

JERSEY CITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Jersey City)

REPORT OF AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

JERSEY CITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Jersey City)

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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, 2009 and 2008, 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.

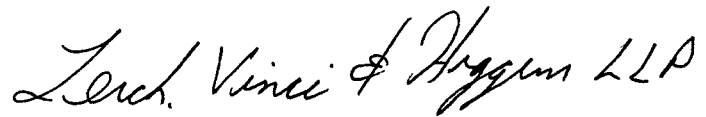
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2009 and 2008, 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.

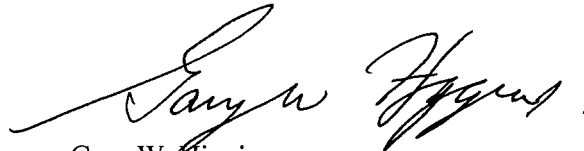
In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2010 on our consideration of the Jersey City Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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 considered in assessing 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
May 26, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JERSEY CITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2009

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, 2009. 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 decreased \$573,323 or approximately 1.6 percent. The decrease is the net result of an increase in both investment in capital assets of \$1,014,936 and restricted net assets of \$54,383, along with a decrease in unrestricted net assets of \$1,642,642.
- Cash and Cash Equivalents decreased \$2,099,893 or approximately 12.3 percent. The majority of the decrease is the result of a decrease in unrestricted deferred revenue of \$2,042,464.
- Operating Revenues increased \$3,185,127. The majority of the increase is the result of an increase in State grant revenues of \$3,910,031 net of a decrease in City contributions of \$291,438.
- Operating Expenses increased \$5,191,168. The majority of the increase is the result of an increase in State grant expenditures of \$3,910,031 along with an increase in expenditures of City contributions of \$3,078,947 net of a decrease of \$1,026,670 pertaining to the disposition of property held for redevelopment.

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, 2009
(Continued)**

FINANCIAL ANALYSIS OF THE AGENCY

Net Assets – The following table summarizes Net Assets as of December 31, 2009, 2008 and 2007:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net Assets:			
Invested in Capital Assets	\$ 27,815,550	\$ 26,800,614	\$ 23,812,941
Restricted	1,554,211	1,499,828	2,156,492
Unrestricted	5,318,942	6,961,584	7,658,436
Total Net Assets	<u>\$ 34,688,703</u>	<u>\$ 35,262,026</u>	<u>\$ 33,627,869</u>

The Agency's Net Assets decreased \$573,323, or 1.6%, and increased \$1,634,157, or 4.8%, in the years ended December 31, 2009 and 2008 as a result of the following:

Invested in capital assets increased during 2009 and 2008 mainly as a result of the acquisition of certain properties.

Restricted net assets increased \$54,383 during 2009 as a result of increasing the renewal and replacement reserve for the Community/Educational Center in Ward E by \$157,960 and decreasing the reserve for the cooperation agreement income conditions by \$103,577 pertaining to the Center. *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.

Unrestricted net assets decreased \$1,642,642 and \$696,852 during 2009 and 2008, respectively.

The following table summarizes the capital assets as of December 31 2009, 2008 and 2007.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Invested in Capital Assets:</u>			
Buildings	\$ 9,436,058	\$ 9,436,058	\$ 9,436,058
Property Held for Redevelopment	20,329,611	19,125,776	15,948,676
Vehicles and Equipment	<u>37,855</u>	<u>37,855</u>	<u>37,855</u>
	29,803,524	28,599,689	25,422,589
Less:			
Accumulated Depreciation	<u>(1,987,974)</u>	<u>(1,799,075)</u>	<u>(1,609,648)</u>
	<u>\$ 27,815,550</u>	<u>\$ 26,800,614</u>	<u>\$ 23,812,941</u>

JERSEY CITY REDEVELOPMENT AGENCY

***MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009
(Continued)***

OPERATING ACTIVITIES

The following table summarizes the changes in revenues, expenses and net assets for the fiscal years 2009, 2008 and 2007:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:			
Federal and State Grants	\$ 5,594,300	\$ 1,613,707	\$ 596,517
Other:			
City Contributions	4,348,421	4,639,859	
Redeveloper Fees	419,000	440,350	480,320
Redeveloper Reimbursements	79,916	102,468	180,227
Miscellaneous	1,167,437	1,383,135	1,381,488
Contributions of Property Held for Redevelopment	<u>290,672</u>	<u>535,100</u>	<u>2,897,000</u>
Total Operating Revenues	<u>11,899,746</u>	<u>8,714,619</u>	<u>5,535,552</u>
OPERATING EXPENSES			
Grant Related			
Federal and State	4,732,050	1,253,707	271,517
Nongrant Related			
City Contributions	3,128,421	49,474	
Other	2,831,224	3,170,148	2,360,954
Depreciation	188,899	189,427	189,426
Disposition of Property Held for Redevelopment	<u>1,061,715</u>	<u>2,088,385</u>	<u>938,900</u>
Total Operating Expenses	<u>11,942,309</u>	<u>6,751,141</u>	<u>3,760,797</u>
OPERATING INCOME (LOSS)	<u>(42,563)</u>	<u>1,963,478</u>	<u>1,774,755</u>
NONOPERATING REVENUES (EXPENSES):			
Interest Revenue	210,056	415,895	550,352
Cooperation Agreement-City of Jersey City	<u>(740,816)</u>	<u>(745,216)</u>	<u>(752,868)</u>
Total Nonoperating Revenues (Expenses)	<u>(530,760)</u>	<u>(329,321)</u>	<u>(202,516)</u>
Change in Net Assets	(573,323)	1,634,157	1,572,239
Total Net Assets, Beginning of Year	<u>35,262,026</u>	<u>33,627,869</u>	<u>32,055,630</u>
Total Net Assets, End of year	<u>\$ 34,688,703</u>	<u>\$ 35,262,026</u>	<u>\$ 33,627,869</u>

**JERSEY CITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009
(Continued)**

DEBT ADMINISTRATION

Capital Debt

The Agency has no debt outstanding at December 31, 2009, 2008 and 2007.

OTHER FINANCIAL INFORMATION

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The adopted 2010 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 2010 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, 2009 AND 2008**

ASSETS	<u>2009</u>	<u>2008</u>
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 8,182,432	\$ 10,948,968
Accounts Receivable	482,325	626,171
Intergovernmental Receivables	1,503,864	438,931
Mortgage Loans Receivable	<u>159,628</u>	<u>160,117</u>
Total Unrestricted Current Assets	<u>10,328,249</u>	<u>12,174,187</u>
Restricted Current Assets		
Cash and Cash Equivalents	6,788,843	6,122,200
Accounts Receivable	159,949	80,584
Mortgage Loan Receivable	<u>2,500,000</u>	<u>2,500,000</u>
Total Restricted Current Assets	<u>9,448,792</u>	<u>8,702,784</u>
Total Current Assets	<u>19,777,041</u>	<u>20,876,971</u>
Noncurrent Assets		
Mortgage Loans Receivable		
Unrestricted	<u>1,190,550</u>	<u>1,196,689</u>
	<u>1,190,550</u>	<u>1,196,689</u>
Capital Assets		
Buildings (Net of Accumulated Depreciation of \$1,950,119 and \$1,761,397)	7,485,939	7,674,661
Property Held for Redevelopment	20,329,611	19,125,776
Vehicles and Equipment (Net of Accumulated Depreciation of \$37,855 and \$37,678)	<u>-</u>	<u>177</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>27,815,550</u>	<u>26,800,614</u>
Total Noncurrent Assets	<u>29,006,100</u>	<u>27,997,303</u>
Total Assets	<u>48,783,141</u>	<u>48,874,274</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, 2009 AND 2008**

LIABILITIES	<u>2009</u>	<u>2008</u>
Current Liabilities Payable from Unrestricted Assets		
Accounts Payable	\$ 1,794,326	
Payroll Taxes Payable		\$ 5,868
Deferred Revenue	3,491,078	5,533,542
Redeveloper Contracts Payable	113,866	113,370
Intergovernmental Payables	422,667	426,178
Compensated Absences Payable	<u>377,920</u>	<u>330,334</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>6,199,857</u>	<u>6,409,292</u>
Current Liabilities Payable from Restricted Assets		
Project Deposits	5,394,581	4,702,956
Deferred Revenue	<u>2,500,000</u>	<u>2,500,000</u>
Total Current Liabilities Payable from Restricted Assets	<u>7,894,581</u>	<u>7,202,956</u>
Total Current Liabilities	<u>14,094,438</u>	<u>13,612,248</u>
Total Liabilities	<u>14,094,438</u>	<u>13,612,248</u>
 NET ASSETS		
Invested in Capital Assets	27,815,550	26,800,614
Restricted for:		
Renewal and Replacement	1,362,953	1,204,993
Other Purposes	191,258	294,835
Unrestricted	<u>5,318,942</u>	<u>6,961,584</u>
Total Net Assets	<u>\$ 34,688,703</u>	<u>\$ 35,262,026</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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Federal Grants		
Jersey City Pass-Through	\$ 1,084,235	\$ 1,013,673
State Grants		
UEZA		17,937
EDA	4,510,065	582,097
Other		
Redeveloper Fees	419,000	440,350
Redeveloper Reimbursements	79,916	102,468
City Contributions	4,348,421	4,639,859
Miscellaneous	1,167,437	1,383,135
Contributions of Property Held for Redevelopment	<u>290,672</u>	<u>535,100</u>
 Total Operating Revenues	 <u>11,899,746</u>	 <u>8,714,619</u>
OPERATING EXPENSES		
Grant Related		
Federal	221,985	653,673
State	4,510,065	600,034
Nongrant Related		
City Contributions	3,128,421	49,474
Other	2,831,224	3,170,148
Depreciation	188,899	189,427
Disposition of Property Held for Redevelopment	<u>1,061,715</u>	<u>2,088,385</u>
 Total Operating Expenses	 <u>11,942,309</u>	 <u>6,751,141</u>
 Operating Income (Loss)	 <u>(42,563)</u>	 <u>1,963,478</u>
NONOPERATING REVENUES (EXPENSES):		
Interest Revenue	210,056	415,895
Cooperation Agreement-City of Jersey City	<u>(740,816)</u>	<u>(745,216)</u>
 Total Nonoperating Revenues (Expenses)	 <u>(530,760)</u>	 <u>(329,321)</u>
 Change in Net Assets	 (573,323)	 1,634,157
Total Net Assets, Beginning of Year	<u>35,262,026</u>	<u>33,627,869</u>
Total Net Assets, End of year	<u>\$ 34,688,703</u>	<u>\$ 35,262,026</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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Cash Receipts	\$ 10,615,746	\$ 12,728,704
Operating Cash Payments	(10,898,115)	(4,417,212)
Receipts of Project Deposits	2,230,992	4,163,412
Payments from Project Deposits	(1,539,367)	(2,879,008)
Receipts from the Sale of Property Held for Redevelopment	167,372	
Payments for the Acquisition of Property Held for Redevelopment	(2,142,250)	(7,230,385)
Receipts from Mortgages	<u>-</u>	<u>791,628</u>
Net Cash Provided by (Used for) Operating Activities	<u>(1,565,622)</u>	<u>3,157,139</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cooperation Agreement Payments-City of Jersey City	<u>(744,327)</u>	<u>(748,457)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(744,327)</u>	<u>(748,457)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>210,056</u>	<u>415,895</u>
Net Cash Provided by Investing Activities	<u>210,056</u>	<u>415,895</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,099,893)	2,824,577
Cash and Cash Equivalents at Beginning of Year	<u>17,071,168</u>	<u>14,246,591</u>
Cash and Cash Equivalents at End of Year	<u>\$ 14,971,275</u>	<u>\$ 17,071,168</u>
Analysis of Balance at December 31,		
Unrestricted - Cash and Cash Equivalents	\$ 8,182,432	\$ 10,948,968
Restricted - Cash and Cash Equivalents	<u>6,788,843</u>	<u>6,122,200</u>
	<u>\$ 14,971,275</u>	<u>\$ 17,071,168</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (42,563)	\$ 1,963,478
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	188,899	189,427
Change in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	64,481	(561,125)
(Increase)/Decrease in Intergovernmental Receivables	(1,064,933)	(34,715)
(Increase)/Decrease in Mortgage Loans Receivable	6,628	(1,708,373)
Increase/(Decrease) in Accounts Payable	1,794,326	
Increase/(Decrease) in Payroll Taxes Payable	(5,868)	5,868
Increase/(Decrease) in Deferred Revenue	(2,042,464)	5,143,241
Increase/(Decrease) in Redeveloper Contracts Payable	496	1,785
Increase/(Decrease) in Compensated Absences Payable	47,586	50,249
Increase/(Decrease) in Project Deposits	691,625	1,284,404
(Increase)/Decrease in Property Held for Redevelopment	<u>(1,203,835)</u>	<u>(3,177,100)</u>
Total Adjustments	<u>(1,523,059)</u>	<u>1,193,661</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (1,565,622)</u>	<u>\$ 3,157,139</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, 2009 AND 2008**

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, 2009 AND 2008**

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, certificates of deposit, 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, 2009 AND 2008**

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, 2009 AND 2008**

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, 2008 balances to conform to the December 31, 2009 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, 2009 AND 2008**

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, 2013. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At December 31, 2009 and 2008, the book value of the Agency's deposits were \$14,971,275 and \$17,071,168 and bank balances of the Agency's cash and deposits amounted to \$15,254,552 and \$17,287,073. 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>2009</u>	<u>2008</u>
Insured	\$ 6,373,527	\$ 7,822,838
Uninsured and Collateralized	<u>8,881,025</u>	<u>9,464,235</u>
	<u>\$15,254,552</u>	<u>\$17,287,073</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, 2009 and 2008, the Agency's bank balances of \$8,881,025 and \$9,464,235 were exposed to custodial credit risk as follows:

	<u>2009</u>	<u>2008</u>
Uninsured and collateral held by pledging bank's trust department, not in the Agency's name	<u>\$8,881,025</u>	<u>\$9,464,235</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, 2009 AND 2008**

NOTE 3 DEPOSITS AND INVESTMENTS

Investments (Continued)

As of December 31, 2009 and 2008, the Agency had no outstanding investments.

NOTE 4 MORTGAGE LOANS RECEIVABLE

The mortgage loan receivable balances at December 31, 2009 and 2008 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.
• 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, 2009 AND 2008**

NOTE 4 MORTGAGE LOANS RECEIVABLE (Continued)

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Ocean/Bayview	\$ 274,000	\$ 274,000
Grove Street	223,178	229,806
Journal Square	700,000	700,000
Harriet Tubman Estates	153,000	153,000
Summit Heights	<u>2,500,000</u>	<u>2,500,000</u>
	<u>\$ 3,850,178</u>	<u>\$ 3,856,806</u>
Restricted	\$ 2,500,000	\$ 2,500,000
Unrestricted	<u>1,350,178</u>	<u>1,356,806</u>
	<u>\$ 3,850,178</u>	<u>\$ 3,856,806</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, 2009 AND 2008**

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 assessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pension.

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

P.L. 2009, c. 19, effective March 17, 2009 provides an option for local employers to contribute 50 percent of the normal and accrued liability contribution amounts certified by the PERS for payments due in State fiscal year 2009. This law also provides that a local employer may pay 100 percent of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PERS will determine the unfunded liability of the retirement system, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

P.L. 2008, c. 89, effective November 1, 2008, increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; changed the early retirement provisions; increased the minimum annual compensation required for membership eligibility for new members on or after the effective date of this law.

P.L. 2007, c. 103, certain parts effective July 1, 2007, provided for the following: changed contribution rates of PERS to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) and established an employee contribution of 1.5 percent of the employee's base salary.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 5 EMPLOYEE RETIREMENT SYSTEM (Continued)

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS, is 72.6 percent with an unfunded actuarial accrued liability of \$34.4 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded system is 69.6 percent and \$23.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 77.2 percent and \$11.4 billion.

The funded status and funding progress of the retirement system is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement system in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2008 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement system. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement system; and (2) 5.45 percent for projected salary increases for the retirement system.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the retirement system requires employee contributions based on 5.5% of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2009 for PERS, which is a cost sharing multi-employer defined benefit pension plan, annual pension cost equals contributions made.

During the years ended December 31, 2009, 2008 and 2007, the Agency was required to contribute for normal cost pension contributions the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>
2009	\$ 75,391
2008	54,489
2007	23,014

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

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.

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, 2009 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.

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, compensatory time 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. Additionally, employees who meet certain minimum accruals are allowed to receive payments for compensatory and annual leave time in March and October for compensatory time and May for annual leave. It is estimated that the current cost of such unpaid compensation would approximate \$377,920 and \$330,334 at December 31, 2009 and 2008, respectively. These amounts are accrued as a current liability at December 31, 2009 and 2008.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 11 SUBSEQUENT EVENT

On April 15, 2010 the Agency entered into a Cooperation Agreement with the City of Jersey City to acquire certain properties within various redevelopment plan areas for the sum of \$4,270,000 on or before June 30, 2010. The Agency is currently in the process of negotiating redevelopment agreements providing for the sale and conveyance of said properties to redevelopers.

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SUPPLEMENTARY SCHEDULES

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE I

Federal Department and Grant Title	Contract Period	Grant Number	Project Number	Project	Authorized Costs	Cumulative Expenditures through December 31, 2008	Expenditures January 1, 2009 to December 31, 2009	Cumulative Expenditures through December 31, 2009	Balance Available
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/09-3/31/10	B-09-MC-36-0108	967 603	Administration Berry Lane Park	\$ 142,460 425,500	-	\$ 142,460 -	\$ 142,460 -	\$ 425,500
Total					567,960	-	142,460	142,460	425,500
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	548 603 991	City Wide Demolition 293-5 Halladay St. Hudson Exchange	241,836 206,685 10,622	230,000 -	157,269 10,622	230,000 157,269 10,622	11,836 49,416 -
Total					459,143	230,000	167,891	397,891	61,252
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	731,034 -	739,398 199,957	216,439 43
Total					1,155,837	208,321	731,034	939,355	216,482

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE 1

<u>Federal Department and Grant Title</u>	<u>Contract Period</u>	<u>Grant Number</u>	<u>Project Number</u>	<u>Project</u>	<u>Authorized Costs</u>	<u>Cumulative Expenditures through December 31, 2008</u>	<u>Expenditures January 1, 2009 to December 31, 2009</u>	<u>Cumulative Expenditures through December 31, 2009</u>	<u>Balance Available</u>
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-33-0108	509 611 607 932	Secaucus 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-32-0108	990 619 603 606	West District Police Facility MLK Drive Redevelopment Morris Canal MLK Drive Redevelopment	42,500 193,181 325,000 290,000	29,150 178,155 -	\$ 1,784 19,702 -	29,150 179,939 19,702 273,509	13,350 13,242 305,298 16,491
Total					850,681	480,814	21,486	502,300	348,381
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-31-0108	948 932 98M	MLK Hub Ocean Bayview MLK Non-Hub	160,000 300,000 200,000	105,516 261,375 199,195	-	105,516 261,375 199,195	54,484 38,625 805
Total					660,000	566,086	-	566,086	93,914

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE 1

Federal Department and Grant Title	Contract Period	Grant Number	Project Number	Project	Authorized Costs	Cumulative Expenditures through December 31, 2008	Expenditures January 1, 2009 to December 31, 2009	Cumulative Expenditures through December 31, 2009	Balance Available
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/03-3/31/04	B-03-MC-30-0108	94G	Morris Canal Redevelopment	\$ 533,000	\$ 506,458	\$ 1,173	\$ 507,631	\$ 25,369
			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	16,011	3,407	19,418	15,707
			A12	Environmental Remediation - 100 Monitor Street	400,000	39,444		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	146,208	-	146,208	3,792
					1,773,125	1,089,496	4,580	1,094,076	679,049
			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-29-0108	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
					863,404	522,387	-	522,387	341,017
			Total						

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE 1

Federal Department and Grant Title	Contract Period	Grant Number	Project Number	Project	Authorized Costs	Cumulative Expenditures through December 31, 2008	Expenditures January 1, 2009 to December 31, 2009	Cumulative Expenditures through December 31, 2009	Balance Available
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/01-3/31/02	B-01-MC-28-0108	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
					1,468,608	1,339,967	-	1,339,967	128,641
Total									
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-27-0108	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	\$ 1,617	38,202	2,114
			99T	Medical Ctr	180,000	176,810	-	176,810	3,190
					760,316	278,062	1,617	279,679	480,637
Total									

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE 1

Federal Department and <u>Grant Title</u>	<u>Contract Period</u>	<u>Grant Number</u>	<u>Project Number</u>	<u>Project</u>	<u>Authorized Costs</u>	Cumulative Expenditures through December <u>31, 2008</u>	Expenditures		Cumulative Expenditures through December <u>31, 2009</u>	Balance <u>Available</u>
							January 1, 2009 to December <u>31, 2009</u>			
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-26-0108	93R	Demolition	\$ 479,830	\$ 455,994		\$	\$ 455,994	\$ 23,836
			98P	Lafayette Park Acq	244,221	195,574		\$ 3,649	199,223	44,998
			99V	Aetna/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	274,249		11,518	285,767	274,692
					<u>1,715,010</u>	<u>1,043,130</u>		<u>15,167</u>	<u>1,058,297</u>	<u>656,713</u>
Total										
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-25-0108	98Q	Bernius Court	599,811	583,200			583,200	16,611
			98R	Brownfields	150,000	147,373		-	147,373	2,627
					<u>749,811</u>	<u>730,573</u>		<u>-</u>	<u>730,573</u>	<u>19,238</u>
Total										

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE 1

Federal Department and Grant Title	Contract Period	Grant Number	Project Number	Project	Authorized Costs	Cumulative Expenditures through December 31, 2008	Expenditures January 1, 2009 to December 31, 2009	Cumulative Expenditures through December 31, 2009	Balance Available
U.S. Dept. of Housing and Urban Development: Passed Through City of Jersey City - Community Development Block Grant Program - Entitlement Grant	4/1/96-3/31/97	B-96-MC-24-0108	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
					12,142,474	7,000,352	\$ 1,084,235	8,084,587	4,057,887
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					\$ 12,342,474	\$ 7,094,207	\$ 1,084,235	\$ 8,178,442	\$ 4,164,032

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2008</u>	<u>Expenditures January 1, 2009 to December 31, 2009</u>	<u>Cumulative Expenditures Through December 31, 2009</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	\$ 2,278,078	\$	2,278,078	\$ 696,922
<u>NJ Economic Development Authority</u>							
Hazardous Discharge Site Remediation							
Grand Jersey Redevelopment Project	N/A	P21141	582,508	582,097		582,097	411
Morris Canal EPA - Berry Lane Project	N/A	N/A	200,000				200,000
Berry Lane EPA	N/A	N/A	200,000				200,000
Berry Lane Park	N/A	P24790	80,146		\$ 37,454	37,454	42,692
Grand Jersey Redevelopment Project	N/A	P23625	4,337,346		4,337,346	4,337,346	
Grand Jersey Redevelopment Project	N/A	P21229	483,524				483,524
Grand Jersey Redevelopment Project	N/A	P27474	199,650	-	135,265	135,265	64,385
Grand Total			\$ 9,058,174	\$ 2,860,175	\$ 4,510,065	\$ 7,370,240	\$ 1,687,934

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

YEAR ENDED DECEMBER 31, 2009

(With Comparative Actual Amounts for the Year Ended December 31, 2008)

REVENUES	2009 <u>Budget</u>	2009 <u>Actual</u>	2008 <u>Actual</u>
<u>Operating Revenues</u>			
Other - Rents	\$ 922,020	1,007,826	1,013,702
Other - Redeveloper Fees	400,000	533,916	577,818
Federal Grants			
Community Development Block Grant			
Development	750,000	941,775	869,773
Administration	400,000	142,460	143,900
Other Grants		4,510,065	600,034
City of Jersey City - Capital Funds		4,348,421	4,639,859
Miscellaneous		124,611	334,433
<u>Non-Operating Revenues</u>			
Other Reimbursements - Golden Door	210,000	168,489	193,935
Other - Interest on Investments and Deposits	<u>200,000</u>	<u>210,056</u>	<u>415,895</u>
 Total Revenues	 <u>\$ 2,882,020</u>	 <u>11,987,619</u>	 <u>\$ 8,789,349</u>
 APPROPRIATIONS			
<u>Operating Appropriations</u>			
Administration:			
Salaries, Wages and Fringe Benefits	\$ 1,454,375	1,304,907	1,391,171
Other Expenses	546,416	3,764,848	2,014,344
Cost of Providing Service:			
Other Expenses	1,925,525	5,790,429	1,261,749

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

YEAR ENDED DECEMBER 31, 2009

(With Comparative Actual Amounts for the Year Ended December 31, 2008)

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<u>Non-Operating Appropriations</u>			
Renewal and Replacement Reserve	\$ 126,495	\$ 157,960	\$ 155,017
Other Charges:			
Depreciation		188,899	189,427
Cooperation Agreement-City of Jersey City - Ward E	<u>-</u>	<u>740,816</u>	<u>745,216</u>
 Total Appropriations	 <u>\$ 4,052,811</u>	 <u>11,947,859</u>	 <u>\$ 5,756,924</u>
 Budgetary Income		 39,760	
 Reconciliation to GAAP Basis:			
Contribution of Property Held for Redevelopment		290,672	
Disposition of Property Held for Redevelopment		(1,061,715)	
Increase in Renewal and Replacement Reserve		<u>157,960</u>	
 Change in Net Assets - GAAP Basis		 <u>\$ (573,323)</u>	

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF GRANT REVENUES
PERIOD FROM JANUARY 1, 2009 AND DECEMBER 31, 2009

<u>Operating Revenues</u>	<u>Amount</u>
Federal Grants:	
City Pass-Through:	
Department of Housing and Urban Development	\$ <u>1,084,235</u>
Total Federal Grants	\$ <u>1,084,235</u>
State Grants:	
NJ Economic Development Authority	
Hazardous Discharge Site Remediation	\$ <u>4,510,065</u>
Total State Grants	\$ <u>4,510,065</u>

GOVERNMENT AUDITING STANDARDS
AND
SINGLE AUDIT

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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, 2009, and have issued our report thereon dated May 26, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 weaknesses is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2 to be material weaknesses.

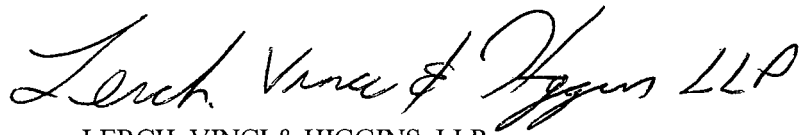
Compliance and Other Matters

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.

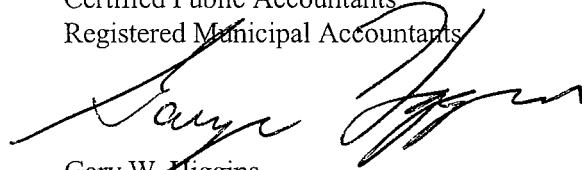
We also noted a certain other matter that we have reported to management of the Jersey City Redevelopment Agency in the Section of our report of audit entitled "General Comments and Recommendations".

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

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
May 26, 2010

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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, 2009. 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, 2009.

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.

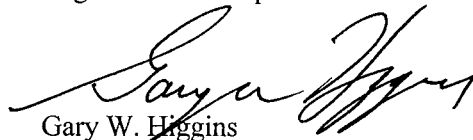
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, 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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Fair Lawn, New Jersey
May 26, 2010