

JERSEY CITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Jersey City)
REPORT OF AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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, 2014 and 2013, 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.

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, 2014 and 2013, 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 schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget (OMB) 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.

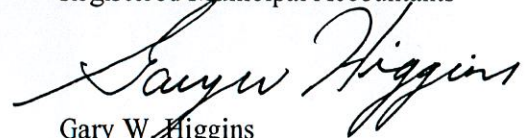
The supplementary schedules listed in the table of contents and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 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 April 21, 2015 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
April 21, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JERSEY CITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014

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, 2014. 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 \$2,575,568, or approximately 7.6 percent. The increase is the result of increases in the investment in capital assets of \$13,279, restricted net position of \$40,422 and unrestricted net position of \$2,521,867.
- Cash and Cash Equivalents increased \$3,396,281 or approximately 24.9 percent. The majority of the increase is the result of current year operations.
- Operating revenues decreased \$2,370,527. The decrease is the net result of decreases in Federal and State grant revenue realized of \$1,918,353, redeveloper fees and reimbursements of \$1,904,804, City contributions of \$137,487, gains/contributions of property of \$292,550 and an increase in miscellaneous revenues of \$1,882,667.
- Operating expenses decreased \$5,397,717. The decrease is the result of decreases in both grant related and non-grant related redevelopment expenses in the amounts of \$2,075,653 and \$1,975,441, respectively, along with a decrease in disposition of property held for redevelopment in the amount of \$1,346,623.

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, 2014 (Continued)

FINANCIAL ANALYSIS OF THE AGENCY

Net Position – The following table summarizes Net Position as of December 31, 2014, 2013 and 2012:

	<u>2014</u>	<u>2013</u> (Restated)	<u>2012</u> (Restated)
Net Position:			
Investment in Capital Assets	\$ 32,314,795	\$ 32,301,516	\$ 32,743,860
Restricted	1,540,702	1,500,280	1,462,480
Unrestricted	<u>2,460,998</u>	<u>(60,869)</u>	<u>261,369</u>
Total Net Position	<u>\$ 36,316,495</u>	<u>\$ 33,740,927</u>	<u>\$ 34,467,709</u>

The Agency's Net Position increased \$2,575,568 or 7.6% and decreased \$726,782, or 2.1%, in the years ended December 31, 2014 and 2013, respectively, as a result of the following:

Net Investment in capital assets increased \$13,279 and decreased \$442,344 during 2014 and 2013, respectively, mainly as a result of the acquisition and disposition of certain properties, in 2014 and 2013, respectively.

Restricted net positions increased \$40,422 and \$37,800, during 2014 and 2013, respectively, as a result of interest earnings.

Unrestricted net position increased \$2,521,867 during 2014 and decreased \$322,238 during 2013, as a result of current year operating results.

The following table summarizes the capital assets as of December 31 2014, 2013 and 2012.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Invested in Capital Assets:</u>			
Buildings	\$ 9,676,058	\$ 9,676,058	\$ 9,436,058
Property Held for Redevelopment	25,540,461	25,330,461	25,824,084
Vehicles and Equipment	<u>18,675</u>	<u>19,389</u>	<u>37,855</u>
	35,235,194	35,025,908	35,297,997
Less:			
Accumulated Depreciation	<u>(2,920,399)</u>	<u>(2,724,392)</u>	<u>(2,554,137)</u>
	<u>\$ 32,314,795</u>	<u>\$ 32,301,516</u>	<u>\$ 32,743,860</u>

JERSEY CITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014 (Continued)

OPERATING ACTIVITIES

The following table summarizes the changes in revenues, expenses and net position for the years ended December 31, 2014, 2013 and 2012:

	<u>2014</u>	<u>2013</u> (Restated)	<u>2012</u> (Restated)
OPERATING REVENUES:			
Federal and State Grants	\$ 1,596,678	\$ 3,515,031	\$ 4,362,056
Other:			
City Contributions	880,520	1,018,007	1,238,054
Redeveloper Fees	544,448	775,000	642,843
Redeveloper Reimbursements	1,511,624	3,185,876	5,374,794
Miscellaneous	3,336,540	1,453,873	2,031,055
Contributions of Buildings/Property Held for Redevelopment		1,060,000	
Gain on Sale of Property	<u>1,106,250</u>	<u>338,800</u>	<u>-</u>
Total Operating Revenues	<u>8,976,060</u>	<u>11,346,587</u>	<u>13,648,802</u>
OPERATING EXPENSES			
Grant Related			
Federal and State	1,340,178	3,415,831	4,183,619
Nongrant Related			
City Contributions	880,520	1,018,007	1,238,054
Other	4,017,383	5,863,337	7,251,009
Depreciation	196,721	188,721	188,721
Disposition of Property Held for Redevelopment	<u>-</u>	<u>1,346,623</u>	<u>-</u>
Total Operating Expenses	<u>6,434,802</u>	<u>11,832,519</u>	<u>12,861,403</u>
OPERATING INCOME (LOSS)	<u>2,541,258</u>	<u>(485,932)</u>	<u>787,399</u>
NONOPERATING REVENUES (EXPENSES):			
Interest Revenue	34,310	38,021	44,334
Cooperation Agreement-City of Jersey City	<u>-</u>	<u>(278,871)</u>	<u>(497,678)</u>
Total Nonoperating Revenues (Expenses)	<u>34,310</u>	<u>(240,850)</u>	<u>(453,344)</u>
Change in Net Position	2,575,568	(726,782)	334,055
Total Net Position, Beginning of Year	<u>33,740,927</u>	<u>34,467,709</u>	<u>34,133,654</u>
Total Net Position, End of Year	<u>\$ 36,316,495</u>	<u>\$ 33,740,927</u>	<u>\$ 34,467,709</u>

**JERSEY CITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014
(Continued)**

DEBT ADMINISTRATION

Capital Debt

The Agency has no debt outstanding at December 31, 2014, 2013 and 2012.

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 2015 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.

FINANCIAL STATEMENTS

**JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2014 AND 2013**

ASSETS	<u>2014</u>	<u>2013</u> (Restated)
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 9,806,488	\$ 7,260,708
Accounts Receivable	117,440	98,038
Intergovernmental Receivables	978,544	592,367
Mortgage Loans Receivable	<u>196,967</u>	<u>3,154</u>
Total Unrestricted Current Assets	<u>11,099,439</u>	<u>7,954,267</u>
Restricted Current Assets		
Cash and Cash Equivalents	7,216,407	6,365,906
Mortgage Loan Receivable	<u>1,750,000</u>	<u>750,000</u>
Total Restricted Current Assets	<u>8,966,407</u>	<u>7,115,906</u>
Total Current Assets	<u>20,065,846</u>	<u>15,070,173</u>
Unrestricted Noncurrent Assets		
Mortgage Loans Receivable	<u>1,652,125</u>	<u>1,170,697</u>
Total Unrestricted Noncurrent Assets	<u>1,652,125</u>	<u>1,170,697</u>
Restricted Noncurrent Assets		
Mortgage Loans Receivable	9,600,000	11,350,000
Accrued Interest - Mortgage Loans Receivable	<u>204,825</u>	<u>165,099</u>
Total Restricted Noncurrent Assets	<u>9,804,825</u>	<u>11,515,099</u>
Capital Assets		
Buildings (Net of Accumulated Depreciation of \$2,901,724 and \$2,705,003)	6,774,334	6,971,055
Property Held for Redevelopment	25,540,461	25,330,461
Vehicles and Equipment (Net of Accumulated Depreciation of \$18,675 and \$19,389)	<u>-</u>	<u>-</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>32,314,795</u>	<u>32,301,516</u>
Total Noncurrent Assets	<u>43,771,745</u>	<u>44,987,312</u>
Total Assets	<u>63,837,591</u>	<u>60,057,485</u>

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

**JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2014 AND 2013**

LIABILITIES	<u>2014</u>	<u>2013</u> (Restated)
Current Liabilities Payable from Unrestricted Assets		
Accounts Payable and Other Liabilities	\$ 765,715	\$ 542,069
Unearned Revenue	7,079,632	4,711,075
Redeveloper Contracts Payable	114,473	114,407
Intergovernmental Payables	<u>1,693,460</u>	<u>3,203,491</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>9,653,280</u>	<u>8,571,042</u>
Current Liabilities Payable from Restricted Assets		
Project Deposits	6,280,530	5,430,372
Judgment Payable	<u>1,750,000</u>	<u>750,000</u>
Total Current Liabilities Payable from Restricted Assets	<u>8,030,530</u>	<u>6,180,372</u>
Total Current Liabilities	<u>17,683,810</u>	<u>14,751,414</u>
Noncurrent Liabilities Payable from Unrestricted Assets		
Inter-Agency Loan Payable	317,204	317,204
Compensated Absences Payable	<u>320,082</u>	<u>297,940</u>
Total Noncurrent Liabilities Payable from Unrestricted Assets	<u>637,286</u>	<u>615,144</u>
Noncurrent Liabilities Payable from Restricted Assets		
Judgement Payable	<u>9,200,000</u>	<u>10,950,000</u>
Total Noncurrent Liabilities Payable from Restricted Assets	<u>9,200,000</u>	<u>10,950,000</u>
Total Noncurrent Liabilities	<u>9,837,286</u>	<u>11,565,144</u>
Total Liabilities	<u>27,521,096</u>	<u>26,316,558</u>
NET POSITION		
Investment in Capital Assets	32,314,795	32,301,516
Restricted for:		
Renewal and Replacement	935,877	935,181
Other Purposes	604,825	565,099
Unrestricted	<u>2,460,998</u>	<u>(60,869)</u>
Total Net Position	<u>\$ 36,316,495</u>	<u>\$ 33,740,927</u>

JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u> (Restated)
OPERATING REVENUES		
Federal Grants		
Jersey City Pass-Through		
Department of Housing and Urban Development	\$ 1,288,831	\$ 927,171
Environmental Protection Agency	286,692	402,381
Department of Energy		51,141
Department of Transportation	21,155	1,272,952
State Grants		
UEZA Passed Through JCEDC		861,386
Other		
Redeveloper Fees	544,448	775,000
Redeveloper Reimbursements	1,511,624	3,185,876
City Contributions	880,520	1,018,007
Miscellaneous	816,540	1,453,873
Miscellaneous - Property Lease	2,520,000	
Gain on Sale of Property	1,106,250	338,800
Contribution of Building		240,000
Contributions of Property Held for Redevelopment	-	820,000
	<hr/>	<hr/>
Total Operating Revenues	8,976,060	11,346,587
OPERATING EXPENSES		
Grant Related		
Federal	1,340,178	2,554,445
State		861,386
Nongrant Related		
City Contributions	880,520	1,018,007
Redeveloper Reimbursed Expenses	1,511,624	3,185,876
Other	2,505,759	2,677,461
Depreciation	196,721	188,721
Disposition of Property Held for Redevelopment	-	1,346,623
	<hr/>	<hr/>
Total Operating Expenses	6,434,802	11,832,519
	<hr/>	<hr/>
Operating Income (Loss)	2,541,258	(485,932)
NONOPERATING REVENUES (EXPENSES):		
Interest Revenue	34,310	38,021
Cooperation Agreement-City of Jersey City	-	(278,871)
	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	34,310	(240,850)
	<hr/>	<hr/>
Change in Net Position	2,575,568	(726,782)
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Net Position, Beginning of Year	33,740,927	34,467,709
	<hr/>	<hr/>
Net Position, End of Year	\$ 36,316,495	\$ 33,740,927

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

**JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Cash Receipts	\$ 9,796,012	\$ 9,204,628
Operating Cash Payments	(7,775,746)	(10,294,346)
Receipts of Project Deposits	2,349,211	3,664,998
Payments from Project Deposits	(1,225,631)	(4,119,669)
Receipts from the Sale of Property Held for Redevelopment	678,125	405,000
Payments for the Acquisition of Property Held for Redevelopment	(460,000)	(99,200)
Net Cash Provided (Used) by Operating Activities	<u>3,361,971</u>	<u>(1,238,589)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Loan Proceeds	<u>-</u>	<u>317,204</u>
Net Cash Provided by Capital and Related Financing Activities	<u>-</u>	<u>317,204</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>34,310</u>	<u>38,021</u>
Net Cash Provided by Investing Activities	<u>34,310</u>	<u>38,021</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,396,281	(883,364)
Cash and Cash Equivalents at Beginning of Year	<u>13,626,614</u>	<u>14,509,978</u>
Cash and Cash Equivalents at End of Year	<u>\$ 17,022,895</u>	<u>\$ 13,626,614</u>
Analysis of Balance at December 31,		
Unrestricted - Cash and Cash Equivalents	\$ 9,806,488	\$ 7,260,708
Restricted - Cash and Cash Equivalents	<u>7,216,407</u>	<u>6,365,906</u>
	<u>\$ 17,022,895</u>	<u>\$ 13,626,614</u>

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

**JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u> (Restated)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 2,541,258	\$ (485,932)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	196,721	188,721
Change in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	(19,402)	21,478
(Increase)/Decrease in Intergovernmental Receivables	(386,177)	928,296
(Increase)/Decrease in Mortgage Loans Receivable	(675,241)	3,007
(Increase)/Decrease in Accrued Interest - Mortgage Loans Receivable	(39,726)	(37,117)
(Increase)/Decrease in Buildings		(240,000)
(Increase)/Decrease in Property Held for Redevelopment	(210,000)	493,623
Increase/(Decrease) in Accounts Payable	223,646	(59,988)
Increase/(Decrease) in Unearned Revenue	2,368,557	(1,499,615)
Increase/(Decrease) in Redeveloper Contracts Payable	66	64
Increase/(Decrease) in Compensated Absences Payable	22,142	(96,811)
Increase/(Decrease) in Project Deposits	850,158	(454,671)
Increase/(Decrease) in Intergovernmental Payable	(1,510,031)	356
Total Adjustments	<u>820,713</u>	<u>(752,657)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,361,971</u>	<u>\$ (1,238,589)</u>

NOTES TO FINANCIAL STATEMENTS

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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. New Accounting Standards

During fiscal years 2014 and 2013, the Agency adopted the following GASB statements:

- GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB 66, *Technical Corrections – 2012, an Amendment of GASB Statements 10 and 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

The other accounting standard that the Agency is currently reviewing for applicability and potential impact on the financial statements is:

- GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective beginning with the year ending December 31, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

C. Basis of Presentation – Financial Statements

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.

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.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

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, vehicles 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.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

7. Unearned Revenue

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

8. Net Position

In the statement of net position, there are three classes of net position:

- **Investment in Capital Assets** – consists of capital assets less accumulated depreciation.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

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.

E. Grant Programs/Revenues

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.

F. Other

1. Reclassifications

Certain reclassifications may have been made to the December 31, 2013 balances to conform to the December 31, 2014 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".

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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 five 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.

B. Deficit Fund Equity

At December 31, 2013, the Agency had a cumulative deficit in unrestricted net position of \$60,869. The Agency eliminated this deficit through 2014 budgetary operations.

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

JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2014 and 2013, the book value of the Agency's deposits were \$17,022,895 and \$13,626,614, respectively, and bank balances of the Agency's cash and deposits amounted to \$17,139,520 and \$13,728,154, respectively. The Agency's deposits which are displayed on the statement of net position as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2014</u>	<u>2013</u>
Insured	\$ 9,440,010	\$ 5,547,757
Uninsured and Collateralized	<u>7,699,510</u>	<u>8,180,397</u>
	<u>\$ 17,139,520</u>	<u>\$ 13,728,154</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, 2014 and 2013, the Agency's bank balances of \$7,699,510 and \$8,180,397 were exposed to custodial credit risk as follows:

	<u>2014</u>	<u>2013</u>
Uninsured and collateral held by pledging bank's trust department, not in the Agency's name	<u>\$7,699,510</u>	<u>\$8,180,397</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, 2014 and 2013, the Agency had no outstanding investments.

JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 4 MORTGAGE LOANS RECEIVABLE

The mortgage loan receivable balances at December 31, 2014 and 2013 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. The term of this mortgage has been extended to 30 years, maturing on June 10, 2021.
• Salem-Lafayette	Issued to Salem-Lafayette Urban Renewal Associates, L.P., on November 25, 1996 for \$400,000, with an interest rate of 7.03% per annum, compounded annually. Interest shall accrue from the date of issuance of the final certificate of occupancy (December 1, 2008). The mortgage shall mature upon the expiration of thirty (30) years from the issuance of the final certificate of occupancy.
• 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.
• Liberty Manor	Issued to 28 Liberty Manor Development, LLC, on December 23, 2014 for \$678,125. Payments shall be made in thirty one (31) equal installments as each residential condominium unit is sold. Interest at a yearly rate of 2% will be charged on that part of the principal which has not been paid from the issuance date until all principal has been paid. Final payment shall be due on or before the maturity date of November 5, 2016.

JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 4 MORTGAGE LOANS RECEIVABLE (Continued)

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
		(Restated)
Ocean/Bayview	\$ 274,000	\$ 274,000
Salem-Lafayette	400,000	400,000
Grove Street	196,967	199,851
Journal Square	700,000	700,000
Liberty Harbor	10,950,000	11,700,000
Liberty Manor	<u>678,125</u>	<u>-</u>
	<u>\$ 13,199,092</u>	<u>\$ 13,273,851</u>
Restricted	\$ 11,350,000	\$ 12,100,000
Unrestricted	<u>1,849,092</u>	<u>1,173,851</u>
	<u>\$ 13,199,092</u>	<u>\$ 13,273,851</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. PERS is a cost sharing multi-employer defined benefit pension plan.

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.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 5 EMPLOYEE RETIREMENT SYSTEM (Continued)

Other Pension Funds (Continued)

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.

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 members hired or reappointed on or after June 28, 2011. For Fiscal Year 2014, the member contribution rate was 6.78%. The rate increased to 6.92% effective July 2014. 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.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 5 EMPLOYEE RETIREMENT SYSTEM (Continued)

Investment Valuation (Continued)

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. 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 or at www.state.nj/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, respectively, and the aggregate funded ratio and unfunded accrued liability for the retirement systems including local PERS is 76.1 percent and \$12.8 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, 2013 actuarial valuation, the date of the most recent actuarial valuations, 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 pension trust funds. The actuarial assumptions included: (a) 7.90% for investment rate of return for PERS and (b) changes to projected salary increases of 4.22 percent 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 various retirement systems require employee contributions based on 6.50% plus an additional 1% phased-in over 7 years beginning in July 2013 for PERS. The member contribution for PERS was 6.78% in fiscal year 2014 and 6.92% for fiscal year 2015 effective July 2014.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended June 30, 2014 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, 2014, 2013 and 2012, 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>
2014	\$ 80,493
2013	95,344
2012	94,562

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 6 CAPITAL ASSETS

The following is a summary of the Agency's capital assets activity for the years ended at December 31, 2014 and 2013:

	2014		
	Balance, January 1, 2014	Increases	Decreases
Capital Assets, Not Being Depreciated:			
Property Held for Redevelopment	\$ 25,330,461	\$ 460,000	\$ (250,000)
Total Capital Assets, Not Being Depreciated	25,330,461	460,000	(250,000)
Capital Assets, Being Depreciated:			
Buildings	9,676,058		
Vehicles and Equipment	19,389	-	(714)
Total Capital Assets Being Depreciated	9,695,447	-	(714)
Less Accumulated Depreciation for:			
Buildings	(2,705,003)	(196,721)	
Vehicles and Equipment	(19,389)	-	714
Total Accumulated Depreciation	(2,724,392)	(196,721)	714
Total Capital Assets, Being Depreciated, Net	6,971,055	(196,721)	-
Capital Assets, Net	\$ 32,301,516	\$ 263,279	\$ (250,000)

	2013		
	Balance, January 1, 2013	Increases	Decreases
Capital Assets, Not Being Depreciated:			
Property Held for Redevelopment	\$ 25,824,084	\$ 919,200	\$ (1,412,823)
Total Capital Assets, Not Being Depreciated	25,824,084	919,200	(1,412,823)
Capital Assets, Being Depreciated:			
Buildings	9,436,058	240,000	
Vehicles and Equipment	37,855	-	(18,466)
Total Capital Assets Being Depreciated	9,473,913	240,000	(18,466)
Less Accumulated Depreciation for:			
Buildings	(2,516,282)	(188,721)	
Vehicles and Equipment	(37,855)	-	18,466
Total Accumulated Depreciation	(2,554,137)	(188,721)	18,466
Total Capital Assets, Being Depreciated, Net	6,919,776	51,279	-
Capital Assets, Net	\$ 32,743,860	\$ 970,479	\$ (1,412,823)

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 certain leases 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, 2014. Although the City has refinanced the original bonds, the Agency continues to calculate its reimbursement to the City based on the amortization schedule of the original bonds from any available revenue the Agency receives from leasing or renting the facility.

NOTE 7 RESTRICTED NET POSITION

The Agency has reserved certain prior year excess revenue received from the use of the community/educational center it owns to fund a renewal and replacement account for the future replacement of common element components of the facility. In addition, the Agency has restricted a portion of net position for a mortgage receivable and related accrued interest.

As of December 31, 2014 and 2013 the restricted net position is comprised of the following:

	<u>2014</u>	<u>2013</u> (Restated)
Restricted for:		
Renewal and Replacement	\$ 935,877	\$ 935,181
Other Purposes	<u>604,825</u>	<u>565,099</u>
	<u>\$ 1,540,702</u>	<u>\$ 1,500,280</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 FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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.

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, 2014, the redeveloper has made all payments required by the settlement agreement. The balance of the mortgage receivable and related judgment payable at December 31, 2014 is \$10,950,000. The Agency still has significant exposure to liability with respect to the JCRA v. Kerrigan case in that the redeveloper's financial resources and security for payment of the final award may be insufficient.

The payment schedule for the balance at December 31, 2014 is as follows:

PAYMENT DATE	PAYMENT AMOUNT
On or before December 31, 2015	\$1,750,000
Balloon Payment on or before December 31, 2016	\$7,750,000
Deferred Interest Payment on or before June 30, 2018	\$1,450,000
TOTAL	\$10,950,000

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 \$320,082 and \$297,940 at December 31, 2014 and 2013, respectively. These amounts are accrued as a noncurrent liability at December 31, 2014 and 2013.

NOTE 11 INTER-AGENCY LOAN PAYABLE - BROWNFIELDS REVOLVING LOAN PROGRAM

In 2012 the Jersey City Redevelopment Agency entered into a loan agreement with the Hudson County Economic Development Corporation in the amount of \$273,000, which was amended to \$317,204 during 2013, for the abatement and removal of environmental hazards on certain properties located in Jersey City, New Jersey. This amount represents pass through funds from the United States Environmental Protection Agency's Brownfields Revolving Loan Program which are to be drawn down based on qualified expenditures. As of December 31, 2014 the entire loan amount of \$317,204 has been drawn down by the Jersey City Redevelopment Agency. Throughout the term of the loan, a fixed rate of interest of 0.5% per annum will be charged. Interest is due and payable from inception to June 20, 2019 on June 20, 2019. Principal and interest payments in five equal installments commence on June 20, 2019 and will be paid on the first day of each year. All amounts of principal and interest owed will be paid no later than June 20, 2029. The Agency has recorded a loan payable of \$317,204 as of December 31, 2014.

NOTE 12 SUBSEQUENT EVENT

The Agency issued a mortgage on September 21, 2001 to Exeter Property Services Corp., as described in Note 4 of this report. The maturity date for this mortgage was March 1, 2015. As of the date of this report, the mortgage has not been satisfied and is in default.

JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 13 RESTATEMENT

The 2013 financial statements have been restated to reflect a previously unrecorded restricted mortgage loan receivable and the related accrued interest.

	Balance Prior to Restatement	Adjustment	Balance Subsequent to Restatement
ASSETS			
Restricted Noncurrent Assets			
Mortgage Loans Receivable		\$ 400,000	\$ 400,000
Accrued Interest Receivable		165,099	165,099
Total Restricted Noncurrent Assets		565,099	565,099
Total Noncurrent Assets	\$ 33,472,213	565,099	34,037,312
Total Assets	59,492,386	565,099	60,057,485
NET POSITION			
Restricted for:			
Other Purposes		565,099	565,099
Total Net Position	33,175,828	565,099	33,740,927
OPERATING REVENUES			
Other			
Miscellaneous	1,416,756	37,117	1,453,873
Total Operating Revenues	11,309,470	37,117	11,346,587
Operating Income (Loss)	(524,049)	37,117	(486,932)
Change in Net Position	(763,899)	37,117	(726,782)
Net Position - Beginning of Year	33,939,727	527,982	34,467,709
Net Position - End of Year	33,175,828	565,099	33,740,927

SUPPLEMENTARY SCHEDULES

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND APPROPRIATIONS
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

REVENUES	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>Variance Excess (Deficit)</u>	<u>2013 Actual</u>
<u>Operating Revenues</u>				
Other - Rents and Facility Charge	\$ 75,000	\$ 60,000	\$ (15,000)	\$ 412,001
Other - Redeveloper Fees/Reimbursements	550,000	2,056,072	1,506,072	3,960,876
Federal Grants				
Community Development Block Grant				
Development	1,736,000	1,288,831	(447,169)	927,171
Administration				
Other		307,847	307,847	1,726,474
State Grants				861,386
City of Jersey City - Capital Funds		880,520	880,520	1,018,007
Lease - Marbella Towers	1,414,000	2,520,000		
Miscellaneous		731,833	692,107	949,129
Other Reimbursements	50,000	24,707	(25,293)	92,743
<u>Non-Operating Revenues</u>				
Other - Interest on Investments and Deposits	<u>60,000</u>	<u>34,310</u>	<u>(25,690)</u>	<u>38,021</u>
 Total Revenues	 <u>3,885,000</u>	 <u>7,904,120</u>	 <u>2,873,394</u>	 <u>9,985,808</u>
 APPROPRIATIONS				
<u>Operating Appropriations</u>				
Administration:				
Salaries, Wages and Fringe Benefits	967,000	892,373	74,627	800,307
Other Expenses	917,000	2,584,494	(1,667,494)	5,052,955
Cost of Providing Service:				
Other Expenses	2,001,000	2,761,214	(760,214)	4,443,913

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND APPROPRIATIONS
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>Variance Excess (Deficit)</u>	<u>2013 Actual</u>
<u>Non-Operating Appropriations</u>				
Other Charges:				
Cooperation Agreement-City of Jersey City - V	-	-	-	\$ 278,871
Total Appropriations	\$ 3,885,000	\$ 6,238,081	\$ (2,353,081)	10,576,046
Budgetary Income (Loss)	\$ -	1,666,039	\$ 5,226,475	(590,238)
Reconciliation to GAAP Basis:				
Contribution of Property Held for Redevelopment				820,000
Contribution of Building				240,000
Gain on Sale of Property		1,106,250		338,800
Disposition of Property Held for Redevelopment				(1,346,623)
Depreciation Expense		(196,721)		(188,721)
Change in Net Position - GAAP Basis		\$ 2,575,568		\$ (726,782)

**JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF GRANT REVENUES
PERIOD FROM JANUARY 1, 2014 AND DECEMBER 31, 2014**

<u>Operating Revenues</u>	<u>Amount</u>
Federal Grants:	
City Pass-Through:	
Department of Housing and Urban Development	\$ 1,288,831
Environmental Protection Agency	286,692
Department of Transportation	<u>21,155</u>
Total Federal Grants	<u>\$ 1,596,678</u>

GOVERNMENT AUDITING STANDARDS

AND

SINGLE AUDIT



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

Honorable 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, 2014, 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 April 21, 2015.

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 (internal control) 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.

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.

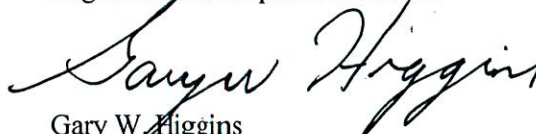
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we have reported to management of the Jersey City Redevelopment Agency in the section of this report of audit entitled, "General Comments and Recommendations"

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
April 21, 2015



LERCH, VINCI & HIGGINS, LLP

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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**

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 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, 2014. 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 U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and Circular 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 and State 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, 2014.

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 U.S. 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.

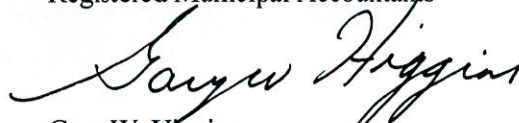
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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 U.S. OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by U.S. 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, 2014, and the related notes to the financial statements and have issued our report thereon dated April 21, 2015, which contained an unmodified opinion on those financial statements as a whole. 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 U.S. 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
April 21, 2015

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

<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 -	14.218	B-14-MC-41-0108	\$ 504,976
Community Development Block Grant Program	14.218	B-13-MC-40-0108	158,298
	14.218	B-11-MC-38-0108	204,509
	14.218	B-09-MC-36-0108	<u>421,048</u>
Total U.S. Department of Housing and Urban Development			<u>1,288,831</u>
U.S. Environmental Protection Agency			
Passed Through City of Jersey City - Direct			
Grand Jersey Site Specific Assessment Grant		BF97207200	5,431
Hazardous Assessment		BF96294600	95,753
Petroleum Assessment Grant		BF96294500	92,472
Hazardous Assessment	66.818	BF97207100	3,429
Hazardous Assessment	66.818	BF97207200	11,125
American Recovery and			
Reinvestment Act (ARRA)			
Brownfields Cleanup Program			
441 Ocean Ave.	66.818	BP97208300	23,735
443 Ocean Ave.	66.818	BP97207400	23,667
441-457 Ocean Ave.	66.818	BP97203812	<u>31,080</u>
Total U.S. Environmental Protection Agency			<u>286,692</u>
U.S. Department of Transportation			
Passed Through City of Jersey City			
Tiger Infrastructure Planning	20.933	DTFH61-11-H-00009	<u>21,155</u>
Total Federal Awards Expenditures			<u>\$ 1,596,678</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, 2014**

NOTE 1 GENERAL

The accompanying schedule presents the activity of all federal awards of the Jersey City Redevelopment Agency. The Agency is defined in Note 1 to the Agency's financial statements. All federal financial assistance received directly from federal, as well as federal 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.

These bases of accounting are described in Notes 1 to the Authority's financial statements. The information in this schedule is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of State, Local Governments and Non-Profit Organizations".

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>
U.S. Department of Housing and Urban Development	\$ 1,288,831
U.S. Environmental Protection Agency	286,692
U.S. Department of Transportation	<u>21,155</u>
	<u>\$1,596,678</u>

NOTE 4 RELATIONSHIP TO FEDERAL

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, 2014**

Part 1 – Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued on financial statements

Unmodified

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

Unmodified

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:

CFDA Number(s)

14.218

Name of Federal Program or Cluster

Community Development Block Grant

Program

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, 2014**

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, 2014**

Part 3 - Schedule of Federal and State Awards 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 and state programs, as required by U.S. OMB Circular A-133 and N.J. OMB Circular 15-08, respectively.

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, 2014**

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)) and New Jersey OMB Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

There were none.

ROSTER OF OFFICIALS
AND
GENERAL COMMENTS AND RECOMMENDATIONS

ROSTER OF OFFICIALS
AS OF DECEMBER 31, 2014

<u>Name</u>	<u>Title</u>
Rolando R. Lavarro, Jr.	Chairman
Evelyn Farmer	Vice-Chairman
Diane Coleman	Commissioner
Erma D. Greene	Commissioner
Timothy N. Mansour	Commissioner
John D. Petkanas	Commissioner
Russell J. Verducci	Commissioner
David P. Donnelly	Executive Director
Christopher Fiore	Assistant Executive Director

GENERAL COMMENTS AND RECOMMENDATIONS

Prior Year Unresolved

The audit of project deposits disclosed that there exists various old inactive balances and certain sub-accounts with amounts due to the Agency from third parties. It is recommended that old inactive project deposit balances be reviewed and cleared of record and efforts be made to collect amounts due to the Agency from third parties.

Current Year

With respect to the audit of the Agency's payroll transactions, our audit indicated the following:

- Documentation was not retained to support the independent verification of payroll deductions remitted by the Agency's third party payroll provider.
- Payroll bank account transfers from the operating account were not funded in exact amounts.
- Certain employees' bi-weekly base pays were rounded rather than calculated in exact amounts.
- Intra-account transactions between the payroll and operating accounts were not reconciled and promptly deposited.

It is recommended that procedures over the payroll function be reviewed and enhanced.

SUGGESTIONS TO MANAGEMENT

- The agency review procedures pertaining to the classification of individuals as employees or independent contractors.
- Petty cash be maintained on an imprest basis.

Recommendations

It is recommended that:

- * 1. Old inactive project deposit balances be reviewed and cleared of record and efforts be made to collect amounts due to the Agency from third parties.
- 2. Procedures over the payroll function be reviewed and enhanced.

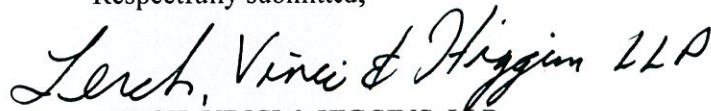
Status of Prior Year's Audit Comments and Recommendations

A review was performed on all prior year comments and recommendations. Corrective action has been taken on all other than those denoted with an asterisk (*) above.

Appreciation

We desire to express our appreciation of the assistance of all Agency staff during the course of our audit.

Respectfully submitted,



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
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