,614</u>

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 6 CAPITAL ASSETS (Continued)

	2007		
	Balance, January 1, 2007	Increases	Decreases
			Balance, December 31, 2007
Capital Assets, Not Being Depreciated:			
Property Held for Redevelopment	\$ 14,455,576	\$ 3,492,000	\$ (1,998,900)
Total Capital Assets, Not Being Depreciated	<u>14,455,576</u>	<u>3,492,000</u>	<u>(1,998,900)</u>
Capital Assets, Being Depreciated:			
Buildings	9,436,058		9,436,058
Vehicles and Equipment	37,855	-	-
Total Capital Assets Being Depreciated	<u>9,473,913</u>	<u>-</u>	<u>-</u>
Less Accumulated Depreciation for:			
Buildings	(1,383,955)	(188,721)	(1,572,676)
Vehicles and Equipment	(36,267)	(705)	-
Total Accumulated Depreciation	<u>(1,420,222)</u>	<u>(189,426)</u>	<u>-</u>
Total Capital Assets, Being Depreciated, Net	<u>8,053,691</u>	<u>(189,426)</u>	<u>-</u>
Capital Assets, Net	<u>\$ 22,509,267</u>	<u>\$ 3,302,574</u>	<u>\$ (1,998,900)</u>

On March 27, 1998 the Agency and the City of Jersey City entered into a cooperation agreement for the construction of a community/educational center on property owned by the Agency in Ward E. Under the agreement, the City agreed to issue bonds in the amount of \$9,500,000 and provide a grant of that amount solely to finance the construction of the project. The City has permanently financed the project through the issuance of general serial bonds. The facility was completed during 1999 and the Agency entered into a lease with a charter school for the entire facility. Pursuant to the cooperation agreement, the Agency will, to the extent reasonably possible, fully reimburse the City the annual amount needed by the City to pay principal and interest due on the bonds issued by the City to construct the facility from any revenue the agency receives under its lease of the facility. The Agency has complied with all financial provisions of the cooperation agreement from inception through December 31, 2008.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 7 RESTRICTED NET ASSETS

Pursuant to a cooperation agreement with the City, the Agency has reserved any excess revenue received from the use of the community/educational center its owns to fund (1) the capital reserve requirement determined by its consulting engineer to fund the future replacement of common element components and (2) to repay the City of Jersey City the principal and interest due on the debt issued to finance the facility and/or future operating costs of the facility. Excess revenue is defined as revenue in excess of operating expenses and current year debt service due to the City of Jersey City.

Additionally, the Agency restricted a portion of net assets during 2007 for any potential accrued interest pursuant to a cooperation agreement with the Port Authority of New York and New Jersey. This restriction was eliminated during 2008 pursuant to a Memorandum of Understanding between the Agency and the Port Authority which reprogrammed these funds for a future project. As of December 31, 2008 and 2007 the restricted net assets is comprised of the following:

	<u>2008</u>	<u>2007</u>
Restricted for:		
Renewal and Replacement	\$ 1,204,993	\$ 1,049,976
Other Purposes - Cooperation Agreements		
City of Jersey City	294,835	311,758
Port Authority of New York and New Jersey	<u>-</u>	<u>794,758</u>
	<u>294,835</u>	<u>1,106,516</u>
Total Restricted Net Assets	<u>\$ 1,499,828</u>	<u>\$ 2,156,492</u>

NOTE 8 COMMITMENTS AND CONTINGENCIES

State and Federal Grants: The Agency receives grants from the State of New Jersey, the U.S. Government and the City of Jersey City that are generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by the grantors. In addition, these audits could result in the disallowance of costs previously reimbursed and require repayment to the grantor agency. The Agency estimates that no material liabilities will result from these audits.

Redeveloper Agreements: The Agency has entered into certain redeveloper agreements whereby the redeveloper is responsible for the payment of any awards of just compensation and any relocation claim awards resulting from the condemnation of real property. The Agency is however primarily liable for these payments if the redeveloper defaults on any payments. At the present time the financial terms of all redeveloper agreements have been met.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 8 COMMITMENTS AND CONTINGENCIES (Continued)

Environmental Remediation Liability: Certain of the Agency's redevelopment properties are in the process of being cleared of identified environmental contamination. Costs associated with the clean-up of these sites will be reimbursed by the prior property owners, project redevelopers and State or City agencies. Management believes the Agency's liability, if any, will not be material.

The Port Authority of New York and New Jersey: The Agency and the City of Jersey City have entered into an agreement with the Port Authority of New York and New Jersey (the "Port Authority") for an industrial development project. The agreement provides that the Port Authority will provide one dollar of every two dollars expended on the project. As of December 31, 2008 a total of \$4,751,134 has been expended on the project. Of that amount the Agency, the City of Jersey City and the Jersey City Economic Development Corporation (JCEDC) has expended \$2,653,659 and the Port Authority has expended \$2,097,475.

Pursuant to the agreement all revenues received by the Agency and City from the project including the sale of property will first be utilized to reimburse the costs paid from grant proceeds provided by the City, by the Agency and the JCEDC. Any funds received in excess of these costs shall be paid to the Port Authority.

As of December 31, 2008 the Agency has received \$4,334,151 in revenue from this project. The Agency refunded \$535,000 in 2000 to the City of Jersey City, the amount of which represents Community Development Block Grant proceeds utilized for the project. The balance of the funds were used to reimburse the Agency for both their contributions and the JCEDC's contributions totaling \$2,118,659. The remaining balance of \$1,680,492 has been reprogrammed during 2008 for use in a future project pursuant to a Memorandum of Understanding between the Agency and the Port Authority.

As of December 31, 2008 \$161,168 is being held in escrow for environmental costs pertaining to a sale of property in the development area. Any proceeds received from these escrow accounts after costs are paid pertaining to the project will be due to the Port Authority.

Journal Square Commercial Property Reinvestment Project – The Agency has been named as the developer for the acquisition of real property located within the geographic area of the City designated by the Journal Square Redevelopment Plan as District 6. The Agency will be receiving \$2,975,000 of New Jersey Urban Enterprise Zone Authority (UEZA) proceeds from the Jersey City Economic Development Corporation, the City's zone program administrator, to purchase the property within District 6. The Agency is required to repay all revenues generated to the extent realized from the sale or lease of properties acquired with the UEZA funds. As of December 31, 2008 the Agency has expended \$2,278,075 from the UEZA for expenditures relating to the project. Additionally, no revenue has been received by the Agency relating to the sale or lease of properties to be acquired with the proceeds.

Litigation: The Agency is a defendant in several lawsuits which arose out of the normal course of business and which the Agency's management believes will not have a material impact on the financial statements. These liabilities, if any, not covered by insurance, should not be material in amount.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 9 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency has obtained insurance coverage to guard against these events which will provide minimum exposure to the Agency should they occur.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

NOTE 10 ACCRUED COMPENSATED ABSENCES

Under the existing policies of the Agency, employees are allowed to accumulate (with certain restrictions) unused sick leave and vacation benefits over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon retirement, termination in good standing or by extended absence immediately preceding retirement. It is estimated that the current cost of such unpaid compensation would approximate \$330,334 and \$280,085 at December 31, 2008 and 2007, respectively. These amounts are accrued as a current liability at December 31, 2008 and 2007.

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SUPPLEMENTARY SCHEDULES

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Department and Grant Title	Contract Period	Grant Number	Project Number	Project	Authorized Costs	Cumulative Expenditures through December 31, 2007	Expenditures January 1, 2008 to December 31, 2008	Cumulative Expenditures through December 31, 2008	Balance Available
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/08-3/31/09	B-08-MC-35-0108	548 967	City Wide Demolition Administration	241,836 143,900	-	\$ 230,000 143,900	\$ 230,000 143,900	\$ 11,836 -
Total					385,736	-	373,900	373,900	11,836
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/07-3/31/08	B-07-MC-34-0108	620 603	MLK Drive - Jackson Estates Morris Canal - Berry Lane Park	955,837 200,000	-	8,364 199,957	8,364 199,957	\$ 947,473 43
Total					1,155,837	-	208,321	208,321	947,516
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/06-3/31/07	B-06-MC-34-0108	509 611 607 932	Seacaus Road MLK Drive (127-133) MLK Drive (202) Ocean/Bayview	250,500 218,000 243,000 160,000	-	223,133 17,613 87,307 -	223,133 17,613 87,307 -	27,367 200,387 155,693 160,000
Total					871,500	-	328,053	328,053	543,447
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Block Grant Program - Entitlement Grant	4/1/05-3/31/06	B-05-MC-34-0108	990 619 606	West District Police Facility MLK Drive Redevelopment MLK Drive Redevelopment	42,500 193,181 290,000	19,525 178,155 273,509	9,625 -	29,150 178,155 273,509	13,350 15,026 16,491
Total					525,681	471,189	9,625	480,814	44,867

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE I

Federal Department and Grant Title	Contract Period	Grant Number	Project Number	Project	Authorized Costs	Cumulative Expenditures through December 31, 2007	Expenditures January 1, 2008 to December 31, 2008	Cumulative Expenditures through December 31, 2008	Balance Available	
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/04-3/31/05	B-04-MC-34-0108	948	MLK Hub	\$ 160,000	\$ 83,673	\$ 21,843	\$ 105,516	\$ 54,484	
			932	Ocean Bayview	300,000	260,198	1,177	261,375	38,625	
			98M	MLK Non-Hub	200,000	199,195	-	199,195	805	
					660,000	543,066	23,020	566,086	93,914	
Total										
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/03-3/31/04	B-03-MC-34-0108	94G	Morris Canal Redevelopment	533,000	483,853	22,605	506,458	26,542	
			99Q	MLK Community Ctr. (Parking)	200,000	152,987		152,987	47,013	
			A10	A&S Grocery Store	250,000	165,735		165,735	84,265	
			A11	Monticello Ave.	35,125	15,818	193	16,011	19,114	
			A12	Environmental Remediation - 100 Monitor Street	400,000	37,719	1,725	39,444	360,556	
			A13	Greenville Redevelopment Area	80,000				80,000	
			A18	Goldman Sachs	125,000	62,653		62,653	62,347	
			A19	MLK Community Ctr. (Parking)	150,000	136,341	9,867	146,208	3,792	
					1,773,125	1,055,106	34,390	1,089,496	683,629	
			Total							
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/02-3/31/03	B-02-MC-34-0108	94U	Medical Center	225,000	214,134		214,134	10,866	
			99U	Liberty Harbor North	335,000	288,127		288,127	46,873	
			072J	City Hall Annex	20,500	20,126		20,126	374	
			99W	Dwight Street	282,904	-	-	-	282,904	
Total										
					863,404	522,387		522,387	341,017	

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Department and Grant Title	Contract Period	Grant Number	Project Number	Project	Authorized Costs	Cumulative Expenditures through December 31, 2007	Expenditures		Cumulative Expenditures through December 31, 2008	Balance Available
							January 1, 2008 to December 31, 2008	December 31, 2008		
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/01-3/31/02	B-01-MC-34-0108	91P	Western Gateway	\$ 75,000	\$ 68,587		\$ 68,587	\$ 6,413	
			98Q	Bernius Court	85,000	4,973		4,973	80,027	
			99U	Liberty Harbor North	500,000	499,515		499,515	485	
			99W	Dwight Street	808,608	766,892	-	766,892	41,716	
			Total		1,468,608	1,339,967	-	1,339,967	128,641	
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/00-3/31/01	B-00-MC-34-0108	91F	Majestic Theater	475,000				475,000	
			947	Lafayette Park - Hope VI	65,000	64,667		64,667	333	
			97H	Kearny Ave	40,316	36,585		36,585	3,731	
			99T	Medical Ctr	180,000	171,864	\$ 4,946	176,810	3,190	
			Total		760,316	273,116	4,946	278,062	482,254	
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/99-3/31/00	B-99-MC-34-0108	93R	Demolition	479,830	455,994		455,994	23,836	
			98P	Lafayette Park Acq	244,221	173,898	21,676	195,574	48,647	
			99V	Actna/Grand/Jersey Ave	421,000	112,213		112,213	308,787	
			312	Greene Street	9,500	5,100		5,100	4,400	
			191	Morris Canal Industrial Pk	560,459	264,507	9,742	274,249	286,210	
Total					1,715,010	1,011,712	31,418	1,043,130	671,880	

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE 1

Federal Department and Grant Title	Contract Period	Grant Number	Project Number	Project	Authorized Costs	Cumulative Expenditures through December 31, 2007	Expenditures January 1, 2008 to December 31, 2008	Cumulative Expenditures through December 31, 2008	Balance Available
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/98-3/31/99	B-98-MC-34-0108	98Q 98R	Bernius Court Brownfields	\$ 599,811 150,000	\$ 583,200 147,373	\$ 583,200 147,373	\$ 16,611 2,627	
Total					749,811	730,573	730,573	19,238	
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/96-3/31/97	B-96-MC-34-0108	93T	Dwight Street	73,875	42,658	42,658	31,217	
Total					73,875	42,658	42,658	31,217	
U.S. Dept. of Housing and Urban Development: Program Income	N/A	N/A		Ninth St. Redevelopment	173,204	140,805	140,805	32,399	
Total U.S. Department of Housing and Urban Development					173,204	140,805	140,805	32,399	
					11,176,107	6,130,579	7,144,252	4,031,855	
U.S. Environmental Protection Agency Passed Through the City of Jersey City Brownfield Pilots Cooperative Agreement	10/01/97-12/31/01	N/A	BP99275201		200,000	93,855	93,855	106,145	
Total U.S. Environmental Protection Agency					200,000	93,855	93,855	106,145	
Grand Total					\$ 11,376,107	\$ 6,224,434	\$ 7,238,107	\$ 4,138,000	

**JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2008**

SCHEDULE 2

<u>State Department and Grant Title</u>	<u>Contract Period</u>	<u>Grant Number</u>	<u>Authorized Costs</u>	<u>Cumulative Expenditures Through December 31, 2007</u>	<u>Expenditures January 1, 2008 to December 31, 2008</u>	<u>Cumulative Expenditures Through December 31, 2008</u>	<u>Balance Available</u>
<u>Urban Enterprise Zone Authority</u>							
Passed Through Jersey City Economic Development Corporation - New Jersey Urban Enterprise Zone Authority Journal Square Commercial Property Reinvestment Project	N/A	UEZA - 00-70	\$ 2,975,000	\$ 2,260,138	\$ 17,937	\$ 2,278,075	\$ 696,925
<u>NJ Economic Development Authority</u>							
Hazardous Discharge Site Remediation Grand Jersey Redevelopment Project	N/A	P21141	582,508	-	582,097	582,097	411
Grand Total			\$ 3,557,508	\$ 2,260,138	\$ 600,034	\$ 2,860,172	\$ 697,336

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND APPROPRIATIONS
BUDGET TO ACTUAL

YEAR ENDED DECEMBER 31, 2008

(With Comparative Actual Amounts for the Year Ended December 31, 2007)

REVENUES	<u>2008</u> Budget	<u>2008</u> Actual	<u>2007</u> Actual
<u>Operating Revenues</u>			
Service Charges		\$ 35,000	\$ 35,000
Other - Rents	\$ 922,020	1,013,702	1,009,666
Other - Redeveloper Fees	400,000	542,818	660,547
Federal Grants			
Community Development Block Grant			
Development	2,415,500	869,773	397,277
Administration	200,000	143,900	199,240
Other Grants		600,034	
City of Jersey City - Capital Funds		4,639,859	
Miscellaneous		334,433	336,822
<u>Non-Operating Revenues</u>			
Other Reimbursements - Golden Door	150,000	193,935	181,185
Other - Interest on Investments and Deposits	200,000	415,895	550,352
 Total Revenues	 <u>\$ 4,287,520</u>	 <u>8,789,349</u>	 <u>\$ 3,370,089</u>

APPROPRIATIONS

Operating Appropriations

Administration:			
Salaries, Wages and Fringe Benefits	\$ 1,374,600	1,391,171	\$ 1,334,204
Other Expenses	505,050	2,014,344	1,186,372
Cost of Providing Service:			
Other Expenses	3,534,709	1,261,749	293,080

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND APPROPRIATIONS
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2008
(With Comparative Actual Amounts for the Year Ended December 31, 2007)

	<u>2008</u> <u>Budget</u>	<u>2008</u> <u>Actual</u>	<u>2007</u> <u>Actual</u>
<u>Non-Operating Appropriations</u>			
Renewal and Replacement Reserve	\$ 122,811	\$ 155,017	\$ 106,370
Other Charges:			
Depreciation		189,427	189,426
Cooperation Agreement-City of Jersey City - Ward E	<u>-</u>	<u>745,216</u>	<u>752,868</u>
 Total Appropriations	 <u>\$ 5,537,170</u>	 <u>5,756,924</u>	 <u>\$ 3,862,320</u>
 Budgetary Income (Loss)		 3,032,425	
 Reconciliation to GAAP Basis:			
Contribution of Property Held for Redevelopment		535,100	
Disposition of Property Held for Redevelopment		(2,088,385)	
Increase in Renewal and Replacement Reserve		<u>155,017</u>	
 Change in Net Assets - GAAP Basis		 <u>\$ 1,634,157</u>	

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF GRANT REVENUES
PERIOD FROM JANUARY 1, 2008 AND DECEMBER 31, 2008

<u>Operating Revenues</u>	<u>Amount</u>
Federal Grants:	
City Pass-Through:	
Department of Housing and Urban Development	\$ <u>1,013,673</u>
 Total Federal Grants	 \$ <u>1,013,673</u>
 State Grants:	
Passed Through Jersey City Economic Development Corporation - New Jersey	
Urban Enterprise Zone Authority	\$ 17,937
 NJ Economic Development Authority	
Hazardous Discharge Site Remediation	<u>582,097</u>
 Total State Grants	 \$ <u>600,034</u>

GOVERNMENT AUDITING STANDARDS
AND
SINGLE AUDIT

LERCH, VINCI & HIGGINS, LLP

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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

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

We have audited the basic financial statements of the Jersey City Redevelopment Agency as of and for the year ended December 31, 2008, and have issued our report thereon dated April 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

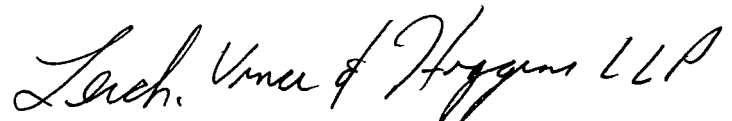
Compliance and Other Matters

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

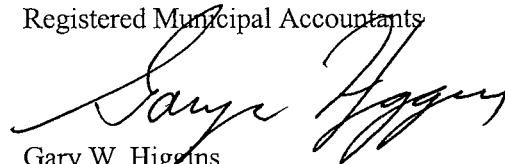
However, we noted a certain other matter that we have reported to management of the Jersey City Redevelopment Agency in the Section of our report of audit entitled "General Comments and Recommendations".

The Jersey City Redevelopment Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Jersey City Redevelopment Agency Board of Commissioners, management, the City of Jersey City, New Jersey State Department of Community Affairs and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
April 22, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Honorable Chairman and Members of the Board
of Commissioners
Jersey City Redevelopment Agency
Jersey City, New Jersey

Compliance

We have audited the compliance of the Jersey City Redevelopment Agency ("the Agency") with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the "New Jersey State Aid/Grant Compliance Supplement" that are applicable to each of its major federal and state programs for the year ended December 31, 2008. The Agency's major federal and state programs are identified in the "Summary of Auditors' Results Section" of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Jersey City Redevelopment Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2008.

Internal Control Over Compliance

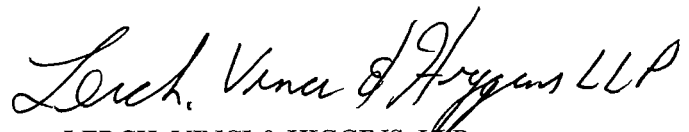
The management of the Jersey City Redevelopment Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Jersey City Redevelopment Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A control deficiency in the agency's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the Agency's internal control.

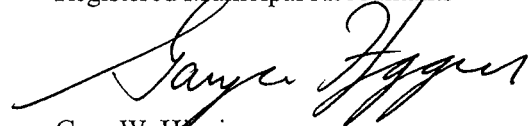
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Jersey City Redevelopment Agency Board of Commissioners, management, the City of Jersey City, the New Jersey Department of Community Affairs, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



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Gary W. Higgins
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RMA Number CR00405

Fair Lawn, New Jersey
April 22, 2009

**JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development - Passed Through City of Jersey City - Community Development Block Grant Program	14.218	B-08-MC-34-0108	\$ 373,900
	14.218	B-07-MC-34-0108	208,321
	14.218	B-06-MC-34-0108	328,053
	14.218	B-05-MC-34-0108	9,625
	14.218	B-04-MC-34-0108	23,020
	14.218	B-03-MC-34-0108	34,390
	14.218	B-00-MC-34-0108	4,946
	14.218	B-99-MC-34-0108	<u>31,418</u>
 Total U.S. Department of Housing and Urban Development			 <u>\$ 1,013,673</u>

**JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>State Department and Grant Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Urban Enterprise Zone Authority</u>		
Passed Through Jersey City Economic Development Corporation - New Jersey Urban Enterprise Zone Authority		
Journal Square Commercial Property Reinvestment Project	UEZA - 00-70	\$ 17,937
 <u>NJ Economic Development Authority</u>		
Hazardous Discharge Site Remediation		
Grand Jersey Redevelopment Project	P21141	<u>582,097</u>
 Grand Total		 <u>\$ 600,034</u>

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Jersey City Redevelopment Agency. The Agency is defined in Note 1 to the Agency's financial statements. All federal financial assistance received directly from federal agencies, as well as federal and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds for state and local governments.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Agency's financial statements. Financial assistance revenues are reported in the Agency's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>
U.S. Department of Housing and Urban Development	\$1,013,673	
Urban Enterprise Zone Authority		\$ 17,937
NJ Economic Development Authority	_____	<u>582,097</u>
	<u>\$1,013,673</u>	<u>\$600,034</u>

NOTE 4 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Agency's fiscal year and grant program years.

**JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

Part 1 – Summary of Auditors' Results (continued)

State Awards Section

Internal Control over major programs:

1) Material weakness(es) identified? yes X no

2) Significant Deficiency(ies) identified that are not
considered to be material weakness(es)? yes X none reported

Type of auditor's report issued on compliance for
major programs

Unqualified

Any audit findings disclosed that are required to be reported
in accordance with NJ OMB 04-04?

 Yes X No

Identification of major state programs:

Identification Number(s)

P21141

Name of State Program or Cluster

Hazardous Discharge Site Remediation

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 Yes X No

**JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

Part 2 - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

Finding 2008-1:

Certain revenue sources received by the Agency for the purpose of funding project expenditures were not realized in the respective accounting period.

Cause:

Unknown.

Criteria:

Internal controls over revenue recognition.

Condition:

Certain revenues were recorded as project deposits or deferred revenue rather than being realized as a current period revenue.

Context:

Expenditures incurred for property acquisitions in the amount of \$5,770,385 were not applied to the respective funding source resulting in revenues earned not being realized.

Effect:

Agency liabilities were overstated and revenues realized were understated resulting in net assets being overstated.

Recommendation:

Internal controls over revenue recognition be reviewed and enhanced.

Management's Response:

Management has indicated that periodic meetings will be held with the Executive Director, Assistant Executive Director, Fiscal Officer and Part-Time Comptroller to review property acquisitions and ensure that disbursements are properly applied to the correct funding source and that receipts of such funds are accurately recorded in the general ledger for proper revenue realization.

**JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

Part 3 - Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required by OMB Circular A-133 and NJ OMB 04-04.

CURRENT YEAR FEDERAL AWARDS

There are none.

CURRENT YEAR STATE AWARDS

There are none.

**JERSEY CITY REDEVELOPMENT AGENCY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b)).

STATUS OF PRIOR YEAR FINDINGS

Finding 2007-1: The Agency's internal controls over financial reporting were not sufficient to provide financial statements in accordance with generally accepted accounting principles.

Current Status: Corrective action has been taken.

ROSTER OF OFFICIALS
AND
GENERAL COMMENTS AND RECOMMENDATIONS

ROSTER OF OFFICIALS
AS OF DECEMBER 31, 2008

<u>Name</u>	<u>Title</u>
James K. Morley	Chairman
Rafael Diaz	Vice - Chairman
Piyush M. Amin	Commissioner
Evelyn Farmer	Commissioner
Viola Richardson	Commissioner
Michael J. Sottolano	Commissioner
John Spinello	Commissioner
Robert P. Antonicello	Executive Director

GENERAL COMMENTS

The audit of employee benefits indicated that two (2) individuals who discontinued employment with the Agency were not removed from the employee benefit plans in a timely manner.

RECOMMENDATIONS

It is recommended that:

1. Internal controls over revenue recognition be reviewed and enhanced.
2. All individuals that discontinue employment with the Agency be removed from the employee benefit plans on a timely basis.

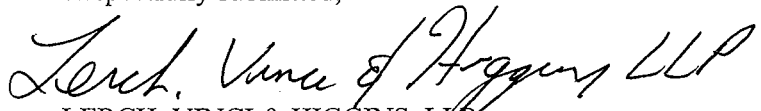
Status of Prior Year's Audit Comments and Recommendations

A review was performed of all prior year comments and recommendations. All comments have been cleared of record.

Appreciation

We desire to express our appreciation of the assistance of the Executive Director, the Director of Accounts and Control and the Agency staff during the course of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lerch, Vinci & Higgins LLP".

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