

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**

**Financial Statements and Schedules**

**December 31, 2011**

**(With Independent Auditors' Reports Thereon)**



**Ferraioli, Wielkotz, Cerullo & Cuva, P.A.**

**CERTIFIED PUBLIC ACCOUNTANTS**



**UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)**

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**UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)  
HUDSON COUNTY, NEW JERSEY**

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**UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)  
HUDSON COUNTY, NEW JERSEY**

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**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**  
**HUDSON COUNTY, NEW JERSEY**

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**INTRODUCTORY SECTION**

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*Brian P. Stack*  
*Mayor*

*City of Union City*  
*Union City Redevelopment Agency*  
*3715 Palisade Avenue*  
*Union City, New Jersey 07087*  
*Office: (201) 348-5642*  
*Fax: (201) 866-6481*

*Kennedy Ng*  
*Executive Director*

March 29, 2012

The Honorable Commissioners  
The Union City Redevelopment Agency  
Union City, New Jersey

State law requires that all local authorities publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Union City Redevelopment Agency (the Agency) for the year ended December 31, 2011.

This report consists of management's representations concerning the finances of the Agency. We believe it is accurate in all material respects, that it is presented in a manner designed to set forth fairly the financial position and results of operations of the Agency as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain maximum understanding of the Agency's financial affairs have been included. Responsibility for completeness and clarity of the report, including disclosures, rests with the management of the Agency and ultimately with the Board of Commissioners. By utilizing the CAFR format, it is the Agency's intent to facilitate an understanding by the non-financially oriented system user as well as provide all necessary information for the most sophisticated financial observer.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately following the report of the independent auditors.

## **Organization of Report**

The CAFR is presented in several sections: Introductory, Financial, Single Audit, Supplementary and Statistical. The Introductory Section includes this transmittal letter and a list of principal officials. The Financial Section includes the independent auditor's report, management's discussion and analysis, and the financial statements, including the notes to the financial statements. The Single Audit Section includes the auditor's reports covering compliance and internal control over compliance and financial reporting, schedule of state financial assistance, as well as a schedule of related findings. The Supplementary Section includes supplementary schedules and information required by the Division of Local Government Services. The Statistical Section includes selected financial, economic and demographic information, generally presented on a multi-year basis.

## **Government Structure and Services**

The Agency's governing body consists of seven members appointed by the Mayor of the City with the advice and consent of the Commissioners. Members are generally appointed for terms of five years.

The Agency is a municipal redevelopment entity created for the purpose of reviewing various properties within the City to determine the need for revitalization of these areas for the purpose of redevelopment to help to create better business opportunities and development of the City through redevelopment of properties within the City.

## **Internal Accounting Controls**

Management of the Agency is responsible for establishing and maintaining an adequate internal control structure. In developing and evaluating the Agency's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use of disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits expected to be derived. All internal control evaluations occur within the above framework. We believe the Agency's internal accounting controls adequately safeguard assets and provide reasonable assurance for the proper recording of financial transactions.

## **Basis of Accounting**

The Agency's accounting records are maintained on an accrual basis and in accordance with GAAP, as promulgated by the Governmental Accounting Standards Board. The Agency is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

### Annual Budget

The annual budget serves as the foundation for the Agency's financial planning and control. Management prepares a proposed budget, which is presented to the Agency's Board of Commissioners for review and approval. Prior to adoption by the Board of Commissioners, these budgets are reviewed and approved by the State of New Jersey Division of Local Government Services.

### Cash Management

The Agency strives to keep abreast of current developments and procedures in cash management to insure efficient and profitable use of available cash resources. The investment policy of the Agency is guided in large part by New Jersey Statutes. Cash is deposited in institutions located in New Jersey which are protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. Funds not needed immediately are invested as certificates of deposit or other allowable investments.

### Risk Management

The Agency carries various forms of insurance, including, but not limited to, general liability.

### Pension Benefits

All Agency employees participate in the New Jersey Public Employees Retirement System (PERS). The PERS is a cost-sharing multiple-employer defined benefit pension plan and is administered by the State of New Jersey Division of Pensions. Participants are required to contribute a statutory amount to the PERS. The Agency contributes to the PERS at an actuarially determined rate.

### Annual Independent Audit

The Agency's financial statements have been audited by Ferraioli, Wielkocz, Cerullo & Cuva, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Agency for the year ended December 31, 2011 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the Agency's financial statements for the year ended December 31, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is included in the financial section of this report.

Acknowledgments

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff and the Commissioners of the Agency. We would like to express our appreciation to all those who assisted and contributed to the preparation of this report.

Respectfully submitted,

  
Kennedy Ng  
Executive Director

**UNION CITY REDEVELOPMENT AGENCY  
ROSTER OF OFFICIALS  
DECEMBER 31, 2011**

<u>Agency Members</u>	<u>Position</u>	<u>Expiration of Term</u>
<u>Commissioners</u>		
Lucio Fernandez	Chairman	08/15/12
Eva Marie Festa	Commissioner	02/15/15
Johnny Garces	Commissioner	01/18/15
Rafael Nova	Commissioner	08/15/15
Carlos Vallejo	Commissioner	02/15/15
Johan Paternina	Commissioner	10/31/13
Vincent Bonito	Commissioner	10/31/13
<u>Other Officials</u>		
Kennedy Ng	Executive Director	
Florio and Kenny, LLP	General Counsel	



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**FINANCIAL SECTION**

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# Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkocz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

Certified Public Accountants  
401 Wanaque Avenue  
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100B Main Street  
Newton, N.J. 07860  
973-579-3212  
Fax 973-579-7128

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of net assets of the Union City Redevelopment Agency (A Component Unit of the City of Union City) as of December 31, 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in accordance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


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

In accordance with Government Auditing Standards, we have also issued our report dated April 17, 2012 on our consideration of the Union City Redevelopment Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. This report is an integral part of our audit performed in accordance with Government Auditing Standards and should be considered in assessing results of our audit.

The Management's Discussion and Analysis and Supplementary Information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Union City Redevelopment Agency's basic financial statements. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and financial schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Very truly yours,



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

April 17, 2012





**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2011**

This section of the Union City Redevelopment Agency's annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended on December 31, 2011. Please read it in conjunction with the Agency's financial statements and accompanying notes.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Agency is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the Agency. These statements are presented in a manner similar to a private business.

**FINANCIAL HIGHLIGHTS**

The following data highlights the Agency's finances for the year ended December 31, 2011:

- The Agency's total net assets decreased \$65,222 or (67.3)%
- Cash and cash equivalents increased \$337,138 or 366.3%
- Current assets increased \$337,138 or 262.0%
- Current liabilities increased \$402,360 or 1,269.5%
- Operating revenues increased \$1,765,618 or 145.3%
- Operating expenses increased \$1,705,793 or 126.8%
- Operating loss decreased \$59,825 or (45.8)%

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE AGENCY**

Up until the year ended December 31, 2003, the Agency only had a general fund for the general operating activities of the Agency. In the year ended December 31, 2004, a separate fund was added for the operating activities of the Roosevelt Stadium Demonstration Grant Project. The Roosevelt Stadium Demonstration Grant Project Fund does not have assets, liabilities, or net assets in the year ended December 31, 2011, but it did have revenues and expenses.

The following table summarizes the assets, liabilities and net assets as of December 31, 2011 and 2010 and the percentage change:

	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Increase/ (Decrease)</u>
Unrestricted Assets	<u>\$465,805</u>	<u>\$128,667</u>	<u>\$337,138</u>	262.0%
Total Assets	<u>465,805</u>	<u>128,667</u>	<u>337,138</u>	262.0%
Current Liabilities	<u>434,055</u>	<u>31,695</u>	<u>402,360</u>	1,269.5%
Total Liabilities	<u>434,055</u>	<u>31,695</u>	<u>402,360</u>	1,269.5%
Net Assets				
Unrestricted	<u>31,750</u>	<u>96,972</u>	<u>(65,222)</u>	(67.3)%
Total Net Assets	<u>\$31,750</u>	<u>\$96,972</u>	<u>(\$65,222)</u>	(67.3)%

**Operating Activities** – The Agency's general operations are funded by administration fees charged to private developers and appropriations from the City of Union City. For the year ended December 31, 2011, the School Development Authority, a subsidiary of the New Jersey Economic Development Authority, was funding the Roosevelt Stadium Demonstration Grant Project with a portion of this funding being allocated to the Agency for general administration.

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE AGENCY (Continued)**

The following table summarizes the revenues, expenses and changes in net assets for the years ended December 31, 2011 and 2010:

	General Fund	Roosevelt Stadium Demonstration Grant Project Fund	Total 2011	Total 2010
Operating Revenue:				
Other	\$23	\$	\$23	\$165
School Development Authority Construction Grant		2,980,441	2,980,441	1,191,569
Roosevelt Stadium Demonstration Construction - Union City Board of Education	_____	_____	_____	<u>23,112</u>
Total Operating Revenue	<u>23</u>	<u>2,980,441</u>	<u>2,980,464</u>	<u>1,214,846</u>
Operating Expenses:				
Salary and Wages	15,000		15,000	13,346
Administrative, Executive and Professional	55,500		55,500	117,121
Rental Expense				
Redevelopment Expenses	_____	2,980,441	2,980,441	<u>1,214,681</u>
Total Operating Expenses	<u>70,500</u>	<u>2,980,441</u>	<u>3,050,941</u>	<u>1,345,148</u>
Operating Income/(Loss)	<u>(70,477)</u>	_____	<u>(70,477)</u>	<u>(130,302)</u>
Nonoperating Activities:				
Cancellation of Grants Receivable				(11,746)
Cancellation of Prior Year Void Checks	<u>5,255</u>	_____	<u>5,255</u>	_____
Total Nonoperating Activities	<u>5,255</u>	_____	<u>5,255</u>	<u>(11,746)</u>
Change in Net Assets	<u>(\$65,222)</u>	\$ _____	<u>(\$65,222)</u>	<u>(\$142,048)</u>



**UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE AGENCY (Continued)**

Operating revenues increased \$1,765,618 or 145.3% and operating expenses increased \$1,705,793 or 126.8%. These increases are mainly attributed to the Roosevelt Stadium Demonstration Grant Project activity.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide City of Union City citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the appropriations and grants that it receives. If you have questions about this report or need additional financial information, you may contact the Agency's Executive Director at 3715 Palisade Avenue, Union City, New Jersey 07087 or at (201) 348-5642.

EXHIBIT A

UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

	December 31, 2011
<u>ASSETS</u>	
Unrestricted Assets:	
Cash and Cash Equivalents	\$ 429,188
Accounts Receivable	3,994
Due from State of New Jersey - SDA Grant	<u>32,623</u>
Total Unrestricted Assets	<u>465,805</u>
Total Assets	<u>\$ 465,805</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities (Payable from Unrestricted Assets):	
Due to City of Union City	\$ 42,874
Accounts Payable	<u>391,181</u>
Total Current Liabilities (Payable from Unrestricted Assets)	<u>434,055</u>
Total Current Liabilities (Payable from Unrestricted Assets)	<u>434,055</u>
Net Assets	
Unrestricted	<u>31,750</u>
Total Net Assets	<u>31,750</u>
Total Liabilities and Net Assets	<u>\$ 465,805</u>

See Accompanying Notes to the Financial Statements

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	General Fund	Roosevelt Stadium Demonstration Grant Project Fund	Year Ended December 31, 2011
Operating Revenues:			
Other	\$ 23	\$	\$ 23
School Development Authority Construction Grant		2,980,441	2,980,441
Construction - Union City Board of Education			
	<u>23</u>	<u>2,980,441</u>	<u>2,980,464</u>
Operating Expenses:			
Salary and Wages	15,000		15,000
Administrative, Executive and Professional	55,500		55,500
Redevelopment Expenses		2,980,441	2,980,441
	<u>70,500</u>	<u>2,980,441</u>	<u>3,050,941</u>
Operating Income(Loss)	<u>(70,477)</u>		<u>(70,477)</u>
Nonoperating Activity:			
Canellation of Prior Year Void Checks	5,255		5,255
	<u>5,255</u>		<u>5,255</u>
Increase(Decrease) in Net Assets	(65,222)		(65,222)
Net Assets, Beginning of Year	<u>96,972</u>		<u>96,972</u>
Net Assets, End of Year	<u>\$ 31,750</u>	<u>\$</u>	<u>\$ 31,750</u>

See Accompanying Notes to the Financial Statements

## EXHIBIT C

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	General Fund	Roosevelt Stadium Demonstration Grant Project Fund	Year Ended December 31, 2011
<b>Cash Flows from Operating Activities:</b>			
Receipts from School Development Authority			
Construction Grant	\$	\$ 2,980,421	\$ 2,980,421
Construction - Union City Board of Education			
Administrative, Executive and Professional			
Expenses Paid	(44,735)		(44,735)
Other Activity	43,621	(2,642,169)	(2,598,548)
	<u>(1,114)</u>	<u>338,252</u>	<u>337,138</u>
Net Cash Provided (Used) by Operating Activities			
Increase (Decrease) in Cash and Cash Equivalents	(1,114)	338,252	337,138
Cash and Cash Equivalents at Beginning of Year	3,453	88,597	92,050
Cash and Cash Equivalents at End of Year	<u>\$ 2,339</u>	<u>\$ 426,849</u>	<u>\$ 429,188</u>
<b>Reconciliation of Operating Income to</b>			
<b>Net Cash Provided (Used) by Operating Activities</b>			
Operating Income	\$ (70,477)	\$	\$ (70,477)
Adjustments to Reconcile Operating Income			
to Net Cash Provided (Used) by Operating Activities:			
Increase (Decrease) in Due to City of Union City	11,179		11,179
Increase (Decrease) in Accounts Payable	58,184	338,252	396,436
	<u>\$ (1,114)</u>	<u>\$ 338,252</u>	<u>\$ 337,138</u>

See Accompanying Notes to the Financial Statements

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**NOTES TO FINANCIAL STATEMENTS**

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**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The UCRA (the Agency) is a corporate and political body created on January 19, 1998. The Agency has the right, power and authority to acquire, use and hold all real and personal property and make and perform all contracts and do all things proper or necessary for approved redevelopment projects. As a public body, under existing statute, the Agency is exempt from both federal and state taxes.

The financial statements of UCRA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Agency also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Agency's accounting policies are described below.

(a) Reporting Entity

The comparative financial statements include the operations for which the Agency is financially accountable. The Agency is considered a component unit of the City of Union City (the City).

(b) Basis of Presentation

Enterprise funds - Enterprise funds are used to account for operations that are financed primarily through user charges.

(c) Basis of Accounting

The accrual basis of accounting is used by the Agency.

(d) Statement of Cash Flows

Cash equivalents consist of highly liquid investments with original maturities of three months or less from date of purchase.

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

(e) Equipment

At December 31, 2011, the Agency did not own any property, plant or equipment.

(f) Vacation and Sick Leave

The Agency's employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for accumulated vacation days up to 120 days. Employees are reimbursed for 50% of accumulated sick leave only upon retirement or termination. Accumulated unpaid vacation and sick leave is accrued when earned.

(g) Income Taxes

The Agency is exempt from Federal and state income taxes.

(h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. BUDGETARY PROCEDURES**

The Agency follows the following procedures in establishing the budget.

At least 60 days prior to January 1, the Agency submits its proposed budget to the Division of Local Government Services for approval. The operating budget includes proposed appropriations and the estimated revenues to finance them.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**NOTE 2. BUDGETARY PROCEDURES, (continued)**

The Agency's budget is prepared in accordance with generally accepted accounting principles. Revenues are recorded when they became earned and measurable, and expenditures are recorded when they are incurred.

The level at which expenditures cannot exceed budget is at the total budget level.

**NOTE 3. CASH AND CASH EQUIVALENTS**

**Cash**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Agency's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2011, \$-0- of the Agency's bank balance of \$436,951 was exposed to custodial credit risk.

**Investments**

**Investment Rate Risk**

The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk**

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The Agency places no limit on the amount the Agency may invest in any one issuer.

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**NOTE 4. PENSION PLANS**

Substantially all of the Agency's employees participate in the Public Employees' Retirement System (PERS), which is a defined benefit pension plan. This system is sponsored and administered by the State of New Jersey. The Public Employees' Retirement System (PERS) is considered a cost sharing multiple-employer plan. According to the State of New Jersey Administrative Code, all obligations of the system will be assumed by the State of New Jersey should the system terminate.

The State of New Jersey, Department of the Treasury, Division of Pension and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Description of Systems, Contribution Information and Funding Policies:

*Public Employees' Retirement System (PERS)*

The Public Employees' Retirement System was 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 required to be a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**NOTE 4. PENSION PLANS, (continued)**

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provides that new members of PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

Contribution Requirements

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

The Agency's contribution to the plan, equal to the required contributions for each year, were paid by the City of Union City.

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**NOTE 5. ACQUISITION AND DISPOSITION OF CITY INTERESTS**

The New Jersey Transit Corporation ("NJ Transit") owns the premises located at lots 1-41, block 153 in the City (the "DPW Facilities"). On March 24, 1994 the City and NJ Transit entered into a lease for the use of the DPW Facilities. The lease agreement grants the City the right to receive 40% of the purchase price, after the deduction of expenses, upon the sale of the DPW Facilities.

In July 2000 the Agency paid the City \$3,500,000, from the proceeds of a loan issued by the Hudson County Improvement Authority (HCIA), to acquire the rights the City had in the DPW Facilities. Furthermore, the Agency has acquired the City's redevelopment rights and the right to receive income from the City in the form of tax revenues or payments in lieu of taxes after it's redevelopment, until such time as the HCIA loan has been fully paid or provision for the payment thereof shall have been made.

On July 1, 2002, the Agency rescinded all its rights in the DPW Facility acquired in July of 2000 in consideration of the City of Union City repaying, in its entirety, the \$4,290,000 HCIA Agency Redevelopment Bonds, Series 2000. The City transferred \$4,266,712 to the Agency which then repaid the principal, and transferred its \$3,500,000 acquired interest in the DPW Facility back to the City resulting in a gain on disposal of \$766,712.

**NOTE 6. UNION CITY BUDGET**

For the year ended December 31, 2011, the City did not appropriate funds to contribute to the Agency. For the year ending December 31, 2011, the City has not appropriated funds to contribute to the Agency in their introduced budget.

**NOTE 7. DEMONSTRATION GRANT**

The State enacted the Educational Facilities Construction and Financing Act ("Act"), which altered the procedures for approving and financing educational infrastructure for school districts. School districts must obtain new cost estimate approvals from the Department of Education for all capital projects as compared with certain guidelines developed by the Department. Special needs districts must have the New Jersey Economic Development Authority ("Authority") construct and finance the new projects.

The State will bear all of the costs of the project for the special needs districts. To the extent that any district received approval from the Commissioner of Education for a project since September 1, 1998 and before the effective date of the Act, the district may apply for retroactive inclusion for state aid or state construction, as the case may be, for that project. The Authority may also issue refunding bonds for those districts that issued debt prior to the effective date of the Act, acquire the project and lease it back to the district. The City will be receiving approximately \$200 million to construct nine (9) new schools.



**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**NOTE 7. DEMONSTRATION GRANT, (continued)**

The City has made application to the School Development Authority(SDA) for a Demonstration Grant. These grants are being offered to school districts that are receiving grants for school projects to build on those grants to develop redevelopment projects in areas surrounding the site of a school project. The State selected six of these proposed projects throughout the State. Union City is among the six selected in the State.

The project consists of a new high school, 250 units of subsidized housing, 300 units of market rate housing, a health clinic, 75,000 square feet of retail/commercial space and a 196 car garage. The total costs are estimated to be \$250,000,000.

The SDA will fund the school and a 196 car parking garage. Other sources of funding will be identified as the project moves forward.

To implement this project, the City, Board of Education, and Redevelopment Agency are working together with the Redevelopment Agency taking the lead. The City does not expect to incur any significant costs as a result of this project.

The SDA awarded the Agency the pre-development phase of \$1,369,400 for pre-development activities and preliminary design work. On December 17, 2004, the SDA awarded the Agency \$34,781,219 in grant funds for the next phase, and on January 20, 2005, the SDA granted the Agency Authorization-to-Proceed for site demolition, land acquisition, remediation, site work, demolition, design, and preconstruction services related to the Demonstration Project. The final phase of grant funds for \$140,061,726 was awarded on July 19, 2006 by the SDA to complete the construction of the Demonstration Project.

In order to proceed with the Demonstration Project, on January 27, 2005, the Union City Board of Education entered into an agreement with the City for a fifty year Ground Lease for the City owned portions included in the designated Demonstration Project site.

On December 11, 2008, the Agency's Commissioners approved an amendment to reduce the grant amount for the final phase of construction costs. The project is over 80% complete and there is a surplus within the funding for the guaranteed maximum price, in which the Authority has proposed to utilize a portion of that surplus to address other project and program needs of the Authority. The resolved amendment reduces the total grant amount for the final phase of construction to \$138,061,026.

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**NOTE 7. DEMONSTRATION GRANT, (continued)**

On April 28, 2010, the Agency's Commissioners approved an additional amendment to the Demonstration Project Grant Agreement to reduce the Grant by the amount of \$66,680. With this adjustment, the revised Demonstration Project Grant Agreement amount is \$171,432,396. The revised amount of the Grant for the various phases of construction is as follows:

Land Acquisition	\$23,589,104
Design	7,085,801
Preconstruction Services	2,450,095
Construction	<u>138,307,396</u>
Revised Grant Amount	<u>\$171,432,396</u>

**SUPPLEMENTARY INFORMATION**

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SCHEDULE 1

UNION CITY REDEVELOPMENT AGENCY  
 (A Component Unit of the City of Union City)  
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
 NET ASSETS - RESTRICTED AND UNRESTRICTED  
 FOR THE YEAR ENDED DECEMBER 31, 2011

GENERAL FUND

	Unrestricted Funds	Total
Operating Revenues:		
Other	\$ 23	\$ 23
	23	23
Operating Expenses:		
Salaries and Wages	15,000	15,000
Administrative, Executive and Professional	55,500	55,500
	70,500	70,500
Operating Income (Loss)	(70,477)	(70,477)
Nonoperating Activity:		
Cancellation of Prior Year Void checks	5,255	5,255
	5,255	5,255
Increase(Decrease) in Net Assets	(65,222)	(65,222)
Net Assets, December 31, 2010	96,972	96,972
Net Assets, December 31, 2011	\$ 31,750	\$ 31,750

ROOSEVELT STADIUM DEMONSTRATION GRANT PROJECT FUND

	Restricted Funds	Total
Operating Revenues:		
School Development Authority Construction Grant	\$ 2,980,441	\$ 2,980,441
Roosevelt Stadium Demonstration Construction - Union City Board of Education	2,980,441	2,980,441
	2,980,441	2,980,441
Operating Expenses:		
Redevelopment Expenses	2,980,441	2,980,441
	2,980,441	2,980,441

SCHEDULE 2

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN**  
**NET ASSETS - RESTRICTED AND UNRESTRICTED**  
**FOR THE PERIOD JANUARY 19, 1998 (DATE OF INCEPTION)**  
**TO DECEMBER 31, 2011**

GENERAL FUND

	<u>Unrestricted Funds</u>	<u>Restricted Funds Loan Proceeds</u>	<u>Total</u>
Operating Revenues:			
Local Subsidies and Donations	\$ 753,988	\$	\$ 753,988
Developers' Fees	290,000		290,000
Rental Income	285,114		285,114
Other	108,459		108,459
Demonstration Project Administration Fee	993,896		993,896
	<u>2,431,457</u>		<u>2,431,457</u>
Operating Expenses:			
Salaries and Wages	768,394		768,394
Administrative, Executive and Professional	1,278,935		1,278,935
Rental Expense	398,220		398,220
	<u>2,445,549</u>		<u>2,445,549</u>
Operating Income	<u>(14,092)</u>		<u>(14,092)</u>
Non-Operating Revenues (Expenses):			
Interest Income	14,042	26,669	40,711
Litigation - Remediation Funds	(13,142)		(13,142)
Interest Expense		(475,535)	(475,535)
Gain on Disposal of City Interest		766,712	766,712
Amortization Expense		(266,413)	
Cancellation of Grants Receivable		(11,746)	
Cancellation of Prior Year Void Checks	5,255		5,255
	<u>6,155</u>	<u>39,687</u>	<u>324,001</u>
Net Increase in Net Assets	(7,937)	39,687	31,750
Net Assets, January 19, 1998			
Transfers	<u>39,687</u>	<u>(39,687)</u>	
Net Assets, December 31, 2011	<u>\$ 31,750</u>	<u>\$</u>	<u>\$ 31,750</u>

SCHEDULE 3

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**  
**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS**  
**AND CHANGES IN CASH AND CASH EQUIVALENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	General Fund	Roosevelt Stadium Demonstration Grant Project Fund	Year Ended December 31, 2011	Year Ended December 31, 2010
Cash and Cash Equivalents at Beginning of Year	\$ 3,453	\$ 88,597	\$ 92,050	\$ 162,629
Increased by Receipts:				
School Development Authority				
Construction Grant		2,980,421	2,980,421	2,789,815
Roosevelt Stadium Demonstration				
Construction - Union City Board of Education				208,249
Prior Year Void Checks	5,255		5,255	7,156
Miscellaneous Income	38,366		38,366	59,525
	<u>43,621</u>	<u>2,980,421</u>	<u>3,024,042</u>	<u>3,064,745</u>
	<u>47,074</u>	<u>3,069,018</u>	<u>3,116,092</u>	<u>3,227,374</u>
Decreased by Disbursements:				
Administrative, Executive and Professional	44,735		44,735	58,767
Redevelopment Expenses		2,642,169	2,642,169	3,076,557
	<u>44,735</u>	<u>2,642,169</u>	<u>2,686,904</u>	<u>3,135,324</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,339</u>	<u>\$ 426,849</u>	<u>\$ 429,188</u>	<u>\$ 92,050</u>

**UNION CITY REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Union City)**  
**SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING**  
**REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010**

GENERAL FUND			
	2011 Budget	2011 Actual	2010 Actual
Revenues			
Revenue Anticipated:			
Other	\$	\$ 23	\$ 165
Total Revenue Anticipated	\$	23	165
Total Revenues	\$	23	165
Appropriations			
Operating Appropriations:			
Salary and Wages	\$ 15,000	\$ 15,000	\$ 13,346
Other Expenses	58,000	55,500	117,121
Total Operating Appropriations	73,000	70,500	130,467
Total Appropriations	\$ 73,000	\$ 70,500	\$ 130,467

ROOSEVELT STADIUM DEMONSTRATION GRANT PROJECT FUND

	2011 Budget	2011 Actual	2010 Actual
Revenues			
Revenue Anticipated:			
Construction Grant	\$	\$ 2,980,441	\$ 1,191,569
Union City Board of Education Construction - Local Share			23,112
Total Revenue Anticipated	\$	2,980,441	1,214,681
Total Revenues	\$	2,980,441	1,214,681
Appropriations			
Operating Appropriations:			
Other Expenses	\$	\$ 2,980,441	\$ 1,214,681
Total Operating Appropriations	\$	2,980,441	1,214,681
Total Appropriations	\$	2,980,441	1,214,681



**STATISTICAL SECTION**

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UNION CITY REDEVELOPMENT AGENCY  
 (A Component Unit of the City of Union City)  
 REVENUES BY FUNCTION  
 LAST TEN YEARS

Year Ended December 31,	Developer's Fees	Local Subsidies	Rental Income	SDA Pre-Development Grant	SDA Pre-Construction Grant	SDA Construction Grant	Roosevelt Stadium Demonstration		Gain on Disposal of City Interest	Litigation - Remediation Funds	Interest Income	Other Revenues	Total
							Construction - Union City Board of Education	City Board of Education					
2011	\$	\$	\$	\$	\$	\$ 2,980,441	\$	\$ 23,112	\$	\$	\$	\$ 23	2,980,464
2010						1,191,569		1,181,569				165	1,214,846
2009						13,466,862		1,138,720				65,817	14,671,399
2008	40,000			71,841	399,697	33,413,197		3,641,404			211	23,983	37,590,333
2007	100,000	25,000			1,168,649	72,828,876		2,267,507		375,040	3,405	14,736	76,783,213
2006	100,000	100,000	285,114	64,104	9,756,717	8,900,542				3,511	3,735		19,163,723
2005	50,000	50,000		260,038	20,693,229					836			21,054,103
2004	25,000	150,000			957,000					686			1,132,686
2003	25,000	150,000								1,138			176,138
2002		128,988							766,712				899,065

UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)  
EXPENDITURES BY FUNCTION  
LAST TEN YEARS

Year Ended December 31,	Salaries and Wages	Administration, Executive, and Professional	Redevelopment Expense	Rental Expense	Interest Expense	Amortization Expense	Total
2011	\$ 15,000	\$ 55,500	\$ 2,980,441	\$	\$	\$	\$ 3,050,941
2010	13,346	117,121	1,214,681				1,345,148
2009	60,409	317,505	14,537,330				14,915,244
2008	60,951	73,754	37,389,119				37,523,824
2007	114,082	93,465	76,134,064				76,341,611
2006	113,069	183,780	18,590,009	281,099			19,167,957
2005	113,069	577,628	20,355,229				21,045,926
2004	144,600	957,778			123,338	66,603	1,102,378
2003	120,040	38,554			123,338	66,603	348,535
2002	27,174	49,340					266,455

**SINGLE AUDIT SECTION**

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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

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

We have audited the financial statements of the Union City Redevelopment Agency (A Component Unit of the City of Union City), as of and for the year ended December 31, 2011, and have issued our report thereon dated April 17, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Union City Redevelopment Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Union City Redevelopment Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union City Redevelopment Agency's control over financial reporting.

*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 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.




Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information of the governing body, management, The Division of Local Government Services, Department of Community Affairs, State of New Jersey, Federal Awarding Agencies and Pass Through Entities and is not intended to be and should not be used by anyone other than these specified parties.



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

April 17, 2012



# Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND N.J. OMB CIRCULAR 04-04

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

### Compliance

We have audited the compliance of the Union City Redevelopment Agency (A Component Unit of the City of Union City) 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 Office of Management and Budget's State Aid/Grant Compliance Supplement* that are applicable to each of its major state programs for the fiscal year ended December 31, 2011. Union City Redevelopment 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 state programs is the responsibility of the Union City Redevelopment Agency's management. Our responsibility is to express an opinion on the Union City Redevelopment 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; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"; and the provisions the New Jersey State Treasury Circular Letter 04-04 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and OMB Circular A-133 and N.J. OMB 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 Union City Redevelopment Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Union City Redevelopment Agency's compliance with those requirements.

In our opinion, the Union City Redevelopment Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the fiscal year ended December 31, 2011.



Internal Control Over Compliance

The management of Union City Redevelopment Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to programs. In planning and performing our audit, we considered the Union City Redevelopment Agency's internal control over compliance with the 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 Union City Redevelopment Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the management and the New Jersey State Department of Community Affairs, other state and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Ferraioli, Wielkottz, Cerullo & Cuva, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

April 17, 2012



UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)  
Schedule of Expenditures of State Awards  
Year ended December 31, 2011

Grantor/Program Title	State Grant No.	Grant period	Grant award amount	Balance 12/31/2010	Cash received	Grant Expenditures	Balance 12/31/2011	MEMO Cumulative Expenditures
New Jersey Economic Development Authority Passed through New Jersey School Development Authority Pre-Development Demonstration Project Grant	Not Available	1/1/2011 to 12/31/2011	\$ 1,369,400					1,353,038
Pre-Construction Demonstration Project Grant	Not Available	1/1/2011 to 12/31/2011	33,125,000					31,955,548
Construction Demonstration Project Grant	Not Available	1/1/2011 to 12/31/2011	138,307,396	32,623	2,980,441	2,980,441	32,623	128,693,460
				<u>32,623</u>	<u>2,980,441</u>	<u>2,980,441</u>	<u>32,623</u>	<u>162,002,046</u>
Total State and Other Financial Assistance			\$	<u>32,623</u>	<u>2,980,441</u>	<u>2,980,441</u>	<u>32,623</u>	<u>162,002,046</u>

This schedule was subject to an audit in accordance with NJ OMB 04-04

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**UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)**

**NOTES TO THE SCHEDULE OF EXPENDITURES  
OF STATE FINANCIAL ASSISTANCE**

**DECEMBER 31, 2011**

**NOTE 1. GENERAL**

The accompanying schedule of financial assistance presents the activity of a state financial assistance program of the Union City Redevelopment Agency (the "Agency"). The Agency is defined in Note 1 to the basic financial statements. All state financial assistance received directly from a state agency is included on the schedule of expenditures of state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards are presented using the modified accrual basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Notes 1(B) to the Agency's financial statements.

**NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS**

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

	<u>State</u>	<u>Total</u>
Roosevelt Stadium - Demonstration Grant Project Fund	<u>\$2,980,441</u>	<u>\$2,980,441</u>

**UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

*Section I - Summary of Auditor's Results*

**Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

1. Material weakness(es) identified? \_\_\_\_\_ yes  X  no

2. Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  no

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

Not Applicable

**State Awards**

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

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

Internal Control over major programs:

1. Material weakness(es) identified? \_\_\_\_\_ yes  X  no

2. Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Any audit findings disclosed that are required to be reported in accordance with OMB Circular Letter 04-04? \_\_\_\_\_ yes  X  no

Identification of major programs:

**GMIS Number(s)**

**Name of State Program**

Not Available

Construction Demonstration Project Grant

**UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

*Section II - Financial Statement Findings*

None

*Section III - Schedule of State Financial Assistance  
Findings and Questioned Costs*

None

**UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Status of Prior Year Findings**

None



**GENERAL COMMENTS AND RECOMMENDATIONS**

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**UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)**

**GENERAL COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Contracts and Agreements Required to be Advertised for (N.J.S.A. 40A:11-4)**

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent, for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertisement of bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law."

The Agency's purchasing agent is qualified pursuant to subsection b. of section 9 of PL 1971, c.198. In accordance with the provisions of N.J.S.A 40A:11-3, the Agency's governing body has elected to establish its bid threshold at \$25,000.

It is pointed out that the Agency has the responsibility of determining whether the expenditures in any category will exceed the bidding threshold and, where question arises as to whether any contract or agreement might result in violation of the statute, opinion should be sought from Counsel before commitment is made.

Our audit of expenditures did not reveal any payments, contract or agreements, in excess of the statutory limits, for the "performance of any work or the furnishing or hiring of any materials or supplies."

**Expenditure less than bid threshold, but 15% or more of that amount per N.J.S.A 40A:11-6.1**

N.J.S.A. 40A:11-6.1 states, "For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable. No quotations were required or solicited for items, the cost of which was \$3,750 or more, within the terms of N.J.S.A. 40A:11-6.1.

UNION CITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of Union City)

GENERAL COMMENTS AND RECOMMENDATIONS, CONTINUED

Comment

None

Recommendation

None

Status of Prior Year Audit Findings/Recommendation

A review was performed on all prior year recommendations and corrective action was taken on all.


Acknowledgment

We received the complete cooperation of all of the officials of the municipality and we greatly appreciate the courtesies extended to all members of the audit team.

Respectfully submitted,



Steven D. Wielkocz  
Registered Municipal Accountant  
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

April 17, 2012