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

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

JUNE 30, 2014 AND 2013

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

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# LERCH, VINCI & HIGGINS, LLP CERTIFIED PUBLIC ACCOUNTANTS REGISTERED MUNICIPAL ACCOUNTANTS

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#### INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Commissioners Jersey City Redevelopment Agency Jersey City, New Jersey

We have reviewed the accompanying basic financial statements of the Jersey City Redevelopment Agency, a component unit of the City of Jersey City, as of and for the six months ended June 30, 2014 and 2013 as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Agency's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Management has not presented the management's discussion and analysis information that the Government Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

LERCH, VINCI & HIGGINS. LLP

Certified Public Accountants Registered Municipal Accountants

Fair Lawn, New Jersey August 26, 2014

# JERSEY CITY REDEVELOPMENT AGENCY COMPARATIVE STATEMENTS OF NET POSITION AS OF JUNE 30, 2014 AND 2013

ASSETS		<u>2014</u>		<u>2013</u>
Unrestricted Current Assets:				
Cash and Cash Equivalents	\$	7,720,661	\$	6,966,675
Accounts Receivable		412,708	•	116,357
Intergovernmental Receivables		452,189		1,617,813
Mortgage Loans Receivable		198,409	_	3,086
Total Unrestricted Current Assets		8,783,967		8,703,931
Restricted Current Assets				
Cash and Cash Equivalents		6,268,082		6,390,084
Mortgage Loan Receivable		11,700,000	_	12,450,000
Total Restricted Current Assets		17,968,082		18,840,084
Total Current Assets		26,752,049		27,544,015
Noncurrent Assets				
Mortgage Loans Receivable				•
Unrestricted		974,000	_	1,172,330
Capital Assets:				
Property Held for Redevelopment		25,421,961		25,330,461
Buildings (Net of Accumulated Depreciation of \$2,803,364 and \$2,610,643)		6,872,694		6,825,415
Vehicles and Equipment (Net of Accumulated		•		, ,
Depreciation of \$19,389 and \$37,855)	_		_	<del>-</del>
Total Capital Assets (Net of Accumulated Depreciation)		32,294,655		32,155,876
Total Noncurrent Assets		33,268,655		33,328,206
Total Assets		60,020,704	_ (	60,872,221

# JERSEY CITY REDEVELOPMENT AGENCY COMPARATIVE STATEMENTS OF NET POSITION AS OF JUNE 30, 2014 AND 2013

LIABILITIES	<u>2014</u>	<u>2013</u>
Current Liabilities Payable from Unrestricted Assets		·
Accounts Payable	\$ 414,878	\$ 231,517
Deferred Revenue	4,974,661	5,348,641
Redeveloper Contracts Payable	114,441	114,376
Intergovernmental Payables	1,703,491	3,580,650
Total Current Liabilities Payable from Unrestricted Assets	7,207,471	9,275,184
Current Lightliting Payable from Dartwisted Assets		
Current Liabilities Payable from Restricted Assets: Project Deposits	£ 220 £42	5 455 000
	5,332,543	5,455,233
Judgment Payable	11,700,000	12,450,000
Total Current Liabilities Payable from Restricted Assets	17,032,543	17,905,233
Total Current Liabilities	24,240,014	27,180,417
Noncurrent Liabilities Payable from Unrestricted Assets		
Inter-Agency Loan Payable	317,204	
Compensated Absences Payable	294,448	389,013
Ostaponbaroa 1155011000 Layaoto	274,440	307,013
Total Noncurrent Liabilities Payable from Unrestricted Assets	611,652	389,013
Total Noncurrent Liabilities	611,652	389,013
Total Liabilities	24,851,666	27,569,430
NET POSITION		
Net Investment in Capital Assets	32,294,655	32,155,876
Restricted for:	32,237,033	32,133,070
Renewal and Replacement	935,539	934,851
Unrestricted	1,938,844	212,064
VAA 4001 1899 W	1,720,044	
Total Net Position	\$ 35,169,038	\$ 33,302,791

# JERSEY CITY REDEVELOPMENT AGENCY COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

Environmental Protection Agency       119,967       495,106         Department of Energy       331,201       16,312         Department of Transportation       21,217       1,100,568         State Grants:       312,445         UEZA Passed Through JCEDC       129,445         Other:       110,232       853,683         Redeveloper Fees       353,448       300,000         Redeveloper Reimbursements       429,512       32,13,793         Miscellaneous       426,325       683,431         Miscellaneous - Property Lease       2,520,000         Gain on Sale of Property       338,800         Contributions of Property Held for Redevelopment       -       820,000         Total Operating Revenues       4,735,753       8,395,416         OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       804,736       1,957,060         State       129,445         Nongrant Related       129,445         City Contributions       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361 <th></th> <th></th> <th><u>2014</u></th> <th>2013</th>			<u>2014</u>	2013
Jersey City Pass-Through   Department of Housing and Urban Development   \$ 423,851   \$ 444,274     Environmental Protection Agency   119,967   495,106     Department of Energy   331,201   16,312     Department of Transportation   21,217   1,100,568     State Grants: UEZA Passed Through JCEDC   129,445     Other: City Contribution   110,232   853,683     Redeveloper Fees   353,448   300,000     Redeveloper Reimbursements   429,512   3,213,793     Miscellaneous   426,325   683,431     Miscellaneous - Property Lease   2,520,000     Gain on Sale of Property Grant Related   3804,736   338,800     Contributions of Property Held for Redevelopment   - 820,000     Total Operating Revenues   4,735,753   8,395,416     OPERATING EXPENSES   687,416     OPERATING EXPENSES   10,957,066     State   129,445     Nongrant Related   10,232   853,683     Redeveloper Reimbursed Expenses   429,512   3,213,793     Other   1,316,053   1,113,211     Depreciation   98,361   94,361	OPERATING REVENUES:		<del></del>	
Department of Housing and Urban Development       \$ 423,851       \$ 444,274         Environmental Protection Agency       119,967       495,106         Department of Energy       331,201       16,312         Department of Transportation       21,217       1,100,568         State Grants:       129,449         UEZA Passed Through JCEDC       129,449         Other:       353,448       300,000         Redeveloper Fees       353,448       300,000         Redeveloper Reimbursements       429,512       3213,793         Miscellaneous       426,325       683,431         Miscellaneous - Property Lease       2,520,000         Gain on Sale of Property       338,800         Contributions of Property Held for Redevelopment       -       820,000         Total Operating Revenues         OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       804,736       1,957,060         State       129,445         Nongrant Related       110,232       853,683         City Contributions       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053				
Environmental Protection Agency       119,967       495,106         Department of Energy       331,201       16,312         Department of Transportation       21,217       1,100,568         State Grants:       129,445         UEZA Passed Through JCEDC       129,445         Other:       110,232       853,683         Redeveloper Fees       353,448       300,000         Redeveloper Reimbursements       429,512       3,213,793         Miscellaneous - Property Lease       2,520,000         Gain on Sale of Property       338,800         Contributions of Property Held for Redevelopment       -       820,000         Total Operating Revenues       4,735,753       8,395,416         OPERATING EXPENSES         Grant Related       129,445         Nongrant Related       129,445         City Contributions       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361			•	
Department of Energy         331,201         16,312           Department of Transportation         21,217         1,100,568           State Grants:         129,449           UEZA Passed Through JCEDC         129,449           Other:		ment	\$ 423,851	\$ 444,274
Department of Transportation         21,217         1,100,568           State Grants:         UEZA Passed Through JCEDC         129,449           Other:         City Contribution         110,232         853,683           Redeveloper Fees         353,448         300,000           Redeveloper Reimbursements         429,512         3,213,793           Miscellaneous         426,325         683,431           Miscellaneous - Property Lease         2,520,000           Gain on Sale of Property         338,800           Contributions of Property Held for Redevelopment         -         820,000           Total Operating Revenues         4,735,753         8,395,416           OPERATING EXPENSES         Grant Related           Federal         804,736         1,957,060           State         129,449           Nongrant Related         110,232         853,683           Redeveloper Reimbursed Expenses         429,512         3,213,793           Other         1,316,053         1,113,211           Depreciation         98,361         94,361			119,967	495,106
State Grants:       129,449         Other:       110,232       853,683         Redeveloper Fees       353,448       300,000         Redeveloper Reimbursements       429,512       3,213,793         Miscellaneous       426,325       683,431         Miscellaneous - Property Lease       2,520,000         Gain on Sale of Property       338,800         Contributions of Property Held for Redevelopment       -       820,000         Total Operating Revenues       4,735,753       8,395,416         OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         City Contributions       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361			331,201	16,312
UEZA Passed Through JCEDC       129,449         Other:       110,232       853,683         Redeveloper Fees       353,448       300,000         Redeveloper Reimbursements       429,512       3,213,793         Miscellaneous - Property Lease       2,520,000         Gain on Sale of Property       338,800         Contributions of Property Held for Redevelopment       -       820,000         Total Operating Revenues       4,735,753       8,395,416         OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       129,445         Nongrant Related       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361			21,217	1,100,568
Other:         City Contribution         110,232         853,683           Redeveloper Fees         353,448         300,000           Redeveloper Reimbursements         429,512         3,213,793           Miscellaneous - Property Lease         2,520,000           Gain on Sale of Property         338,800           Contributions of Property Held for Redevelopment         -         820,000           Total Operating Revenues         4,735,753         8,395,416           OPERATING EXPENSES           Grant Related         804,736         1,957,060           State         129,445           Nongrant Related         110,232         853,683           Redeveloper Reimbursed Expenses         429,512         3,213,793           Other         1,316,053         1,113,211           Depreciation         98,361         94,361				
City Contribution       110,232       853,683         Redeveloper Fees       353,448       300,000         Redeveloper Reimbursements       429,512       3,213,793         Miscellaneous       426,325       683,431         Miscellaneous - Property Lease       2,520,000         Gain on Sale of Property       338,800         Contributions of Property Held for Redevelopment       -       820,000         Total Operating Revenues       4,735,753       8,395,416         OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361				129,449
Redeveloper Fees       353,448       300,000         Redeveloper Reimbursements       429,512       3,213,793         Miscellaneous       426,325       683,431         Miscellaneous - Property Lease       2,520,000         Gain on Sale of Property       338,800         Contributions of Property Held for Redevelopment       -       820,000         Total Operating Revenues       4,735,753       8,395,416         OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361				
Redeveloper Reimbursements       429,512       3,213,793         Miscellaneous       426,325       683,431         Miscellaneous - Property Lease       2,520,000         Gain on Sale of Property       338,800         Contributions of Property Held for Redevelopment       -       820,000         Total Operating Revenues       4,735,753       8,395,416         OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361			110,232	853,683
Miscellaneous       426,325       683,431         Miscellaneous - Property Lease       2,520,000         Gain on Sale of Property       338,800         Contributions of Property Held for Redevelopment       -       820,000         Total Operating Revenues       4,735,753       8,395,416         OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361			353,448	300,000
Miscellaneous - Property Lease       2,520,000         Gain on Sale of Property       338,800         Contributions of Property Held for Redevelopment       -       820,000         Total Operating Revenues       4,735,753       8,395,416         OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         City Contributions       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361			429,512	3,213,793
Gain on Sale of Property       338,800         Contributions of Property Held for Redevelopment       -       820,000         Total Operating Revenues       4,735,753       8,395,416         OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361			426,325	683,431
Contributions of Property Held for Redevelopment       -       820,000         Total Operating Revenues       4,735,753       8,395,416         OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361	Miscellaneous - Property Lease		2,520,000	
Total Operating Revenues       4,735,753       8,395,416         OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361	Gain on Sale of Property			338,800
OPERATING EXPENSES         Grant Related       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361	Contributions of Property Held for Redevelop	oment	-	820,000
Grant Related       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361	Total Operating Revenues		4,735,753	8,395,416
Grant Related       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361	OPERATING EXPENSES			
Federal       804,736       1,957,060         State       129,449         Nongrant Related       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361				
State       129,449         Nongrant Related       110,232       853,683         City Contributions       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361			804.736	1.957.060
Nongrant Related       110,232       853,683         City Contributions       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361	State			
City Contributions       110,232       853,683         Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361	Nongrant Related			1=2,1.12
Redeveloper Reimbursed Expenses       429,512       3,213,793         Other       1,316,053       1,113,211         Depreciation       98,361       94,361			110.232	853,683
Other       1,316,053       1,113,211         Depreciation       98,361       94,361				
Depreciation 98,361 94,361			<del>-</del>	
	Depreciation	•		
	*	nt .		1,346,623
Total Operating Expenses 2,758,894 8,708,180	Total Operating Expenses		2 758 804	8,708,180
2,736,674 6,706,160	Total Operating Expenses		2,130,094	0,700,100
Operating Income (Loss) 1,976,859 (312,764	Operating Income (Loss)		1,976,859	(312,764)
NONOPERATING REVENUES (EXPENSES):	NONOPERATING REVENUES (EXPENSES	)·		
· · · · · · · · · · · · · · · · · · ·		,.	16 351	20,773
			10,551	(344,945)
	ocoporation rigitorment city of reisoy city			(344,943)
Total Nonoperating Revenues (Expenses) 16,351 (324,172	Total Nonoperating Revenues (Expenses)		16,351	(324,172)
Change in Net Position 1,993,210 (636,936)	Change in Net Position		1,993,210	(636,936)
Net Position, Beginning of Year 33,175,828 33,939,727	Net Position, Beginning of Year		33,175,828	33,939,727
Net Position, End of year <u>\$35,169,038</u> <u>\$33,302,791</u>	Net Position, End of year		\$ 35,169,038	\$ 33,302,791

# JERSEY CITY REDEVELOPMENT AGENCY COMPARATIVE STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2014</u>	<u>2013</u>
Operating Cash Receipts	\$ 4.826.323	\$ 6,593,492
Operating Cash Payments	(4,291,216)	
Receipts of Project Deposits	319,208	
Payments from Project Deposits	(417,037)	, ,
Receipts from the Sale of Property Held for Redevelopment		405,000
Payments for the Acquisition of Property Held for Redevelopment	(91,500)	(99,200)
Net Cash Provided by (Used for) Operating Activities	345,778	(1,173,992)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	16,351	20,773
Net Cash Provided by Investing Activities	16,351	20,773
Net Increase (Decrease) in Cash and Cash Equivalents	362,129	(1,153,219)
Cash and Cash Equivalents at Beginning of Year	13,626,614	14,509,978
Cash and Cash Equivalents at End of Year	\$ 13,988,743	\$13,356,759
Analysis of Balance at June 30,		
Unrestricted - Cash and Cash Equivalents	\$ 7,720,661	\$ 6,966,675
Restricted - Cash and Cash Equivalents	6,268,082	6,390,084
	\$ 13,988,743	\$ 13,356,759

# JERSEY CITY REDEVELOPMENT AGENCY COMPARATIVE STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>2014</u>	<u>2013</u>
Operating Income (Loss)	\$ 1,976,859	\$ (312,764)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	98,361	94,361
Change in Assets and Liabilities:	(214 (70)	2.150
(Increase)/Decrease in Accounts Receivable	(314,670)	3,159
(Increase)/Decrease in Intergovernmental Receivables	140,178	(97,150)
(Increase)/Decrease in Mortgage Loans Receivable	1,442	1,442
(Increase)/Decrease in Property Held for Redevelopment	(91,500)	•
Increase/(Decrease) in Accounts Payable	(127,191)	(370,540)
Increase/(Decrease) in Deferred Revenue	263,586	(862,049)
Increase/(Decrease) in Redeveloper Contracts Payable	34	33
Increase/(Decrease) in Intergovernmental Accounts Payable	(1,500,000)	311,441
Increase/(Decrease) in Compensated Absences Payable	(3,492)	(5,738)
Increase/(Decrease) in Project Deposits Payable	(97,829)	(429,810)
Total Adjustments	(1,631,081)	(861,228)
Net Cash Provided by (Used for) Operating Activities	\$ 345,778	\$ (1,173,992)

NOTES TO BASIC FINANCIAL STATEMENTS

# 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. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. A description of the Agency's fund type it maintains to account for its financial transactions is as follows:

<u>Proprietary Fund Types</u> – 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.

# NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Agency's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with these operations are included on the Statement of Net 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 Authority has elected not to follow FASB guidance issued subsequent to December 1, 1989.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of operations and services, administrative expenses and depreciation on capital assets. The Agency considers transactions pertaining to property held for redevelopment to be operating revenues and expenses since these transactions are connected with its principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# C. Assets, Liabilities and Net 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.

# NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

# C. Assets, Liabilities and Net Position (Continued)

#### 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:

Asset	<u>Yea</u>
Buildings Vehicles	50 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

- Net 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.

# NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

# D. Grant Programs/Revenues (Continued)

<u>Community Development Block Grant Program</u>: 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.

<u>UEZA Program</u>: 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 June 30, 2013 balances to conform to the June 30, 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.

## 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.

#### NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

#### **Budgetary Accounting (Continued)**

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

In accordance with accounting principles generally accepted in the United States of America, outstanding encumbrances at year-end for which goods or services are received, are classified to expenses and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and 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.

#### 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 FDIC.

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 June 30, 2014 and 2013, the book value of the Agency's deposits were \$13,988,743 and \$13,356,759 and bank balances of the Agency's cash and deposits amounted to \$14,120,093 and \$14,420,513. The Agency's deposits which are displayed on the statement of net assets as "cash and cash equivalents" are categorized as:

	Bank Balance		
Depository Account	2014	2013	
Insured Uninsured and Collateralized	\$5,782,297 8,337,796	\$6,585,768 7,834,745	
Offinistrod and Conatoralized	\$14,120,093	\$14.420.513	
	<u> </u>	** O TAXY AV	

<u>Custodial Credit Risk – Deposits</u> – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Agency does not have a formal policy for custodial credit risk. As of June 30, 2014 and 2013, the Agency's bank balances of \$8,337,796 and \$7,834,745 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>\$8,337,796</u>	<u>\$7,834,745</u>

# NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

#### **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 June 30, 2014 and 2013, the Agency had no outstanding investments.

# NOTE 4 MORTGAGE LOANS RECEIVABLE

The mortgage loan receivable balances at June 30, 2014 and 2013 consists of mortgage loans on various properties in certain redevelopment areas.

Location	Description
Locution	Description

#### Loan Terms

	$\overline{}$	(T-1	
•	Ocean	/ Hans	T/14
•	COCCAI	7 LJAV	VICW

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 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.

# NOTE 4 MORTGAGE LOANS RECEIVABLE (Continued)

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 are to 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.

	<u>June 30, </u>		
	<u>2014</u>		<u>2013</u>
Ocean/Bayview	\$ 2	74,000	\$ 274,000
Grove Street	1	98,409	201,416
Journal Square	7	00,000	700,000
Liberty Harbor	11,7	00,000	12,450,000
	\$ 12,8	72,409	\$ 13,625,416
Restricted Unrestricted	1,1	72,409	\$ 12,450,000 1,175,416 \$ 13,625,416

#### NOTE 5 EMPLOYEE RETIREMENT SYSTEM

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

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

# NOTE 5 EMPLOYEE RETIREMENT SYSTEM (Continued)

#### 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 assessed via the New Jersey, Division of Pensions and Benefits, website at <a href="https://www.state.nj.us/treasury/pensions">www.state.nj.us/treasury/pensions</a>.

#### **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 fund.

#### 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 2013, the member contribution rate was 6.64%. 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).

# NOTE 5 EMPLOYEE RETIREMENT SYSTEM (Continued)

#### **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.

# **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 system is 56.7 percent and \$34.4 billion, and the aggregate funded ratio and unfunded accrued liability for the retirement systems, including local PERS is 76.1 percent and \$12.8 billion.

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

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

# NOTE 5 EMPLOYEE RETIREMENT SYSTEM (Continued)

#### **Actuarial Methods and Assumptions**

In the July 1, 2012 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) 7.90% for investment rate of return for PERS and (b) changes to projected salary increases, which vary by fund.

# **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 2012 for PERS. The member contribution for PERS was 6.64% in fiscal year 2013.

# Annual Pension Cost (APC)

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

During the calendar years 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:

Year Ended	_		
December 31.	<u>PERS</u>		
2014	\$	80,493	
2013		95,344	
2012		94,592	

# NOTE 6 CAPITAL ASSETS

The following is a summary of the Agency's capital assets activity for the six months ended June 30, 2014 and 2013:

	2014			
	Balance			Balance,
	January 1, 2014	<u>Increases</u>	<u>Decreases</u>	June 30, 2014
Capital Assets, Not Being Depreciated:				
Property Held for Redevelopment	\$ 25,330,461	\$ 91,500	\$ -	\$ 25,421,961
Total Capital Assets, Not Being Depreciated	25,330,461	91,500	-	25,421,961
Capital Assets, Being Depreciated:				
Buildings	9,676,058			9,676,058
Vehicles and Equipment	19,389			19,389
Total Capital Assets Being Depreciated	9,695,447	-		9,695,447
Less Accumulated Depreciation for:				
Buildings	(2,705,003)	\$ (98,361)		(2,803,364)
Vehicles and Equipment	(19,389)			(19,389)
Total Accumulated Depreciation	(2,724,392)	(98,361)	-	(2,822,753)
Total Capital Assets, Being Depreciated, Net	6,971,055	(98,361)		6,872,694
Government Activities Capital Assets, Net	\$ 32,301,516	\$ (6,861)	\$ -	\$ 32,294,655

# NOTE 6 CAPITAL ASSETS (Continued)

	2013			
	Balance	•	· <u> </u>	Balance,
	January 1, 2013	<u>Increases</u>	<u>Decreases</u>	June 30, 2013
Capital Assets, Not Being Depreciated:				
Property Held for Redevelopment	\$ 25,824,084	\$ 919,200	\$ (1,412,823)	\$ 25,330,461
Total Capital Assets, Not Being Depreciated	25,824,084	919,200	(1,412,823)	25,330,461
Capital Assets, Being Depreciated:				
Buildings	9,436,058			9,436,058
Vehicles and Equipment	37,855			37,855
Total Capital Assets Being Depreciated	9,473,913	-	-	9,473,913
Less Accumulated Depreciation for:			,	
Buildings	(2,516,282)	\$ (94,361)		(2,610,643)
Vehicles and Equipment	(37,855)			(37,855)
Total Accumulated Depreciation	(2,554,137)	(94,361)		(2,648,498)
Total Capital Assets, Being Depreciated, Net	6,919,776	(94,361)		6,825,415
Government Activities Capital Assets, Net	\$ 32,743,860	\$ 824,839	\$ (1,412,823)	\$ 32,155,876

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 June 30, 2014. Although the City has refinanced the original bonds, the Agency continues to reimburse 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 ASSETS

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.

# NOTE 7 RESTRICTED NET ASSETS (Continued)

As of June 30, 2014 and 2013 the restricted net position is comprised of the following:

Restricted for: Renewal and Replacement

\$ 935,539 \$ 934,851

#### NOTE 8 COMMITMENTS AND CONTINGENCIES

<u>State and Federal Grants</u>: 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.

<u>Redeveloper Agreements</u>: 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.

<u>Environmental Remediation Liability</u>: 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.

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

#### Jersey City Redevelopment Agency 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 June 30, 2014, the redeveloper has made all payments required by the settlement agreement. The balance of the mortgage receivable and related judgment payable at June 30, 2014 is \$11,700,000. The Agency still has significant exposure to liability with respect to the JCRA v. Kerrigan case in that the redevelopers resources and security for payment of the final award may be insufficient.

#### **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 \$294,448 and \$389,013 at June 30, 2014 and 2013, respectively. These amounts are accrued as a noncurrent liability at June 30, 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 June 30, 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 June 30. 2014.