

**HARRISON REDEVELOPMENT AGENCY**

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**COUNTY OF HUDSON, NEW JERSEY**

**REPORT OF AUDIT  
ON THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS**

## HARRISON REDEVELOPMENT AGENCY

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# SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
Harrison Redevelopment Agency  
Harrison, New Jersey 07029

### Report on the Financial Statements

We have audited the accompanying financial statements of the Harrison Redevelopment Agency, a component unit of the Town of Harrison, County of Hudson, State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements which comprise the Harrison Redevelopment Agency's 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harrison Redevelopment Agency, State of New Jersey, as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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 opinions on the financial statements that collectively comprise the Agency's basic financial statements. The information included in the supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary 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. Such 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

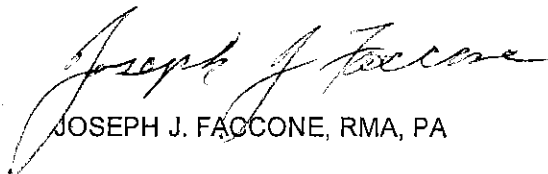
The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2013 on our consideration of the Harrison 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 Harrison Redevelopment Agency's internal control over financial reporting and compliance.



SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS



JOSEPH J. FACCONI, RMA, PA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Within this section of the Harrison Redevelopment Agency's (the "Agency") annual financial report, the management of the Agency provides a narrative discussion and analysis of the financial activities of the Agency for the audit year ending December 31, 2012.

The Agency's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes following this section.

### **Discussion of Financial Statements Included in Annual Audit**

The Agency prepares and presents its financial statements on several different bases, because of accounting requirements and for internal use purposes.

The first set of statements which consist of the Comparative Statements of Net Position, the Comparative Statements of Revenues, Expenses and Changes in Net Position, and the Comparative Statements of Cash Flows is prepared on an accrual basis and is in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. These statements are the official financial statements of the Harrison Redevelopment Agency.

After the first set of statements and the "Notes to Financial Statements" that follow are supplemental schedules.

The Agency has historically presented its financial statements on a "GAAP Basis", and continues to do so because it relates more fairly to the annual budget for the same period. The annual budget records all encumbrances as charges against the adopted appropriation even if the items or services have not been received.

Contained in the supplemental information are statements that report the Schedule of Operating Revenues and Expenditures funded by Operating Revenues Compared to Budget. This statement compares the "Budget" revenues and expenses to "Actual" revenues and expenses. This includes operating revenues and expenses, nonoperating revenues and nonoperating expenses.

The Budget to Actual statement is a very important statement to the Agency management staff, because it is how we measure our financial performance, particularly as it compares to the approved and adopted annual budget and how it relates to the operational performance.

Other information or statements incorporated within the annual audit report are the Schedules of Cash Receipts, Cash Disbursements and Changes in Cash and Cash Equivalents - Unrestricted and the Analysis of Accounts Payable.

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the financial statements of the Agency, those prepared on an accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. This is the first set of statements included in the annual audit report.

### Comparative Statement of Net Position

The Harrison Redevelopment Agency's Total Assets increased \$2,684,695.89 due to increases in grants receivable. Total liabilities increased \$2,158,271.78 due to an increase in Reserve for Grants. Assets exceeded liabilities by \$181,167.42. This compares to 2011 where the liabilities exceeded assets by \$359,705.72.

The Harrison Redevelopment Agency had a Net Position of \$181,167.42, comprised of the following:

Unrestricted - Undesignated	<u>\$ 181,167.42</u>	
	As of December 31,	
	<u>2012</u>	<u>2011</u>
Total Current Assets	\$ 260,673.34	\$ 517,857.03
Total Restricted Assets	<u>5,524,070.63</u>	<u>3,365,798.85</u>
Total Assets	<u>5,784,743.97</u>	<u>3,883,655.88</u>
Total Current Liabilities Payable from Current Assets	79,505.92	877,562.75
Total Current Liabilities Payable from Restricted Assets	<u>5,524,070.63</u>	<u>3,365,798.85</u>
Total Liabilities	<u>5,603,576.55</u>	<u>4,243,361.60</u>
Net Position (Deficit)	<u>\$ 181,167.42</u>	<u>\$ (359,705.72)</u>

Total Current Assets increased because cash and cash equivalents have increased.

Total Current Liabilities Payable from Restricted Assets decreased because accounts payable has decreased.

### Comparative Statement of Revenues, Expenses and Changes in Net Position

Operating Expenses increased \$35,307.51 due to the awarding of additional professional contracts for legal services as it pertains to the redevelopment process.

Total Net Position as of December 31, 2012 increased \$540,873.14, from a net deficit position of \$359,705.72 to a net position of \$181,167.42.

	<u>2012</u>	<u>2011</u>
Operating Expenses	<u>\$ 828,903.43</u>	<u>\$ 793,595.92</u>
Operating Loss	(828,903.43)	(793,595.92)
Nonoperating Revenues/(Expenses) - Net	<u>1,720,837.35</u>	<u>501,031.92</u>
Net Income	891,933.92	(292,564.00)
Prior Year Receivable Cancelled	<u>351,060.78</u>	
Change in Net Position	540,873.14	(292,564.00)
Net Position, Beginning (Deficit)	<u>(359,705.72)</u>	<u>(67,141.72)</u>
Net Position, Ending (Deficit)	<u>\$ 181,167.42</u>	<u>\$ (359,705.72)</u>

### **Statement of Cash Flows**

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The net decrease in Cash and Cash Equivalents was \$568,674.23.

### **Future Economic Outlook**

The Harrison Redevelopment Agency continues to work toward the acquisition and redevelopment of the areas designated as redevelopment.

Despite continued economic uncertainties in the region, the Agency expects that increasing growth and development in the area and the strong demand for commercial projects in the Hudson County area will be beneficial to the ongoing redevelopment efforts of the Agency.



**ROSTER OF OFFICIALS**

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**AS OF DECEMBER 31, 2012**

<u>Name</u>	<u>Title</u>
James Fife	Chairperson
Anthony Comprelli	Vice Chairperson
Raymond J. McDonough	Commissioner
Harold Stahl	Commissioner
Thomas Powell	Commissioner
Douglas I. DaRocha	Commissioner
Miguel Simoes	Commissioner
Gregory P. Kowalski	Executive Director/Secretary

HARRISON REDEVELOPMENT AGENCY  
COMPONENT UNIT  
COMPARATIVE STATEMENTS OF NET POSITION  
DECEMBER 31, 2012 AND DECEMBER 31, 2011

Exhibit A

<u>ASSETS</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Current Assets:		
Cash and Cash Equivalents	\$ 215,733.09	\$
Accounts Receivable	<u>44,940.25</u>	<u>517,857.03</u>
Total Current Assets	<u>260,673.34</u>	<u>517,857.03</u>
Restricted Assets:		
Cash and Cash Equivalents	1,469,037.30	3,037,052.37
Grants Receivable	<u>4,055,033.33</u>	<u>328,746.48</u>
Total Restricted Assets	<u>5,524,070.63</u>	<u>3,365,798.85</u>
TOTAL ASSETS	<u>\$ 5,784,743.97</u>	<u>\$ 3,883,655.88</u>
 <u>LIABILITIES</u>		
Current Liabilities Payable from Current Assets:		
Cash and Cash Equivalents	\$	\$ 783,607.75
Accounts Payable	<u>79,505.92</u>	<u>93,955.00</u>
Total Current Liabilities Payable from Current Assets	<u>79,505.92</u>	<u>877,562.75</u>
Current Liabilities Payable from Restricted Assets:		
Reserve for Grants	<u>5,524,070.63</u>	<u>3,365,798.85</u>
Total Current Liabilities Payable from Restricted Assets	<u>5,524,070.63</u>	<u>3,365,798.85</u>
Total Liabilities	<u>\$ 5,603,576.55</u>	<u>\$ 4,243,361.60</u>
 <u>NET POSITION (DEFICIT)</u>		
Unreserved - Undesignated - (Deficit)	<u>\$ 181,167.42</u>	<u>\$ (359,705.72)</u>
Total Net Position (Deficit)	<u>\$ 181,167.42</u>	<u>\$ (359,705.72)</u>

See accompanying notes to financial statements.

HARRISON REDEVELOPMENT AGENCY  
COMPONENT UNIT  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011

Exhibit B

	<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>
Operating Expenses:		
Administrative	\$ 152,124.84	\$ 131,536.93
Cost of Providing Services	676,778.59	662,058.99
Total Operating Expenses	<u>828,903.43</u>	<u>793,595.92</u>
Operating Loss	<u>(828,903.43)</u>	<u>(793,595.92)</u>
Nonoperating Revenues:		
Developer's Fees	86,891.30	229,000.00
Developer Reimbursements	180,180.23	270,288.25
Settlement - Redevelopers	1,453,214.94	
Miscellaneous	390.00	131.35
Interest Earned	160.88	1,612.32
Total Nonoperating Revenues	<u>1,720,837.35</u>	<u>501,031.92</u>
Net Income (Loss)	891,933.92	(292,564.00)
Prior Year Receivables Cancelled	<u>351,060.78</u>	
Change in Net Position	540,873.14	(292,564.00)
Net Position (Deficit), Beginning of Year	<u>(359,705.72)</u>	<u>(67,141.72)</u>
Net Position (Deficit), End of Year	<u>\$ 181,167.42</u>	<u>\$ (359,705.72)</u>

See accompanying notes to financial statements.

HARRISON REDEVELOPMENT AGENCY  
COMPONENT UNIT  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011

Exhibit C

	<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>
Cash Flows from Operating Activities:		
Net Position	\$ 891,933.92	\$ (292,564.00)
Adjustments to Reconcile Change in Net Position to Net		
Cash Provided by (Used in) Operating Activities:		
Change in Assets and Liabilities:		
(Increase)/Decrease in Grants Receivable	(3,726,286.85)	1,281,456.22
(Increase)/Decrease in Accounts Receivable	121,856.00	1,440,285.97
Increase/(Decrease) in Reserve for Grants	2,158,271.78	517,630.33
Increase/(Decrease) in Accounts Payable	(14,449.08)	(3,037,845.00)
Total Adjustments to Change in Net Position	(1,460,608.15)	201,527.52
Net Cash Used in Operating Activities	(568,674.23)	(91,036.48)
Net Decrease in Cash and Cash Equivalents	(568,674.23)	(91,036.48)
Cash and Cash Equivalents, Beginning of Year	2,253,444.62	2,344,481.10
Cash and Cash Equivalents, End of Year	<u>\$ 1,684,770.39</u>	<u>\$ 2,253,444.62</u>
Reconciliation to Balance Sheet:		
Unrestricted Cash and Cash Equivalents	\$ 215,733.09	\$ (783,607.75)
Restricted Cash and Cash Equivalents	1,469,037.30	3,037,052.37
	<u>\$ 1,684,770.39</u>	<u>\$ 2,253,444.62</u>

See accompanying notes to financial statements.

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## **NOTES TO FINANCIAL STATEMENTS**

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**HARRISON REDEVELOPMENT AGENCY  
COMPONENT UNIT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. REPORTING ENTITY**

The Harrison 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 March 26, 1999 pursuant to the provisions of N.J.S.A. 40A:12A-1 et seq., for the purpose of carrying out the urban renewal program activities for the Town of Harrison. 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 Town of Harrison.

The Agency is governed by a Board of Commissioners consisting of seven members, who are appointed by the Mayor of the Town of Harrison. No more than 2 members shall be officers or employees of the Town. The Board of Commissioners determines policy actions, approves resolutions and selects an executive director to be responsible for the overall operation of the Agency. Based upon this criteria and the possibility of the Agency providing a financial benefit to the Town, the Agency is considered a component unit of the Town.

On August 5, 1992, the Legislature of the State of New Jersey adopted the Local Redevelopment and Housing Law (N.J.S.A. 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 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.

The Agency meets the criteria established by the Governmental Accounting Standards Board (GASB) to be deemed a component unit of the primary government unit, the Town of Harrison. This classification does not diminish the autonomous character of the Agency.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Financial Statements**

The financial statements of the Agency have been prepared on the accrual basis of accounting, with certain elimination entries, in accordance with governmental accounting standards applicable to local government units for enterprise funds. The Agency's operations are segregated into unrestricted operations, which include financial assistance and administrative functions for redevelopment of property in designated blighted areas for the Town of Harrison and the restricted operations of the Agency, which include the administration of the various financing programs for grants. All interfund balances and transactions have been eliminated for the purpose of financial reporting.

**B. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **C. Unrestricted - Cash, Cash Equivalents and Investments**

Cash includes petty cash, change funds, cash in banks, savings accounts, money markets, or highly liquid securities with a maturity date of three (3) months or less from the date of purchase which may be withdrawn at any time without prior notice or penalty. Cash equivalents are defined as short-term, highly liquid securities that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with original maturity dates of three (3) months or less meet this definition. For the Statements of Cash Flows the Agency includes all cash, cash equivalents and investments.

### **D. Restricted - Cash, Cash Equivalents and Investments**

Contributions received from various sources as grants are recorded in the period they become measurable. Developer financed construction is recorded in the period in which the system is donated to the Agency. Donated assets are recorded at fair market value at the date of the gift. Grants not externally restricted and utilized to finance operations are identified as non-operating revenues.

### **E. Intergovernmental Receivables and Payables**

Transactions between the Agency and the Town of Harrison and other Town agencies that are representative of capital allotments/grant awards arrangements outstanding at the end of the fiscal year are referred to as intergovernmental receivables.

Amounts owed to the Town of Harrison and other governmental agencies at the end of the fiscal year as a result of contractual arrangements or advancements are reported as intergovernmental payables.

### **F. Deferred Revenue**

There was no deferred revenue as of December 31, 2012.

### **G. Restricted Assets**

Certain assets are restricted as a result of certain agreements entered into between the Agency and third parties. The cash balance of \$1,469,037.30 is money being used for grants and other uses in the redevelopment zone.

### **H. Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt to the extent expended consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted consists of all other net position not included above.

### **I. Budgetary Information**

An operating budget is adopted each fiscal year by the Agency. The Board may at their discretion modify the budget subsequent to adoption. The Board made one supplemental appropriation or transfer during the audit period. The legal level of budget control is defined in the Agency as the current budget plus other available funds.

### **3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

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New Jersey statutes permit the Agency to purchase the following types of securities:

- . Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- . Government Money Market Mutual Funds.
- . Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- . Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- . Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- . Local Government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- . New Jersey State Cash Management Fund.
- . Repurchase agreements of fully collateralized securities, subject to special conditions.

New Jersey Statutes authorize the Agency to invest in obligations which are obligations of or guaranteed by the Federal Government and certain State managed funds whose investments are primarily in Federal securities and certain banking institutions. All marketable securities with a maturity date of more than ninety (90) days from the date of purchase are deemed to be investments of the Agency as defined in GASB No. 3, as amended by GASB Statement No. 40.

Investments in the various funds are stated at cost, which approximates market. The Agency's investments are guaranteed by the federal government, bank certificates of deposit and investments in the New Jersey Cash Management Fund. All of the Agency's investments are permitted under New Jersey State Statutes.

All bank deposits as of the balance sheet date are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act.

As of December 31, 2012, the Agency had funds invested and on deposit in checking, in the amount of \$2,218,828.26. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and amended by GASB Statement No. 40. There were no securities categorized as investments as defined by GASB Statement No. 40.

### **4. CONTINGENT LIABILITIES**

The Agency is party to various legal proceedings. These legal proceedings are not likely to have a material adverse impact on the Agency, based upon inquiry of management and direct confirmation from the Agency Attorney.

The Agency has no accrued liability for compensated absences at December 31, 2012.



## 5. PENSION PLANS

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### Plan Description

The Agency contributes to the Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Division of Pensions in the Department of the Treasury, State of New Jersey. The plan provides retirement, death, disability benefits and medical benefits to certain qualifying plan members and beneficiaries. The Public Employees' Retirement System was established January 1, 1955 under the provisions of N.J.S.A. 43:15A. The Public Employees' Retirement System issues publicly available financial reports that include financial statements and required supplementary information. This report may be obtained by writing to the State of New Jersey, Division of Pensions.

### Funding Policy

Employee contributions are based on a statutorily defined percentage of employees' annual compensation. Employer's contributions are actuarially determined annually by the Division of Pensions. The Agency's contributions to the PERS for the year ending December 31, 2012 was funded by the Pension Security Act Credit. All contributions were equal to the required contributions. The employees' contributions for PERS for the year ended December 31 was as follows:

<u>Year Ended December 31</u>	<u>Employees' Contributions</u>
2012	\$ 2,863.28
2011	2,741.18
2010	2,603.84

## 6. DEFERRED COMPENSATION PLAN

There is currently no deferred compensation plan offered by the Agency.

## 7. CAPITAL ASSETS

The Agency did not have any capital assets at December 31, 2012.

## 8. IMPROVEMENT AUTHORIZATIONS

The Town of Harrison adopted Ordinance #1133 which provides funding for the acquisition of property within the waterfront redevelopment area. There was no down payment required in accordance with Section 37 of the Redevelopment Law. The purpose for funding is to provide financial assistance to the Harrison Redevelopment Agency, pursuant to N.J.S.A. 40A:12A-37, for the acquisition of real and personal property within the Redevelopment Area by the Agency in furtherance of the Redevelopment Plan. In addition to any real and personal property to be acquired, the Agency may also use such funds for the planning, clearing, grading and remediating any parcel of real property so acquired within the Redevelopment Area and for the payment of any necessary and incidental cost associated with the acquisition of the real and personal property, legal cost, planning cost and redevelopment related costs incurred or to be incurred by the Agency in implementing the Redevelopment Plan.

This Ordinance and related debt are shown on the Town of Harrison's financial records however, the Redevelopment Agency authorizes the spending against it.

## **9. RISK MANAGEMENT**

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The Agency is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to its employees and natural disasters. The Agency maintains commercial insurance coverage for general liability, damage and destruction of assets, errors and omissions, injuries to employees and natural disasters.

## **10. LITIGATION**

The Agency attorney's letter did not indicate any litigation, claims or contingent liabilities that would have a material impact on the Agency.

HARRISON REDEVELOPMENT AGENCY  
COMPONENT UNIT  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH AND CASH EQUIVALENTS  
UNRESTRICTED ACCOUNTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Schedule 1

Cash and Cash Equivalents, December 31, 2011:

Unrestricted

\$ (783,607.75)

Cash Receipts:

Miscellaneous	\$ 390.00
Developer's Fees	246,891.30
Settlement - Redevelopers	1,453,214.94
Developer's Reimbursement	164,297.23
Interest Earned	<u>160.88</u>

1,864,954.35

1,081,346.60

Cash Disbursements:

Accounts Payable	62,955.00
Administrative Expenses	152,124.84
Other Accounts Receivable	22,261.00
Cost of Providing Services	<u>628,272.67</u>

865,613.51

Cash and Cash Equivalents, December 31, 2012:

Unrestricted

\$ 215,733.09

HARRISON REDEVELOPMENT AGENCY  
COMPONENT UNIT  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH AND CASH EQUIVALENTS  
RESTRICTED ACCOUNTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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Schedule 2

Cash and Cash Equivalents, December 31, 2011:	
Restricted	\$ 3,037,052.37
Cash Receipts:	
Grants Received	<u>202,285.15</u>
	3,239,337.52
Cash Disbursed:	
Grant Reserves	<u>1,770,300.22</u>
Cash and Cash Equivalents, December 31, 2012:	
Restricted	<u><u>\$ 1,469,037.30</u></u>

HARRISON REDEVELOPMENT AGENCY

COMPONENT UNIT

COMPARATIVE SCHEDULES OF OPERATING REVENUES AND EXPENDITURES FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011

Schedule 3

	Dec. 31, 2012			Dec. 31, 2011		
	<u>Final Budget</u>	<u>Realized</u>	<u>Excess (Deficit)</u>	<u>Final Budget</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
<u>Revenues</u>						
Nonoperating Revenues:						
Developer's Fees	\$ 272,000.00	\$ 86,891.30	\$ (185,108.70)	\$ 272,000.00	\$ 229,000.00	\$ (43,000.00)
Developer's Reimbursements	380,000.00	180,180.23	(199,819.77)	317,000.00	270,288.25	(46,711.75)
Grants	157,000.00		(157,000.00)			
Settlement - Redevelopers	1,400,000.00	1,453,214.94	53,214.94			
Interest on Investments and Deposits		160.88	160.88		1,612.32	1,612.32
Miscellaneous		390.00	390.00		131.35	131.35
Pass-Through Reimbursements from Hudson County Improvement Authority Red Bull Stadium		389,850.45	389,850.45		28,748.85	28,748.85
		117,566.00	117,566.00			
<b>Total Nonoperating Revenues</b>	<b>2,209,000.00</b>	<b>2,228,253.80</b>	<b>19,253.80</b>	<b>589,000.00</b>	<b>529,780.77</b>	<b>(59,219.23)</b>
<u>Expenditures</u>						
Administration:						
Salary and Wages	68,800.00	68,722.68	77.32	73,000.00	65,554.53	7,445.47
Fringe Benefits	31,100.00	31,063.32	36.68	26,000.00	63,380.00	(37,380.00)
Other Expenses	9,100.00	52,338.84	(43,238.84)	10,000.00	2,602.40	7,397.60
Cost of Providing Services:						
Other Expenses	1,135,000.00	676,778.59	458,221.41	480,000.00	662,058.99	(182,058.99)
Pass-Through Expenses		507,416.45	(507,416.45)		28,748.85	(28,748.85)
<b>Total Operating Expenses</b>	<b>1,244,000.00</b>	<b>1,336,319.88</b>	<b>(92,319.88)</b>	<b>589,000.00</b>	<b>822,344.77</b>	<b>(233,344.77)</b>
<b>Excess of Revenues Over/(Under) Expenditures</b>	<b>\$ 965,000.00</b>	<b>\$ 891,933.92</b>	<b>\$ (73,066.08)</b>	<b>\$ -</b>	<b>\$ (292,564.00)</b>	<b>\$ (292,564.00)</b>

## Schedulle 4

19

HARRISON REDEVELOPMENT AGENCY  
COMPONENT UNIT  
ANALYSIS OF ACCOUNTS PAYABLE  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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Schedule 5

Balance December 31, 2011	\$ 93,955.00
Increased by:	
Unpaid Charges 2012:	
Budget Appropriations	<u>48,505.92</u>
	142,460.92
Decreased by:	
Cash Disbursed	<u>62,955.00</u>
Balance December 31, 2012	<u>\$ 79,505.92</u>

HARRISON REDEVELOPMENT AGENCY  
COMPONENT UNIT  
ANALYSIS OF RESERVE FOR GRANTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Schedule 6

Balance December 31, 2011  
 Increased by:  
 Grant Award  
 Decreased by:  
 Cash Disbursements  
 Balance December 31, 2012

\$ 3,365,798.85  
 3,928,572.00  
 7,294,370.85  
 1,770,300.22  
 \$ 5,524,070.63

Analysis of Grants

	<u>Grant Award</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Grant</u> <u>Award</u>	<u>Expended</u>	<u>Balance December 31, 2012</u>			<u>Total</u>
					<u>Oversight</u> <u>Fees Held</u> <u>in Escrow</u>	<u>Encumbered</u>	<u>Available</u>	
New Jersey Economic Development Authority:								
#P20376 Spiegel Trucking Inc.	\$ 4,003,046.00	\$ 1,195,109.19	\$	\$ 398,111.75	\$ 43,219.78	\$	\$ 753,777.66	\$ 796,997.44
#P21428 Former Hartz Mountain Facility	316,536.00	48,474.09			28,776.00		19,698.09	48,474.09
#P19199 Former Hartz Mountain Facility	134,014.00	12,183.44			12,183.00		0.44	12,183.44
#P19800 Spiegel Trucking Inc.	862,940.00	680,442.66		157,890.36	78,449.00		444,103.30	522,552.30
#P24745 Spiegel Trucking Inc.	1,827,296.00	1,429,589.47		1,013,237.33	166,118.00	93,270.00	156,964.14	416,352.14
#P29784 Former Hartz Mountain Facility	3,928,572.00		3,928,572.00	201,060.78			3,727,511.22	3,727,511.22
	<u>\$ 11,072,404.00</u>	<u>\$ 3,365,798.85</u>	<u>\$ 3,928,572.00</u>	<u>\$ 1,770,300.22</u>	<u>\$ 328,745.78</u>	<u>\$ 93,270.00</u>	<u>\$ 5,102,054.85</u>	<u>\$ 5,524,070.63</u>



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**SINGLE AUDIT SECTION**

# SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

550 BROAD STREET, 11TH FLOOR  
NEWARK, N.J. 07102-4543  
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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*

The Board of Commissioners  
Harrison Redevelopment Agency  
Harrison, New Jersey 07029

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 Harrison Redevelopment Agency as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Harrison Redevelopment Agency's basic financial statements, and have issued our report thereon dated May 6, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Harrison 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harrison Redevelopment Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Harrison 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

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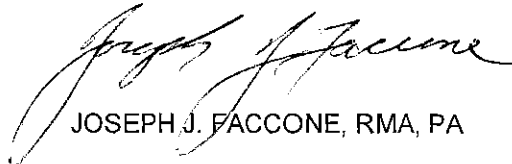
As part of obtaining reasonable assurance about whether Harrison Redevelopment Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS



JOSEPH J. FACCONI, RMA, PA

Newark, New Jersey  
May 6, 2013

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

The Board of Commissioners  
Harrison Redevelopment Agency  
Harrison, New Jersey 07029

**Compliance**

We have audited the compliance of the Harrison Redevelopment Agency ("Agency"), in the County of Hudson, State of New Jersey with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the *New Jersey State Grant Compliance Supplement* that are applicable to each of its major state programs for the year ended December 31, 2012. The Agency's major state programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and major state programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

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

In our opinion, the Harrison Redevelopment Agency, in the County of Hudson, State of New Jersey complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended December 31, 2012.

**Internal Control Over Compliance**

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

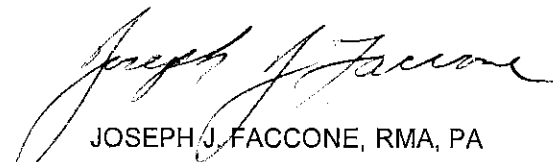
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirements of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's response and, accordingly, express no opinion on it.

This report is intended solely for the information of the management and members of the Agency's Board, federal and state awarding agencies and for filing with the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

  
SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

  
JOSEPH J. FACCONI, RMA, PA

Newark, New Jersey  
May 6, 2013

THE HARRISON REDEVELOPMENT AGENCY  
COUNTY OF HUDSON, NEW JERSEY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule B

State Grantor/Program Title	Grant or Project Number	Grant Period	Award Amount	Accounts Receivable Dec. 31, 2011	Current Year		Accounts Receivable Dec. 31, 2012	Cumulative Expenditures
					Cash Received	Expenditures		
New Jersey Economic Development Authority:								
Spiegel Trucking Inc.	P20376	2008 to Completion	\$ 4,003,046.00	\$ 43,219.78	\$	\$ 398,111.75	\$ 43,219.78	\$ 3,206,048.56
Former Hartz Mountain Facility	P21428	2008 to Completion	316,536.00	28,776.00			28,776.00	268,061.91
Former Hartz Mountain Facility	P19199	2008 to Completion	134,014.00	12,184.00			12,184.00	121,830.56
Spiegel Trucking Inc.	P19800	2008 to Completion	862,940.00	78,449.00		157,890.36	78,449.00	340,387.70
Spiegel Trucking Inc.	P24745	2009 to Completion	1,827,296.00	166,117.70		1,013,237.33	166,117.70	1,410,943.86
Former Hartz Mountain Facility	P29784	2012 to Completion	3,928,572.00		202,285.15	201,060.78	3,726,286.85	201,060.78
				\$ 328,746.48	\$ 202,285.15	\$ 1,770,300.22	\$ 4,055,033.33	\$ 5,548,333.37

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**HARRISON REDEVELOPMENT AGENCY  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2012**

**1. GENERAL**

The accompanying schedule of expenditures of state financial assistance includes state award activity of the Harrison Redevelopment Agency ("Agency"). The Agency is defined in Note 1(A) to the Agency's basic financial statements. All state awards received directly from state agencies, as well as state financial assistance passed-through other government agencies is included on the schedule of expenditures of state financial assistance.

**2. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures and state financial assistance are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the Agency's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the Agency's basic financial statements.

**4. RELATIONSHIP TO STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports.

**5. STATE LOANS OUTSTANDING**

The Agency had no loans outstanding payable to federal or state entities at December 31, 2012.

HARRISON REDEVELOPMENT AGENCY  
COUNTY OF HUDSON, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012

MAJOR STATE AWARD PROGRAMS

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued:

Unqualified Dated May 6, 2013

Internal control over financial reporting:

Material Weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Reportable condition(s) identified that are not  
considered to be material weaknesses?

\_\_\_\_\_ Yes   X   No

Noncompliance material to general purpose  
financial statements noted?

\_\_\_\_\_ Yes   X   No

**State Financial Assistance**

Internal control over major state programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Reportable condition(s) identified that are not  
considered to be material weaknesses?

\_\_\_\_\_ Yes   X   No

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

Unqualified Dated May 6, 2013

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

\_\_\_\_\_ Yes   X   No

Identification of major state programs:

State Grant Number(s)

Name of State Program or Cluster

N/A

New Jersey Economic Development Authority

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

\$ 300,000.00

Auditee qualified as low-risk auditee?

  X   Yes \_\_\_\_\_ No



**HARRISON REDEVELOPMENT AGENCY  
COUNTY OF HUDSON, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012**

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**MAJOR STATE AWARD PROGRAMS  
(Continued)**

**Section II - Financial Statement Findings:**

NONE

**Section III - State Financial Assistance Findings and Questioned Costs:**

NONE

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**HARRISON REDEVELOPMENT AGENCY  
COUNTY OF HUDSON, NEW JERSEY  
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2012**

**MAJOR STATE AWARD PROGRAMS**

There were no findings for the year ended December 31, 2011.

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## **GENERAL COMMENTS AND RECOMMENDATIONS**

## GENERAL COMMENTS

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### **Corrective Action Plan**

In accordance with regulations promulgated by the Single Audit Act and the Division of Local Government Services, all authorities are required to prepare and submit to the Division of Local Government Services within 60 days from the date the audit is received, a Corrective Action Plan with regard to audit deficiencies.

Such a plan was submitted in regard to the 2011 Report of Audit.

### **Miscellaneous**

The propriety of deductions from employee salaries for pension, Social Security, withholding tax and other purposes from employee payrolls were not verified as part of this audit. Remittances of deductions and withholdings to authorized agencies, however, were ascertained.

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

In verifying expenditures, computations were made on a test basis for claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

A summary or synopsis of this report was prepared for publication and filed with the Executive Director.

### **Other**

The Agency's 2012 budget anticipated "Reimbursable Costs" in the amount of \$380,000.00 from developers for allowable legal, engineering and other allowable expenditures. The Agency pays the respective vendor and then bills the developer for that cost. The Agency only received the amount of \$180,180.23.

It is estimated that Redeveloper Advance owes the Agency in excess of \$500,000.00 for certain reimbursable costs. Advance and the Agency have been negotiating a settlement amount. It is noted that this amount was part of a stipulation of settlement dated December 5, 2012 between the Harrison Redevelopment Agency and Advance at Harrison, LLC. All reimbursable costs up to June 30, 2012 have been settled.

The Agency anticipated the sum of \$150,000.00 in 2008 as a revenue for stadium rent as it did in 2009. A receivable has been established to reflect this item being realized for 2008 only. As part of the settlement with Red Bulls, LLC, payment for real estate taxes, this amount has been cancelled as of December 31, 2012.

There was one vendor who was issued a Federal Form 1099 for an incorrect amount.

It is recommended that the Federal Form 1099 be properly issued to all eligible vendors for the correct amount.

In some instances, receipts are not being deposited in a timely manner. We noted that checks were dated October and November 2012 and were not deposited until January 4, 2013.

It is recommended that all deposits be made within 48 hours of receipt.

## RECOMMENDATIONS

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That Federal Form 1099 be properly issued to all eligible vendors for the correct amount.

That all deposits be made within 48 hours of receipt.

\* \* \*

**Acknowledgment**

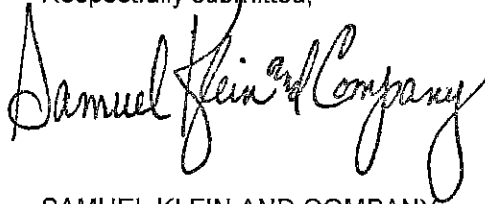
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We desire to express our appreciation for the assistance and courtesies rendered by the Agency officials and employees during the course of the examination.

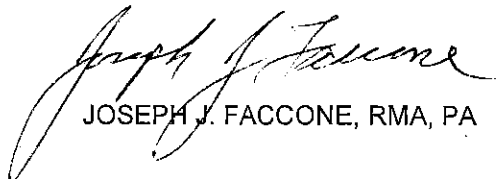
**Filing Audit Report, N.J.S. 40A:5A-15**

A copy of this report has been filed with the Division of Local Government Services.

Respectfully submitted,

A handwritten signature in cursive script that reads "Samuel Klein and Company".

SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

A handwritten signature in cursive script that reads "Joseph J. Faccone".

JOSEPH J. FACCONI, RMA, PA

Newark, New Jersey  
May 6, 2013

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