

JERSEY CITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Jersey City)
REPORT OF AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Jersey City Redevelopment Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jersey City Redevelopment Agency as of December 31, 2012 and 2011, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Jersey City Redevelopment Agency's basic financial statements as a whole. The supplementary schedules listed in the table of contents and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

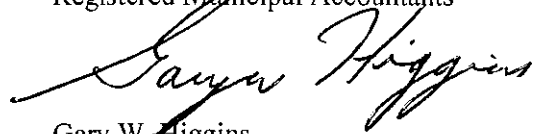
The supplementary schedules listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2013 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Jersey City Redevelopment Agency's internal control over financial reporting and compliance.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JERSEY CITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

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, 2012. 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 position increased \$299,376 or approximately 0.9 percent. The increase is the result of the net effect of increases in investment in capital assets of \$569,156 and restricted net position of \$685 and a decrease in unrestricted net position of \$270,465.
- Cash and Cash Equivalents increased \$495,958 or approximately 3.5 percent. The majority of the increase is the result of current year operations.
- Operating Revenues increased \$10,249,522. The majority of the increase is the result of increases in Federal and State grant revenue realized of \$3,450,342, redeveloper fees and reimbursements of \$5,046,285, City contributions of \$990,341 and miscellaneous revenues of \$763,554.
- Operating Expenses increased \$7,675,217. The majority of the increase is the result of increases in both grant related and non-grant related redevelopment expenses.

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, 2012 (Continued)

FINANCIAL ANALYSIS OF THE AGENCY

Net Position – The following table summarizes Net Position as of December 31, 2012, 2011 and 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net Position:			
Net Investment in Capital Assets	\$ 32,743,860	\$ 32,174,704	\$ 33,638,925
Restricted	934,498	933,813	1,601,659
Unrestricted	<u>261,369</u>	<u>531,834</u>	<u>646,366</u>
Total Net Position	<u>\$ 33,939,727</u>	<u>\$ 33,640,351</u>	<u>\$ 35,886,950</u>

The Agency's Net Position increased \$299,376 or 0.9% and decreased \$2,246,599, or 6.3%, in the years ended December 31, 2012 and 2011, respectively, as a result of the following:

Invested in capital assets increased \$569,156 and decreased \$1,464,221 during 2012 and 2011, respectively, mainly as a result of the disposition of certain properties, in 2012 and 2011, respectively.

Restricted net positions increased \$685 and decreased \$667,846, during 2012 and 2011, respectively. The 2011 decrease was the result of the utilization of renewal and replacement reserve funds in the 2011 budget as well as a decrease in the reserve for cooperation agreement income conditions pertaining to the Community and Educational Recreation Center located in Ward E.

Unrestricted net position decreased \$270,465 and \$114,532 during 2012 and 2011, respectively as a result of current year operating results.

The following table summarizes the capital assets as of December 31 2012, 2011 and 2010.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Invested in Capital Assets:</u>			
Buildings	\$ 9,436,058	\$ 9,436,058	\$ 9,436,058
Property Held for Redevelopment	25,824,084	25,066,207	26,341,707
Vehicles and Equipment	<u>37,855</u>	<u>37,855</u>	<u>37,855</u>
	35,297,997	34,540,120	35,815,620
Less:			
Accumulated Depreciation	<u>(2,554,137)</u>	<u>(2,365,416)</u>	<u>(2,176,695)</u>
	<u>\$ 32,743,860</u>	<u>\$ 32,174,704</u>	<u>\$ 33,638,925</u>

JERSEY CITY REDEVELOPMENT AGENCY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012
(Continued)**

OPERATING ACTIVITIES

The following table summarizes the changes in revenues, expenses and net position for the fiscal years 2012, 2011 and 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
OPERATING REVENUES:			
Federal and State Grants	\$ 4,427,902	\$ 977,560	\$ 1,697,491
Other:			
City Contributions	1,238,054	247,713	958,008
Redeveloper Fees	642,843	295,147	531,622
Redeveloper Reimbursements	5,374,794	676,205	359,152
Miscellaneous	1,930,530	1,166,976	2,035,847
Contributions of Property Held for Redevelopment	<u>-</u>	<u>1,000</u>	<u>1,567,000</u>
Total Operating Revenues	<u>13,614,123</u>	<u>3,364,601</u>	<u>7,149,120</u>
OPERATING EXPENSES			
Grant Related			
Federal and State	4,249,465	554,060	884,118
Nongrant Related			
City Contributions	1,238,054	247,713	638,008
Other	7,185,163	2,975,692	2,984,175
Depreciation	188,721	188,721	188,721
Disposition of Property Held for Redevelopment	<u>-</u>	<u>1,220,000</u>	<u>618,525</u>
Total Operating Expenses	<u>12,861,403</u>	<u>5,186,186</u>	<u>5,313,547</u>
OPERATING INCOME (LOSS)	<u>752,720</u>	<u>(1,821,585)</u>	<u>1,835,573</u>
NONOPERATING REVENUES (EXPENSES):			
Interest Revenue	44,334	71,990	103,277
Cooperation Agreement-City of Jersey City	<u>(497,678)</u>	<u>(497,004)</u>	<u>(740,603)</u>
Total Nonoperating Revenues (Expenses)	<u>(453,344)</u>	<u>(425,014)</u>	<u>(637,326)</u>
Change in Net Position	299,376	(2,246,599)	1,198,247
Total Net Position, Beginning of Year	<u>33,640,351</u>	<u>35,886,950</u>	<u>34,688,703</u>
Total Net Position, End of year	<u>\$ 33,939,727</u>	<u>\$ 33,640,351</u>	<u>\$ 35,886,950</u>

**JERSEY CITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012
(Continued)**

DEBT ADMINISTRATION

Capital Debt

The Agency has no debt outstanding at December 31, 2012, 2011 and 2010.

OTHER FINANCIAL INFORMATION

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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 the payment of all related 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 2013 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 66 York Street, Floor 2, Jersey City, New Jersey 07302.

BASIC FINANCIAL STATEMENTS

JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2012 AND 2011

ASSETS	<u>2012</u>	<u>2011</u>
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 7,690,437	\$ 6,284,423
Accounts Receivable	119,516	249,612
Intergovernmental Receivables	1,520,663	1,270,930
Mortgage Loans Receivable	<u>3,007</u>	<u>2,921</u>
Total Unrestricted Current Assets	<u>9,333,623</u>	<u>7,807,886</u>
Restricted Current Assets		
Cash and Cash Equivalents	6,819,541	7,729,597
Mortgage Loan Receivable	<u>12,450,000</u>	<u>20,957,658</u>
Total Restricted Current Assets	<u>19,269,541</u>	<u>28,687,255</u>
Total Current Assets	<u>28,603,164</u>	<u>36,495,141</u>
Noncurrent Assets		
Mortgage Loans Receivable		
Unrestricted	<u>1,173,851</u>	<u>1,181,554</u>
	<u>1,173,851</u>	<u>1,181,554</u>
Capital Assets		
Buildings (Net of Accumulated Depreciation of \$2,516,282 and \$2,327,561)	6,919,776	7,108,497
Property Held for Redevelopment	25,824,084	25,066,207
Vehicles and Equipment (Net of Accumulated Depreciation of \$37,855 and \$37,855)	<u>-</u>	<u>-</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>32,743,860</u>	<u>32,174,704</u>
Total Noncurrent Assets	<u>33,917,711</u>	<u>33,356,258</u>
Total Assets	<u>62,520,875</u>	<u>69,851,399</u>

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

**JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2012 AND 2011**

LIABILITIES	<u>2012</u>	<u>2011</u>
Current Liabilities Payable from Unrestricted Assets		
Accounts Payable	\$ 602,057	\$ 336,662
Deferred Revenue	6,210,690	6,715,689
Redeveloper Contracts Payable	114,343	114,279
Intergovernmental Payables	2,924,264	916,911
Compensated Absences Payable	<u>394,751</u>	<u>374,065</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>10,246,105</u>	<u>8,457,606</u>
Current Liabilities Payable from Restricted Assets		
Project Deposits	5,885,043	6,795,784
Judgment Payable	<u>12,450,000</u>	<u>20,957,658</u>
Total Current Liabilities Payable from Restricted Assets	<u>18,335,043</u>	<u>27,753,442</u>
Total Current Liabilities	<u>28,581,148</u>	<u>36,211,048</u>
Total Liabilities	<u>28,581,148</u>	<u>36,211,048</u>
NET POSITION		
Net Investment in Capital Assets	32,743,860	32,174,704
Restricted for:		
Renewal and Replacement	934,498	933,813
Unrestricted	<u>261,369</u>	<u>531,834</u>
Total Net Position	<u>\$ 33,939,727</u>	<u>\$ 33,640,351</u>

JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Federal Grants		
Jersey City Pass-Through		
Department of Housing and Urban Development	\$ 2,120,085	\$ 655,707
Environmental Protection Agency	915,324	164,444
Department of Energy	502,145	3,675
Department of Transportation	669,265	
State Grants		
UEZA Passed Through JCEDC	152,883	73,740
Department of Environmental Protection	68,200	79,994
Other		
Redeveloper Fees	642,843	295,147
Redeveloper Reimbursements	5,374,794	676,205
City Contributions	1,238,054	247,713
Miscellaneous	1,930,530	1,166,976
Contributions of Property Held for Redevelopment	<u>-</u>	<u>1,000</u>
Total Operating Revenues	<u>13,614,123</u>	<u>3,364,601</u>
OPERATING EXPENSES		
Grant Related		
Federal	4,028,382	400,326
State	221,083	153,734
Nongrant Related		
City Contributions	1,238,054	247,713
Redeveloper Reimbursed Expenses	5,374,794	676,205
Other	1,810,369	2,299,487
Depreciation	188,721	188,721
Disposition of Property Held for Redevelopment	<u>-</u>	<u>1,220,000</u>
Total Operating Expenses	<u>12,861,403</u>	<u>5,186,186</u>
Operating Income (Loss)	<u>752,720</u>	<u>(1,821,585)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest Revenue	44,334	71,990
Cooperation Agreement-City of Jersey City	<u>(497,678)</u>	<u>(497,004)</u>
Total Nonoperating Revenues (Expenses)	<u>(453,344)</u>	<u>(425,014)</u>
Change in Net Position	299,376	(2,246,599)
Net Position, Beginning of Year	<u>33,640,351</u>	<u>35,886,950</u>
Net Position, End of year	<u>\$ 33,939,727</u>	<u>\$ 33,640,351</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Cash Receipts	\$ 14,317,168	\$ 5,739,011
Operating Cash Payments	(12,376,926)	(4,002,881)
Receipts of Project Deposits	3,650,122	2,294,790
Payments from Project Deposits	(4,560,863)	(605,076)
Receipts from the Sale of Property Held for Redevelopment	2,022,163	300,000
Payments for the Acquisition of Property Held for Redevelopment	<u>(2,600,040)</u>	<u>(243,500)</u>
Net Cash Provided by Operating Activities	<u>451,624</u>	<u>3,482,344</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>44,334</u>	<u>71,990</u>
Net Cash Provided by Investing Activities	<u>44,334</u>	<u>71,990</u>
Net Increase in Cash and Cash Equivalents	495,958	3,554,334
Cash and Cash Equivalents at Beginning of Year	<u>14,014,020</u>	<u>10,459,686</u>
Cash and Cash Equivalents at End of Year	<u>\$ 14,509,978</u>	<u>\$ 14,014,020</u>
Analysis of Balance at December 31,		
Unrestricted - Cash and Cash Equivalents	\$ 7,690,437	\$ 6,284,423
Restricted - Cash and Cash Equivalents	<u>6,819,541</u>	<u>7,729,597</u>
	<u>\$ 14,509,978</u>	<u>\$ 14,014,020</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 752,720	\$ (1,821,585)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	188,721	188,721
Change in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	130,096	225,548
(Increase)/Decrease in Intergovernmental Receivables	(249,733)	(334,127)
(Increase)/Decrease in Mortgage Loans Receivable	7,617	1,355,594
Increase/(Decrease) in Accounts Payable	265,395	(223,240)
Increase/(Decrease) in Judgment Payable		104,034
Increase/(Decrease) in Deferred Revenue	(504,999)	1,024,237
Increase/(Decrease) in Redeveloper Contracts Payable	64	124
Increase/(Decrease) in Compensated Absences Payable	20,686	(2,176)
Increase/(Decrease) in Project Deposits	(910,741)	1,689,714
Increase/(Decrease) in Intergovernmental Payable	1,509,675	
(Increase)/Decrease in Property Held for Redevelopment	<u>(757,877)</u>	<u>1,275,500</u>
Total Adjustments	<u>(301,096)</u>	<u>5,303,929</u>
Net Cash Provided by Operating Activities	<u>\$ 451,624</u>	<u>\$ 3,482,344</u>

NOTES TO BASIC FINANCIAL STATEMENTS

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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.

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.

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. Component units are legally separate organizations for which the Agency is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Agency is financially accountable for an organization if the Agency appoints a voting majority of the organization's board, and (1) the Agency is able to significantly influence the programs or services performed or provided by the organization; or (2) the Agency is legally entitled to or can otherwise access the organization's resources; the Agency is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the Agency is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Agency in that the Agency approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Agency has no component units. The Agency would be includable as a component unit of the City of Jersey City on the basis of such criteria.

B. Measurement Focus, Basis of Accounting and Financial Statement 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. The operations are accounted for with a self-balancing set of accounting records that comprise its assets, liabilities, net position, revenues and expenses. 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.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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

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 Agency 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 Position

1. 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.

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.

2. 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.

3. 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.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Assets, Liabilities and Net Position (Continued)

4. Restricted Assets

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

5. 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 or acquired 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

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.

7. Deferred Revenue

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

8. Net Position

Restricted net position is limited to outside third-party restrictions either by law or by other organizations or persons external to the Agency. Unrestricted net position represents the net position neither restricted nor invested in capital assets.

9. Net Position Flow Assumption

Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted – net position have been depleted before unrestricted – net position is applied.

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, 2012 AND 2011**

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

1. Reclassifications

Certain reclassifications may have been made to the December 31, 2011 balances to conform to the December 31, 2012 presentations.

2. 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.

3. 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, 2012 AND 2011**

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 pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2012 and 2011, the book value of the Agency's deposits were \$14,509,978 and \$14,014,020, respectively, and bank balances of the Agency's cash and deposits amounted to \$16,476,767 and \$14,173,078, respectively. 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>2012</u>	<u>2011</u>
Insured	\$8,680,285	\$ 8,260,353
Uninsured and Collateralized	<u>7,796,482</u>	<u>5,912,725</u>
	<u>\$16,476,767</u>	<u>\$14,173,078</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, 2012 and 2011, the Agency's bank balances of \$7,796,482 and \$5,912,725 were exposed to custodial credit risk as follows:

	<u>2012</u>	<u>2011</u>
Uninsured and collateral held by pledging bank's trust department, not in the Agency's name	<u>\$7,796,482</u>	<u>\$5,912,725</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).

As of December 31, 2012 and 2011, the Agency had no outstanding investments.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MORTGAGE LOANS RECEIVABLE

The mortgage loan receivable balances at December 31, 2012 and 2011 consists of mortgage loans on various properties in certain redevelopment areas.

Location Description

Loan Terms

- 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. The term of this mortgage has been extended to 30 years, maturing on June 10, 2021.
- 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 were originally due no later than October 5, 2011. The Agency has agreed to extend the due date for an additional thirty-six (36) months, with a maturity date of March 1, 2015.
- 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.
- Liberty Harbor
Issued to Liberty Harbor North II Urban Renewal Company, LLC on October 29, 2004. The mortgage provides an amount equal to any excess condemnation award determined by the Court related to the property for which the mortgage is secured. On February 6, 2009, the Superior Court of New Jersey determined the excess condemnation award to be \$17,350,000, plus interest. In July 2012, a settlement was entered into whereby the developer agreed to pay the Agency the sum of \$21,000,000 plus a deferred interest payment of \$1,450,000. Payments will be made in accordance with the agreed upon schedule of payments commencing in 2012 with the final payment to be made on or before June 30, 2018.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MORTGAGE LOANS RECEIVABLE (Continued)

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Ocean/Bayview	\$ 274,000	\$ 274,000
Grove Street	202,858	210,475
Journal Square	700,000	700,000
Liberty Harbor	<u>12,450,000</u>	<u>20,957,658</u>
	<u>\$ 13,626,858</u>	<u>\$ 22,142,133</u>
Restricted	\$ 12,450,000	\$ 20,957,658
Unrestricted	<u>1,176,858</u>	<u>1,184,475</u>
	<u>\$ 13,626,858</u>	<u>\$ 22,142,133</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 for those eligible employees whose local employers elected to do so, 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 10 years of service for pension benefits and, if applicable, 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 but is currently suspended as a result of reform legislation.

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.

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

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 EMPLOYEE RETIREMENT SYSTEM (Continued)

Basis of Accounting

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

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS operates and to the benefit provisions of the system.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

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.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 EMPLOYEE RETIREMENT SYSTEM (Continued)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded system is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for the retirement systems including local PERS is 77.5 percent and \$11.6 billion, respectively.

The funded status and funding progress of the retirement system includes 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 July 1, 2011 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: (a) a revised investment rate of return for the retirement system from 8.25 percent to 7.95 percent; and (b) revised projected salary increase of 4.52% for PERS.

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 6.5% of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 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, 2012, 2011 and 2010, the Agency was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>
2012	\$ 94,592
2011	90,624
2010	83,949

JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 6 CAPITAL ASSETS

The following is a summary of the Agency's capital assets activity for the years ended at December 31, 2012 and 2011:

	2012			Balance, December 31, 2012
	Balance, January 1, 2012	Increases	Decreases	
Capital Assets, Not Being Depreciated:				
Property Held for Redevelopment	\$ 25,066,207	\$ 2,780,040	\$ (2,022,163)	\$ 25,824,084
Total Capital Assets, Not Being Depreciated	<u>25,066,207</u>	<u>2,780,040</u>	<u>(2,022,163)</u>	<u>25,824,084</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	(2,327,561)	(188,721)		(2,516,282)
Vehicles and Equipment	<u>(37,855)</u>	<u>-</u>	<u>-</u>	<u>(37,855)</u>
Total Accumulated Depreciation	<u>(2,365,416)</u>	<u>(188,721)</u>	<u>-</u>	<u>(2,554,137)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,108,497</u>	<u>(188,721)</u>	<u>-</u>	<u>6,919,776</u>
Capital Assets, Net	<u>\$ 32,174,704</u>	<u>\$ 2,591,319</u>	<u>\$ (2,022,163)</u>	<u>\$ 32,743,860</u>

	2011			Balance, December 31, 2011
	Balance, January 1, 2011	Increases	Decreases	
Capital Assets, Not Being Depreciated:				
Property Held for Redevelopment	\$ 26,341,707	\$ 244,500	\$ (1,520,000)	\$ 25,066,207
Total Capital Assets, Not Being Depreciated	<u>26,341,707</u>	<u>244,500</u>	<u>(1,520,000)</u>	<u>25,066,207</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	(2,138,840)	(188,721)		(2,327,561)
Vehicles and Equipment	<u>(37,855)</u>	<u>-</u>	<u>-</u>	<u>(37,855)</u>
Total Accumulated Depreciation	<u>(2,176,695)</u>	<u>(188,721)</u>	<u>-</u>	<u>(2,365,416)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,297,218</u>	<u>(188,721)</u>	<u>-</u>	<u>7,108,497</u>
Capital Assets, Net	<u>\$ 33,638,925</u>	<u>\$ 55,779</u>	<u>\$ (1,520,000)</u>	<u>\$ 32,174,704</u>

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 6 CAPITAL ASSETS (Continued)

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, which have since been refinanced on multiple occasions. 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, 2012. Although the City has refinanced the original bonds, the Agency continues to reimburse the City based on the amortization schedule of the original bonds.

NOTE 7 RESTRICTED NET POSITION

The Agency has reserved certain prior year excess revenue received from the use of the community/educational center its owns to fund a renewal and replacement account for the future replacement of common element components of the facility.

As of December 31, 2012 and 2011 the restricted net position is comprised of the following:

	<u>2012</u>	<u>2011</u>
Restricted for:		
Renewal and Replacement	\$ <u>934,498</u>	\$ <u>933,813</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, 2012 AND 2011**

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, 2012 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, except as for the litigation set forth below. These liabilities, if any, not covered by insurance, should not be material in amount.

Jersey City Redevelopment Agency v. Kerrigan

The Agency has entered into a settlement agreement relating to a judgment pertaining to a condemnation award. In conjunction with the terms of the agreement the Agency obtained a mortgage on the related property from Liberty Harbor Holding, L.L.C. which constitutes a first lien on the property.

The redeveloper of the property shall make payments in accordance with an agreed upon schedule to the Agency's legal counsel. All payments received will be paid to the legal counsel in trust for the original property owners in satisfaction of the judgement payable. Upon final payment by the redeveloper the JCRA will discharge the mortgage on the property.

As of December 31, 2012, the redeveloper has made all payments required by the settlement agreement. The balance of the mortgage receivable and related judgment payable at December 31, 2012 is \$12,450,000.

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.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 \$394,751 and \$374,065 at December 31, 2012 and 2011, respectively. These amounts are accrued as a current liability at December 31, 2012 and 2011.

SUPPLEMENTARY SCHEDULES

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

FOR THE YEAR ENDED DECEMBER 31, 2012

(With Comparative Actual Amounts for the Year Ended December 31, 2011)

REVENUES	2012 Budget	2012 Actual	Variance Excess (Deficit)	2011 Actual
<u>Operating Revenues</u>				
Other - Rents	\$ 600,000	\$ 630,000	\$ 30,000	\$ 657,845
Other - Redeveloper Fees/Reimbursements	400,000	6,017,637	5,617,637	971,352
Federal Grants				
Community Development Block Grant				
Development	2,175,000	2,120,085	(54,915)	655,707
Administration	325,000			
Other		2,086,734	2,086,734	168,119
State Grants		221,083	221,083	153,734
City of Jersey City - Capital Funds		1,238,054	1,238,054	247,713
Sale of Property Held for Redevelopment	3,960,000	3,960,000		
Miscellaneous	500,000	1,175,986	675,986	380,787
<u>Non-Operating Revenues</u>				
Other Reimbursements - Golden Door	126,000	124,544	(1,456)	128,344
Renewal and Replacement Reserve				750,000
Other - Interest on Investments and Deposits	87,000	44,334	(42,666)	71,990
 Total Revenues	 \$ 8,173,000	 17,618,457	 9,770,457	 \$ 4,185,591
 APPROPRIATIONS				
<u>Operating Appropriations</u>				
Administration:				
Salaries, Wages and Fringe Benefits	\$ 913,345	\$ 935,271	21,926	\$ 1,274,681
Other Expenses	492,602	7,304,315	6,811,713	1,642,015
Cost of Providing Service:				
Other Expenses	2,901,000	4,433,096	1,532,096	860,769
Land Sale to City of Jersey City	3,960,000	3,960,000		

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND APPROPRIATIONS
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	<u>2012 Budget</u>	<u>2012 Actual</u>	<u>Variance Excess (Deficit)</u>	<u>2011 Actual</u>
<u>Non-Operating Appropriations</u>				
Renewal and Replacement Reserve				\$ 160,573
Other Charges:				
Cooperation Agreement-City of Jersey City - V	-	\$ 497,678	\$ 497,678	497,004
Total Appropriations	8,266,947	17,130,360	8,863,413	4,435,042
Budgetary Income (Loss)	\$ (93,947)	488,097	\$ 907,044	(249,451)
Reconciliation to GAAP Basis:				
Contribution of Property Held for Redevelopment				1,000
Disposition of Property Held for Redevelopment				(1,220,000)
Depreciation Expense		(188,721)		(188,721)
Renewal and Replacement Reserve				
Realized as Budgetary Revenue, Net		-		(589,427)
Change in Net Assets - GAAP Basis		\$ 299,376		\$ (2,246,599)

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF GRANT REVENUES
PERIOD FROM JANUARY 1, 2012 AND DECEMBER 31, 2012

<u>Operating Revenues</u>	<u>Amount</u>
Federal Grants:	
City Pass-Through:	
Department of Housing and Urban Development	\$ 2,120,085
Environmental Protection Agency	915,324
Department of Transportation	669,265
Department of Energy	<u>502,145</u>
Total Federal Grants	<u>\$ 4,206,819</u>
State Grants:	
Department of Environmental Protection	
Hazardous Discharge Site Remediation	\$ 68,200
Urban Enterprise Zone Authority	
(Passed Through Jersey City Economic Development Corporation)	
Powerhouse Stabilization	<u>152,883</u>
Total State Grants	<u>\$ 221,083</u>

**GOVERNMENT AUDITING STANDARDS
AND
SINGLE AUDIT**

LERCH, VINCI & HIGGINS, LLP

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MARK SACO, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Jersey City Redevelopment Agency, as of and for the year ended December 31, 2012, and the related notes to the financial statements, as listed in the table of contents which collectively comprise the Jersey City Redevelopment Agency's basic financial statements, and have issued our report thereon dated June 18, 2013.

Internal Control over Financial Reporting

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

Internal Control over Financial Reporting (Continued)

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

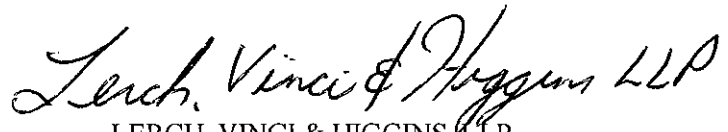
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

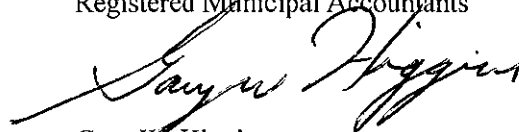
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jersey City Redevelopment Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Jersey City Redevelopment Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP

Certified Public Accountants

Registered Municipal Accountants



Gary W. Higgins

Registered Municipal Accountant

RMA Number CR00405

Fair Lawn, New Jersey
June 18, 2013

LERCH, VINCI & HIGGINS, LLP

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
U.S. OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 04-04**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Jersey City Redevelopment Agency's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Jersey City Redevelopment Agency's major federal programs for the year ended December 31, 2012. The Jersey City Redevelopment Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Jersey City Redevelopment Agency's major federal programs based on our audit of the types of compliance requirements referred to above. 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; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 program occurred. An audit includes examining, on a test basis, evidence about the Jersey City Redevelopment 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Jersey City Redevelopment Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Jersey City Redevelopment Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Jersey City Redevelopment Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Jersey City Redevelopment Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Jersey City Redevelopment Agency's internal control over compliance.

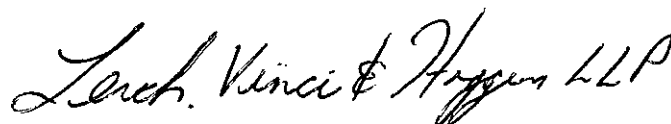
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

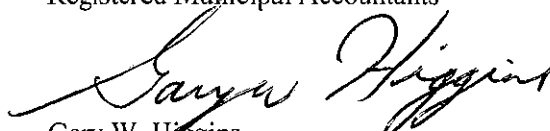
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Jersey City Redevelopment Agency as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated June 18, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by OMB Circular A-133 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements 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
June 18, 2013

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

<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 14.218 14.218	B-12-MC-39-0108 B-11-MC-38-0108 B-09-MC-36-0108	\$ 444,308 371,524 343,562
ARRA - CDBG-R	14.253		958,468
HOME Program	14.239	2010	<u>2,223</u>
Total U.S. Department of Housing and Urban Development			<u>2,120,085</u>
U.S. Environmental Protection Agency Passed Through City of Jersey City			
2009 Hazardous Assessment	66.818	BF97215211	91,559
2009 Hazardous Assessment	66.818	BF97215111	68,793
2009 Hazardous Assessment	66.818	BF97215311	105,162
2011 Hazardous Assessment	66.818	BF97203712	82,297
Passed Through HCEDC - 75 Woodward		Not Available	28,851
Passed Through HCEDC - 65 Woodward		Not Available	36,995
American Recovery and Reinvestment Act (ARRA) Brownfields Cleanup Program			
75 Woodward St.	66.818	2B972307090	163,961
Garfield Junkyard Site	66.818	2B972306090	178,062
JR Transportation Site	66.818	2B972310090	156,999
441-457 Ocean Ave.	66.818	BP97203812	<u>2,645</u>
Total U.S. Environmental Protection Agency			<u>915,324</u>
U.S. Department of Energy Passed Through City of Jersey City			
EECBG - Green Guide	81.117	Not Available	77,758
EECBG - Revolving Loan Fund	81.117	Not Available	<u>424,387</u>
			<u>502,145</u>
U.S. Department of Transportation Passed Through City of Jersey City			
Tiger Infrastructure Planning	20.933	DTFH61-11-H-00009	<u>669,265</u>
Total Federal Awards Expenditures			<u>\$ 4,206,819</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule is 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 schedule 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.S. Department of Housing and Urban Development	\$2,120,085
U.S. Environmental Protection Agency	915,324
U.S. Department of Energy	502,145
U.S. Department of Transportation	<u>669,265</u>
	<u>\$4,206,819</u>

NOTE 4 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule may not necessarily agree with the amounts reported in the related federal 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, 2012**

Part 1 – Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued on financial statements Unqualified

Internal control over financial reporting:

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

Noncompliance material to basic financial statements noted? yes X no

Federal 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 .510(a) of Circular A-133? Yes X No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.218</u>	<u>Community Development Block Grant</u>
<u>14.253</u>	<u>ARRA - CDBG-R</u>
<u>66.818</u>	<u>Hazardous Assessment</u>
<u>66.818</u>	<u>Brownfields Cleanup</u>
<u>81.117</u>	<u>Energy Efficiency and Conservation Block</u>
<u>20.933</u>	<u>TIGER Infrastructure Planning</u>

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, 2012**

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*.

There are none.

**JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

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.

CURRENT YEAR FEDERAL 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, 2012**

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

There were none.

ROSTER OF OFFICIALS
AND
GENERAL COMMENTS AND RECOMMENDATIONS

ROSTER OF OFFICIALS
AS OF DECEMBER 31, 2012

<u>Name</u>	<u>Title</u>
Michael J. Sottolano	Chairman
Piyush M. Amin	Vice-Chairman
Evelyn Farmer	Commissioner
Rolando R. Lavarro, Jr.	Commissioner
John Spinello	Commissioner
Russell J. Verducci	Commissioner
Robert P. Antonicello	Executive Director

GENERAL COMMENTS AND RECOMMENDATIONS

The audit indicated that there is no independent verification of payroll deductions remitted by the Agency's third party payroll provider. It is recommended that the Agency implement procedures to verify the payment of payroll deductions by its third party payroll provider.

The audit of project deposits disclosed that there exists certain old inactive balances. It is recommended that old inactive project deposit balances be reviewed and cleared of record.

The audit revealed that the Agency's petty cash account is not being maintained on an imprest basis. It is recommended the Agency's petty cash account be maintained on an imprest basis.

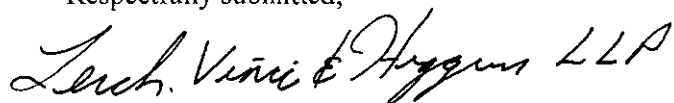
Status of Prior Year's Audit Comments and Recommendations

There were no prior year comments and recommendations.

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,



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