

CITY OF CAMDEN REDEVELOPMENT AGENCY

Financial Statements

December 31, 2013

CITY OF CAMDEN REDEVELOPMENT AGENCY

TABLE OF CONTENTS

December 31, 2013

	<u>Page Number</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position.....	11
Statement of Revenues, Expenses and Changes in Net Position.....	12
Statement of Cash Flows.....	13
Notes to Financial Statements	14
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	21
Schedule of Expenditures of State Awards.....	22
Note to the Schedules of Expenditures of Federal and State Awards.....	23
Schedule of Findings and Questioned Costs	24
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on the Schedules of Expenditures of Federal and State Awards Required by OMB Circular A-133 and State of New Jersey Circular Letter 04-04-OMB	28

INDEPENDENT AUDITORS' REPORT

To the Commissioners of
City of Camden Redevelopment Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of City of Camden Redevelopment Agency (the "Agency") as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility (Continued)

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Agency as of December 31, 2013 and 2012 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and State of New Jersey Circular Letter 04-04-OMB, and are not a required part of the basic financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated April 4, 2014, and April 23, 2013, for the years ended December 31, 2013 and 2012, respectively, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Meradino, P.C.
Certified Public Accountants

April 4, 2014

CITY OF CAMDEN REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The City of Camden Redevelopment Agency (the "Agency") presents the accompanying annual financial report in accordance with Governmental Accounting Standards Board No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, hereinafter referred to as GASB 34, and related standards.

Responsibility and Control

The Agency has retained Mercadien, P.C., Certified Public Accountants, to prepare an independent audit of the financial statements for the years ended December 31, 2013 and 2012.

The Agency is responsible for furnishing financial statements and pertinent data for the auditors' review and analysis.

In management's opinion, the financial statements represent fairly, in all material respects, the financial position, and results of operations and cash flows of the Agency as of and for the years ended December 31, 2013 and 2012, in conformity with generally accepted accounting principles.

Mission

The Agency seizes the opportunity to move Camden forward with land use development and investments that generate social and economic benefits for Camden's residential and commercial communities.

Summary of Agency and Business

The Agency was established by ordinance of the Council of the City on August 27, 1987 and is charged with the redevelopment of blighted areas and areas in danger of becoming blight.

Examples of the types of projects undertaken by the Agency include: rehabilitation of historic buildings; renovation of public facilities; housing new construction for sale and rental; housing rehabilitation for sale and rental; school construction projects; parks recreation facilities, commercial entities and brownfield remediation.

CITY OF CAMDEN REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Accomplishments

- ***American Recovery and Reinvestment Act of 2009 ("ARRA") Grants***
 - *U.S. Environmental Protection Agency ("US EPA")*- \$400,000 for petroleum and hazardous substance assessments at various industrial sites in the City. All activities and reporting requirements were successfully achieved.
 - *U.S. Department of Housing and Urban Development ("US HUD")* - \$11.9 million for the Neighborhood Stabilization Program II (NSP2) in seven census tracts: North Camden, Lanning Square, Cooper Plaza, Gateway, Marlton, Stockton and Rosedale, with the following eligible activities: acquisition, new construction, rehabilitation, demolition, bank properties for future redevelopment, and greening of vacant lots.
 - The Agency met the congressional mandate for the spend down of 100% of the NSP2 award. Beyond the aforementioned activities, job creation and the creation of a Real Estate Asset Management Program (RAMP) has been the result. A new loan program was created with approximately one-third of the \$11.9 million award, thus creating funding in the future years for further redevelopment work following NSP2 guidelines. Also, a Mentoring Program was created that gave a paid work experience in the construction trades for City residents who had completed a certification course in the City of Camden/Housing Authority YouthBuild Training Program, funded by an ARRA grant.
- ***Management of Brownfield Program (City-wide)***
 - The Agency continued to manage the City's Brownfield Program under a shared services agreement. Among the terms are: supervising professional services contracts for environmental investigation and remediation, and applying for and administering federal and state grants.
 - With a US EPA Technical Assistance grant with the New Jersey Institute of Technology, the Agency now has a draft Brownfield Coordination Strategy that is aligned with the City's Comprehensive Economic Development Strategy. The Agency coordinated the Brownfield Development Areas, certified by the New Jersey Department of Environmental Protection, for addressing environmental investigation and remediation for two neighborhoods: North Camden and Cramer Hill.

CITY OF CAMDEN REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Accomplishments (Continued)

- ***Specific Site Redevelopment Activities***
 - **Neighborhood Stabilization Program II (NSP2) Phase II** - As mentioned above, seven neighborhoods received the redevelopment benefit resulting from the following activities: acquisition, new construction, rehabilitation, demolition, landbanking properties for future redevelopment, and greening of vacant lots. Phase II focuses on Lanning Square/Cooper Plaza with the "EDs and MEDs," Gateway and North Camden.
 - **Cooper/Lanning Redevelopment** – During 2013, the Agency coordinated with anchor Educational/Medical Institutions, community residents and consultants for the issuance of a Request for Proposal for the redevelopment of approximately 400 parcels of land into housing, businesses and open space to be advertised in 2014. The redevelopment is also making capital improvements to the area. This is a major endeavor as it will result in revenues to the City and a quality community environment for the neighborhood.
 - **CHOICE Grant Opportunity** - Mt. Ephraim Transformation Plan: The Housing Authority was awarded a US HUD CHOICE Planning Grant in the amount of \$300,000 to assist in drafting a plan for a \$30 million HUD Implementation Grant scheduled to be issued in 2014. The Housing Authority would be the lead applicant with the City as co applicant. The Agency is a member of the CHOICE Leadership Team that develops the plan which includes development components for 3 neighborhoods: Centerville, Liberty Park and Whitman Park. The Agency will likely be involved in the building of market housing, businesses and environmental work in the targeted neighborhoods. The City will convey 66 parcels of land to the Agency for these purposes.
 - **Radio Lofts (Downtown District)** - This former RCA Victor plant building is currently scaled for a 100-unit fair market residential condo development. In 2012, the Agency learned that an additional \$2.5 million for environmental remediation is required prior to any construction. With benefit of US EPA and NJ HDSRF grants, the Agency is moving the work forward in closing the funding gap needed to complete the remediation required in the Redevelopment Agreement.
 - **Campbell Soup Redevelopment of International Headquarters and Office Park (Gateway Neighborhood)** - Having completed its \$100 million plus World Headquarters expansion for which the Agency assembled land and managed the Brownfield coordination, the Agency continues in its monitoring of the Master Redevelopment Agreement and the coordination of Brownfield work. In 2012, the Agency leased parking space to Campbell Soup for employee parking. This land will ultimately be redeveloped. In accordance with the Campbell Soup Master Redevelopment Agreement, Campbell completed its design and began its aggressive move to market for Office Park developers that surely augments City ratables and creation of jobs.

CITY OF CAMDEN REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Accomplishments (Continued)

- **Specific Site Redevelopment Activities**

- **Ray and Joan Kroc Recreation Center (Cramer Hill Neighborhood)** - The Salvation Army is the recipient of a \$50 million grant from the Ray and Joan Kroc Foundation for a regional recreation and community center, scheduled for completion in 2014. Construction began in 2012. The Agency's role is land assemblage, sale of land, and administration of over \$20 million in grants for the remediation of a long standing "dump." The total cost for the 120,000 square foot recreation center is over \$77 million. In 2013, the Agency received a \$600,000 grant from US EPA which was to be used as a match to an additional NJ HDSRF grant for completion of the remediation. The project is scaled to provide about 200 jobs to city residents.
- **Catto School Demonstration with Stockton Park (Dudley Neighborhood)** - Both the school and park are open. The construction work for the \$70 million grant from the New Jersey School Development Authority has been completed, with oversight of the park turned over to the City's management. The Agency continued its work with the New Jersey School Development Authority to close out the grant.
- **Redevelopment Study and Plans** - The Agency assists the City's Department of Planning and Development in its planning priorities by acting as a pass-through for funding from the Economic Recovery Board for planning consultant services. Several significant redevelopment studies and plans are underway and are central to critical redevelopment activities. Namely, redevelopment studies and plans will be prepared and completed for Whitman Park, Admiral Wilson Boulevard, East Camden and the North Camden Prison site.
- **Central Waterfront Parking** - The Agency acted as the City's agent for the acquisition and land assemblage of properties through eminent domain, providing more than 1,200 temporary overflow parking spaces utilized by the Susquehanna Center for its concert series. The parking authority maintains and enforces the parking in that area. As a settlement was reached in the condemnation action with the prior property owners, the City realized more than \$400,000 in back taxes. This also gave the City the ability to negotiate for additional funds for the additional parking spaces. In 2013, the Agency received approval of funding for the final five properties to complete the required temporary overflow parking space requirement set by the Susquehanna Center.
- **New Roosevelt Plaza Park (Downtown District)** - The Agency continues its monitoring for park use so that Phase II installation of public art will support redevelopment in areas around the park.

CITY OF CAMDEN REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Accomplishments (Continued)

- **Specific Site Redevelopment Activities**
 - **Real Estate Asset Management Program (RAMP)** - RAMP is a web-based customer service driven system for the redevelopment of Agency owned property that results in an improved quality of life for residents and businesses, and sustainable revenues for the City. One of the great achievements funded by the NSP2 grant is the development of RAMP. The disposition of properties in the RAMP inventory will also stimulate operating revenue. The program will allow the Agency to make huge strides in targeting and planning for specific development, particularly in the NSP2 areas.

Financial Analysis

	2013	2012	2011	2012 to 2013	
				\$ Change	% Change
Total Assets	\$45,353,634	\$45,410,412	\$47,781,642	\$ (56,778)	(0.1)%
Total Liabilities	3,482,534	4,185,922	5,287,084	(703,388)	(16.8)%
Net Position	41,871,100	41,224,490	42,494,558	646,610	1.6 %
Total Operating Revenue	5,533,362	21,637,573	17,383,482	(16,104,211)	(74.4)%
Total Operating Expense	4,919,089	21,516,035	13,958,276	(16,596,946)	(77.1)%

Total Assets

- Total assets decreased by \$56,778 or 0.1% compared to 2012 activities due to a decrease in grants receivable during the fiscal year.

Total Liabilities

- Total liabilities decreased by \$703,388 or 16.8% compared to 2012. This change was primarily due to the decrease in accounts payable and accrued expenses.

Total Net Position

- Total net position increased by \$646,610 or 1.6%, primarily due to operating activities.

Total Operating Revenue

- The following two major categories affected total operating revenue:
 - Grant Revenue decreased by \$15,451,629, or 76.2%, due to a decrease in activities of the NSP2 grant managed by the Agency.
 - Project Management Fees decreased by \$599,810, or 51.2%, due to a decrease in the NSP2 project managed by the Agency.

Total Operating Expense

- Total operating expense decreased by \$16,596,946, or 77.1%, compared to 2012. This change was primarily due to a decrease of \$15,709,544 or 82.7% in relocation and acquisition expenses for grant funded projects since the cost of acquiring land is capitalized upon purchase of the property.

Capital Assets

The Agency's capital assets primarily consist of land inventory contributed to the Agency by the City or acquired by the Agency.

CITY OF CAMDEN REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt

Intergovernmental loans payable in the amount of \$460,398 is the result of three separate outstanding debts due to Camden County ("County"), City of Camden ("City") and New Jersey Redevelopment Authority ("NJRA").

- Debt to the County in the amount of \$114,260; the County administrator's office has provided proof of the debt and the terms of repayment have been agreed to. The Agency intends to repay the debt within the 2014 fiscal year.
- Debt to the NJRA in the amount of \$96,138; the NJRA and the Agency are in the process of negotiating the terms of repayment. The properties subject to this loan are slated to be developed into a supermarket in 2014 and the loan from the NJRA will be satisfied prior to closing to enable the development.
- Debt to the City in the amount of \$250,000 received by the Agency as part of the memorandum of understanding between the City and the State of New Jersey.

New Business Goals

Comprehensive Economic Development Strategy (CEDS) implementation continues with a New Supermarket Plaza on Admiral Wilson Blvd, 2 Family Dollar Stores, and New Mixed Use Apartment Building for Medical Students and Major Environmental Work on Harrison Avenue for Water Conservation.

CHOICE Grant Opportunity - Mt. Ephraim Transformation Plan: The Agency will continue to assist in applying for the \$30 million CHOICE Implementation Grant Application when it is posted and move forward with land conveyances and acquisitions and other work that will be identified in the application for the Agency.

Cooper Plaza/Lanning Square: Requests for Proposal will be issued in 2014 and the Agency, City and Community leaders will select redeveloper(s) for infill and new construction for housing (rental/homeownership) and commercial venues.

Cooper Grant Phase II: Request for Proposal for market for sale homes will be issued for Agency owned properties.

Pierre Building – This long term vacant building will undergo major rehabilitation in 2014.

Solar Panel Field: New Jersey selected ten former landfill sites to participate in a feasibility study by the U.S. Department of Energy, National Renewable Energy Laboratories (NREL) for the development of a Solar Panel Field, sited for acreage near the Kroc Center that is under construction. The feasibility study from NREL is in and the Agency will review for a timetable of funding and next steps. The goal is for the Solar Panel Field to reduce the operational cost for the Kroc Center. The completed study is currently under review by the New Jersey Department of Environmental Protection. Assuming that feasibility and appropriate funding are in the plan, the Agency will move to development.

CITY OF CAMDEN REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Comprehensive Economic Development Strategy (CEDS): The CEDS was completed in the fall of 2012. The Agency is coordinating with the City Administration on strategic execution of projects in the eight economic development districts reflected in the CEDS; namely: Downtown, North Camden, Cramer Hill/ East Camden, Admiral Wilson, Centerville/ Morgan Village/ Fairview, Liberty Park/ Parkside/ Whitman Park, Cooper Plaza/ Lanning Square/ Bergen Square and Waterfront South. The Agency continues identifying redevelopment opportunities directed by the City's Master Plan, CEDS, Redevelopment Plans and Neighborhood Plans, where they exist.

Human Resources: The Agency now has two bargaining units that were certified: United Food and Commercial Workers Local 1360 will represent supervisory and non-supervisory positions. A bargaining agreement has yet to be finalized. The Agency will work with these units to assure a strong office environment.

Contacting the Agency

If you have any questions about this report or need additional information, you may contact management at City of Camden Redevelopment Agency, City Hall Suite 1300, P.O. Box 95120, Camden, NJ 08102.

CITY OF CAMDEN REDEVELOPMENT AGENCY

STATEMENT OF NET POSITION

	December 31,	
	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,409,904	\$ 3,272,258
Rent receivable, net of allowance for uncollectible amounts of \$24,750 for 2013 and 2012	27,600	27,600
Accounts receivable, net of allowance for uncollectible amounts of \$21,317 for 2013 and 2012	44,949	39,380
Grants receivable	240,135	1,394,762
Total current assets	<u>3,722,588</u>	<u>4,734,000</u>
Noncurrent assets		
Notes receivable	600,000	600,000
Capital assets, net of accumulated depreciation of \$114,016 in 2013 and 2012	41,031,046	40,076,412
Total noncurrent assets	<u>41,631,046</u>	<u>40,676,412</u>
Total Assets	<u>\$45,353,634</u>	<u>\$45,410,412</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$ 606,123	\$ 1,609,653
Accrued interest payable	237,202	225,244
Unearned revenue	2,178,811	2,140,627
Intergovernmental loans payable	460,398	210,398
Total liabilities	<u>3,482,534</u>	<u>4,185,922</u>
Net Position		
Invested in capital assets, net of related debt	40,570,648	39,866,014
Unrestricted	1,300,452	1,358,476
Total Net Position	<u>41,871,100</u>	<u>41,224,490</u>
Total Liabilities and Net Position	<u>\$45,353,634</u>	<u>\$45,410,412</u>

CITY OF CAMDEN REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>Year Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Operating revenues		
Grants	\$ 4,818,055	\$20,269,684
Project management and administrative fees	571,158	1,170,968
Rental income	106,544	159,316
In-kind revenue	<u>37,605</u>	<u>37,605</u>
Total operating revenues	<u>5,533,362</u>	<u>21,637,573</u>
Operating expenses		
Relocation and acquisition expenses	3,276,164	18,985,708
Project consulting and management fees	36,408	777,847
Salaries and benefits	1,056,390	1,015,267
Professional fees	135,436	160,150
Insurance expense	184,971	184,126
Payroll taxes and service fees	69,417	74,564
Other operating expenses	81,694	254,102
In-kind rent	37,605	37,605
Office supplies	37,983	11,408
Training and conferences	-	13,995
Marketing	<u>3,021</u>	<u>1,263</u>
Total operating expenses	<u>4,919,089</u>	<u>21,516,035</u>
Operating income	<u>614,273</u>	<u>121,538</u>
Nonoperating revenues (expenses)		
Interest revenue	570	354
Interest expense	<u>(11,958)</u>	<u>(11,958)</u>
Net nonoperating expenses	<u>(11,388)</u>	<u>(11,604)</u>
Change in net position before capital contributions and loss on acquisition and sale of land	602,885	109,934
Capital contributions	4,310,151	2,406,322
Loss on acquisition of land	(1,503,958)	(187,035)
Loss on sale of land	<u>(2,762,468)</u>	<u>(3,599,286)</u>
Change in net position	<u>646,610</u>	<u>(1,270,065)</u>
Net position, beginning of year	<u>41,224,490</u>	<u>42,494,555</u>
Net position, end of year	<u>\$41,871,100</u>	<u>\$41,224,490</u>

CITY OF CAMDEN REDEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Cash received from grants income	\$ 6,010,866	\$ 19,693,785
Cash received from rental income	106,544	159,316
Other operating cash receipts	565,589	1,173,074
Payments made to employees for services	(1,056,390)	(1,015,267)
Payments made to suppliers for goods and services	<u>(4,828,624)</u>	<u>(21,220,433)</u>
Net cash from operating activities	<u>797,985</u>	<u>(1,209,525)</u>
Cash flows from noncapital financing activities		
Proceeds from other nonoperating sources	<u>570</u>	<u>354</u>
Net cash from noncapital financing activities	<u>570</u>	<u>354</u>
Cash flows from capital and related financing activities		
Loan Proceeds - City of Camden	250,000	-
Cash received from land sales	644,901	742,883
Purchase of capital assets	<u>(1,555,810)</u>	<u>(197,588)</u>
Net cash from capital and related financing activities	<u>(660,909)</u>	<u>545,295</u>
Net change in cash and cash equivalents	137,646	(663,876)
Cash and cash equivalents, beginning of year	<u>3,272,258</u>	<u>3,936,134</u>
Cash and cash equivalents, end of year	<u>\$ 3,409,904</u>	<u>\$ 3,272,258</u>
Reconciliation of operating income to net cash from operating activities		
Operating income	<u>\$ 614,273</u>	<u>\$ 121,538</u>
Adjustments to reconcile operating income to net cash from operating activities		
Increase (decrease) in cash from		
Accounts receivable	(5,569)	2,106
Grants receivable	1,154,627	(220,048)
Accounts payable and accrued expenses	(1,003,530)	(757,270)
Unearned revenue	<u>38,184</u>	<u>(355,851)</u>
Total adjustments	<u>183,712</u>	<u>(1,331,063)</u>
Net cash from operating activities	<u>\$ 797,985</u>	<u>\$ (1,209,525)</u>

CITY OF CAMDEN REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity

City of Camden Redevelopment Agency (the "Agency"), was organized on August 27, 1987, after Council of the City of Camden, New Jersey (the "City") adopted an ordinance establishing the Agency and delegating its redevelopment functions. The Agency was created to acquire, plan, reconstruct and redevelop certain areas within the City to promote public health, safety and welfare, stimulate growth and preserve existing values of land.

The Agency's board is made up of seven commissioners, appointed by the City Council. Executive and administrative responsibility rests with the Executive Director, who is appointed by the board.

Component Unit

The Agency adopted Governmental Accounting Standards Board ("GASB") Statement No. 39 *Determining Whether Certain Organizations Are Component Units*. This standard supersedes GASB Statement No. 14 *The Financial Reporting Entity* for determining whether the Agency is a component unit of the City. In accordance with GASB Statement No. 39, the Agency is not considered a component unit of the City.

Basis of Accounting, Measurement Focus and Basis of Presentation

The Agency follows a proprietary fund type basis of accounting. Thus, the accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on that basis as an enterprise fund.

Enterprise funds are used to account for activities that are operating in a manner similar to private business enterprises. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when they are incurred.

In its accounting and financial reporting, the Agency follows the pronouncements of the GASB and other entities that promulgate accounting principles according to a hierarchy of sources of accounting principles. Per GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable and cleared by GASB; AICPA Practice Bulletins, if applicable and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standards Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (issued on or before November 30, 1989). The Agency has elected not to follow FASB pronouncements issued after November 30, 1989. The Agency follows the hierarchy in determining accounting treatment.

CITY OF CAMDEN REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The Agency must adopt an annual budget in accordance with N.J.A.C. 5:31-2, which requires the governing body to introduce the Agency's annual budget at least 60 days prior to the end of the current fiscal year and to adopt it no later than the beginning of the Agency's fiscal year. The budget is adopted on the accrual basis of accounting. The Agency's board may amend the budget at any point during the year.

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 may affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include petty cash, escrow deposits and cash on deposit with public depositories.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey, or in the State of New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments, which may be purchased by New Jersey municipal units.

Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is management's estimate of potential losses based on historical experience and current economic conditions. The allowance is increased by the bad debt provision charged to expense. Amounts determined to be uncollectible are charged against the allowance and subsequent recoveries, if any, are recorded in revenue.

Capital Assets

Capital assets include land inventory held by the Agency, which consists of land and properties contributed by the City of Camden, and properties purchased from loan and grant funds. These properties are subsequently developed with the assistance of the Agency, donated to the City of Camden, and sold to public and private developers. The City of Camden's tax assessor office determines the value of contributed properties based on the tax-assessed value. The value is not a representation of current market value, but the assessed valuation at the time the City forecloses on the property. The State of New Jersey's Division of Taxation ("Taxation") develops a market value ratio, which is adopted by the City of Camden and applied to the assessed values of donated properties in order to convert the properties to fair market value in the year contributed. Purchased properties are valued at the lower of cost or fair market value upon acquisition. Occasionally, the Agency pays a premium to purchase certain properties in order to assemble a contiguous section of land for redevelopment projects. When a premium is paid for the property, the Agency records the difference between the fair market value of the land and the purchase price as a loss on acquisition in the statement of revenues, expenses and changes in net position. The recorded value of properties owned are periodically considered for impairment. Properties are written down to market value when it is determined that impairment of value has occurred.

CITY OF CAMDEN REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Also included in capital assets are small furniture and equipment purchases for which the Agency possesses title, which are capitalized in the statement of net position. This equipment is stated at cost and depreciated using the straight-line method over estimated useful lives of 3-7 years. Other equipment, including office furniture and copiers, utilized by the Agency is the property of the City of Camden. Therefore, no depreciation expense related to these fixed assets is recorded in the Agency's financial statements.

Net Position

The Agency is required to report net position in the following three components:

Invested in Capital Assets, Net of Related Debt - This component of net position consists of unrestricted and restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of loans and accumulated interest attributed to the acquisition of those assets.

Restricted - This represents the net position for which use is limited by external parties. There was no restricted net position as of December 31, 2013 and 2012.

Unrestricted - Unrestricted net position represents amounts for which the use is not externally restricted.

Operating and Non-operating Revenues and Expenses

The Agency defines revenue and expense transactions that support the principal ongoing operations of the Agency as operating including grant revenue, project management and administrative fees, rental income and acquisition/sale of land. Non-operating revenues and expenses include transactions derived from other than exchange and exchange-like transactions, such as interest expense.

Grant Revenue

The Agency recognizes grant revenue when earned on an accrual basis; that is, activities prerequisite to obtaining benefit have been completed, such as, complying with the terms and conditions of the grant agreement.

Income Taxes

As a governmental entity, the Agency's income is exempt from taxes in accordance with Internal Revenue Code Section 115.

Compensated Absences

Full-time employees are entitled to fifteen paid sick leave days each year. Unused sick leave may be accumulated and carried forward from year-to-year. Vacation days may be accumulated for up to two years, after which time any unused accumulated vacation time will be cancelled. At least five vacation days must be taken during each year. In the event of separation from employment, the payment of accumulated vacation leave will be disbursed to the employee. The Agency accrues sick and vacation time in accordance with the policy.

CITY OF CAMDEN REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS

New Jersey statutes permit the deposit of public funds into institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation ("FDIC") or by any other agencies of the United States that insure deposits.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

- (a) The market value of the collateral must equal 5% of the average daily balance of public funds;
or
- (b) If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. Deposits were made with contracted depository banks in interest-bearing accounts that were insured under the Government Unit Deposit Protection Act of the State of New Jersey ("GUDPA"). All such deposits are held in the Agency's name. Deposits in excess of amounts covered by the FDIC are covered by a collateral pool maintained by the banks under GUDPA requirements. The Agency's deposits are summarized as follows:

	December 31,			
	2013		2012	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Cash and cash equivalents	<u>\$ 3,409,904</u>	<u>\$ 3,439,182</u>	<u>\$ 3,272,258</u>	<u>\$ 3,497,919</u>

C. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	December 31,	
	2013	2012
Urban Enterprise Zone Authority	\$ 66,266	\$ 60,697
Less: allowance for uncollectible amounts	<u>21,317</u>	<u>21,317</u>
Total accounts receivable, net	<u>\$ 44,949</u>	<u>\$ 39,380</u>

D. NOTES RECEIVABLE

Notes receivable consist of the following:

	December 31,	
	2013	2012
Mortgage note due in five annual installments of \$120,000 commencing 8/27/2016. Interest accrues on the unpaid principal balance at a rate of 5% per annum beginning August 19, 2016.	<u>\$ 600,000</u>	<u>\$ 600,000</u>
Total notes receivable	<u>\$ 600,000</u>	<u>\$ 600,000</u>

CITY OF CAMDEN REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

E. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2013 and 2012, was as follows:

	2013			Ending Balance
	Beginning Balance	Increase	Decrease	
Non-depreciable assets				
Land inventory	\$40,076,412	\$ 4,362,003	\$ (3,407,369)	\$41,031,046
Total non-depreciable assets	<u>40,076,412</u>	<u>4,362,003</u>	<u>(3,407,369)</u>	<u>41,031,046</u>
Depreciable assets				
Furniture and equipment	114,016	-	-	114,016
Accumulated depreciation	<u>(114,016)</u>	<u>-</u>	<u>-</u>	<u>(114,016)</u>
Total depreciable assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, net	<u>\$40,076,412</u>	<u>\$ 4,362,003</u>	<u>\$ (3,407,369)</u>	<u>\$41,031,046</u>

	2012			Ending Balance
	Beginning Balance	Increase	Decrease	
Non-depreciable assets				
Land inventory	\$42,001,706	\$ 2,416,875	\$ (4,342,169)	\$40,076,412
Total non-depreciable assets	<u>42,001,706</u>	<u>2,416,875</u>	<u>(4,342,169)</u>	<u>40,076,412</u>
Depreciable assets				
Furniture and equipment	114,016	-	-	114,016
Accumulated depreciation	<u>(114,016)</u>	<u>-</u>	<u>-</u>	<u>(114,016)</u>
Total depreciable assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, net	<u>\$42,001,706</u>	<u>\$ 2,416,875</u>	<u>\$ (4,342,169)</u>	<u>\$40,076,412</u>

The market value ratio developed by Taxation and adopted by the Agency was 1.0511 and 1.1673 for 2013 and 2012, respectively. This rate was applied to contributed land in the year donated in order to convert from the tax-assessed value to fair market value. During 2011, the City of Camden performed a reassessment of all properties within the City of Camden, including those owned by the Agency. Based on the results of the reassessment and lack of factors indicating a subsequent decline in value, there was no impairment of the recorded value of the land owned by the Agency that would require a loss on impairment to be recognized.

F. INTERGOVERNMENTAL LOANS PAYABLE

The Agency has a loan payable of \$96,138 as of December 31, 2013 and 2012, to the New Jersey Redevelopment Authority, secured by a property located in the City of Camden. Loan proceeds were used for professional studies for the Gateway North Shopping Center Development. Repayments of the entire principal and accumulated interest, at a 4% interest rate, commences one year after the sale of the property or when construction of the shopping center begins, whichever is earlier. As of December 31, 2013, the conditions for repayment had not yet been met.

The Agency also has a loan from the County of Camden. This agreement, made in December 1993 for \$114,260 at an annual interest rate of 7.1%, was for a study to be undertaken to examine the engineering, architectural and financial potential for the re-use or disposition of the General Electric Company facilities. The balance on the note was \$114,260 as of December 31, 2013 and 2012. Repayments of the entire principal and accumulated interest on this loan are due on demand.

CITY OF CAMDEN REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

F. INTERGOVERNMENTAL LOANS PAYABLE (CONTINUED)

The Agency also received a loan from the City of Camden. This agreement dated April 2013 was for \$250,000, at a zero percent interest rate. The entire balance is due in full on July 1, 2014.

G. PENSION AND RETIREMENT PLANS

Simplified Employee Pension Plan

The Agency has a Simplified Employee Pension Plan ("SEP") available for all its employees. Employees are 100% vested in the SEP/IRA contribution at all times. The Agency did not make contributions to the plan in 2013 or 2012.

Pension and Retirement Plans

Full-time employees of the Agency are covered by the Public Employees' Retirement System of the State of New Jersey ("PERS"). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of PERS and charges employers annually for their respective contributions. PERS provides retirement and disability benefits, annual cost of living adjustments and benefits to plan members and beneficiaries. PERS is a cost-sharing, multiple-employer defined benefit plan and, as such, does not maintain separate records for each employer in the state; therefore, the actuarial data for the Agency is not available. The Division of Pensions issues a publicly available financial report for PERS, including financial statements and required supplementary information. Please refer to State website www.state.nj.us for more information regarding the plan. The PERS financial report may be obtained by writing to the State of New Jersey, Department of The Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

As a condition of employment, all Agency full-time employees are required to be members of PERS. A member may retire on a service retirement allowance as early as age 60; no minimum service is required. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 55, times the final average salary. For a few employees hired after July 1, 2008, the formula changes and years of service is divided by 62, times the final average salary. Final average salary means the average of the salaries received by the member for the last three years of creditable membership service preceding retirement or the highest three fiscal years of membership service, whichever provides the largest benefit. Pension benefits fully vest on reaching 10 years of service. Vested employees who have established 25 years or more of creditable service may retire without penalty or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits. Benefits are established by State statute.

Covered Agency employees are required by PERS to contribute 6.64% of their salaries. State statute requires the Agency to contribute the remaining amounts necessary to pay benefits when due. The amount of the Agency's contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. The actuarial contribution requirements and the contributions made for the years ended December 31, 2013 and 2012, were \$100,262 and \$100,798, respectively.

CITY OF CAMDEN REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

H. RISK MANAGEMENT

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 employees and natural disasters. The Agency maintains commercial insurance coverage for property, liability and surety bonds.

I. COMMITMENTS AND CONTINGENCIES

The Agency is a defendant in several legal proceedings. It is believed that the outcome, or exposure to the Agency, from such litigation is either inestimable or potential losses would not be material to the financial statements. Therefore, no liability has been recognized in the financial statements.

In 2010, the Agency was awarded \$12,323,810 of Neighborhood Stabilization Program II funds under the American Recovery and Reinvestment Act of 2009 ("ARRA"). Under the terms of the award, the Agency has twenty-four months to expend half of the grant amount, and thirty-six months to expend the entire grant amount. The Agency met the requirement to expend half of the grant amount in February 2012 and expended the full amount as of February 2013.

J. RELATED PARTY TRANSACTIONS

The City of Camden provides employees and office space to the Agency at no charge. The value of these contributed services and rent is estimated at \$37,605 and \$37,605 for 2013, respectively, and \$37,605 and \$37,605 for 2012, respectively. The cost of liability insurance is also contributed by the City of Camden. However, this cost cannot be reasonably estimated; consequently, no amount has been reported in the financial statements.

SUPPLEMENTARY INFORMATION

CITY OF CAMDEN REDEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2013

Federal Grantor/Program Title	CFDA Number	Grant Award Amount	Program Award Amount Received	Grant Period	Current Year Expenditures	Total Cumulative Expenditures
United States Environmental Protection Agency:						
Hazardous Substance - ARRA ABC Barrel (324-330 N. Front Street)	66.818	\$ 200,000	\$ 200,000	10/01/09 - 09/30/13	\$ 3,494	\$ 200,000
ABC Barrel (300 Block of N. Second Street)	66.818	200,000	27,730	10/01/10 - 09/30/15	7,201	39,412
ABC Barrel (121-123 Penn Street)	66.818	200,000	27,682	10/01/10 - 09/30/15	7,248	39,483
United States Department of Housing & Urban Development: Neighborhood Stabilization Program II (ARRA)	14.256				6,603	38,814
		<u>12,323,810</u>	<u>12,323,810</u>	01/14/10 - 02/11/13	<u>2,221,079</u>	<u>12,273,833</u>
		<u>\$ 13,123,810</u>	<u>\$ 12,607,009</u>		<u>\$ 2,245,626</u>	<u>\$ 12,591,542</u>

* Denotes major program.

See note to the schedules of expenditures of federal and state awards.

CITY OF CAMDEN REDEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
 Year Ended December 31, 2013

State Grantor/Program Title	State Account Number	Grant Award Amount	Program Award Received	Grant Period	Current Year Expenditures	Total Cumulative Expenditures
New Jersey Economic Development Authority, Economic Recovery Board:						
Campbell's Soup	P18198	\$ 3,095,372	\$ 3,095,372	06/01/07 until completion	\$ 3,651	\$ 2,734,663
Neighborhood & Redevelopment I	P15686	723,945	445,567	05/19/04 until completion	2,153	424,876
Mixed Site Acquisition	P20265	1,561,975	680,856	01/01/07 until completion	22,504	326,140
Tire & Battery	P20266	700,000	102,551	03/18/08 until completion	10,830	244,741
New Jersey School Development Authority/ Catto School	N/A	-	73,984,999	01/04/05 until completion	676,565	73,988,224 *
New Jersey Economic Development Authority, Hazardous Discharge Site Remediation Fund:						
Harrison Landfill	P24794	1,369,650	1,248,000	02/01/09 until completion	20,204	1,160,919
Harrison Landfill	P37528	2,210,394	1,917,464	02/20/13 until completion	1,576,641	1,976,960
Tire & Battery	P21145	183,293	281,215	02/13/08 until completion	10,645	330,898
East Village Building 8	P27089	381,680	381,680	06/04/09 until completion	87,931	375,266
	P26841	1,886,431	1,353,038	08/06/09 until completion	12,073	1,420,714
		<u>\$ 12,112,740</u>	<u>\$ 83,490,742</u>		<u>\$ 2,423,197</u>	<u>\$ 82,983,401</u>

* Denotes major program.

See note to the schedules of expenditures of federal and state awards.

CITY OF CAMDEN REDEVELOPMENT AGENCY

NOTE TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended December 31, 2013

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the Agency and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey Circular Letter 04-04-OMB. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF CAMDEN REDEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal and State Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

CITY OF CAMDEN REDEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2013

Section I - Summary of Auditors' Results (Continued)

Identification of major programs:

<i>CFDA Number / State Account Number</i>	<i>Name of Federal / State Program</i>
14.256	United States Department of Housing & Urban Development: Neighborhood Stabilization Program II (ARRA)
N/A	New Jersey School Development Authority/ Catto School

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

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

Auditee qualified as low-risk auditee for federal purposes? X yes _____ no

Auditee qualified as low-risk auditee for state purposes? X yes _____ no

All federal and state payroll tax returns were filed in a timely manner, and all required tax payments were made.

Section II - Financial Statement Findings

None

Section III - Federal and State Award Findings and Questioned Costs

None

**INDEPENDENT AUDITORS' 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**

To the Commissioners of
City of Camden Redevelopment Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of City of Camden Redevelopment Agency (the "Agency") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated April 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

- AN INDEPENDENTLY OWNED MEMBER,
MCGGLADREY ALLIANCE
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CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF
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- PENNSYLVANIA INSTITUTE OF
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**INDEPENDENT AUDITORS' 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*
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercedino, P.C.
Certified Public Accountants

April 4, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY OMB CIRCULAR A-133 AND STATE OF NEW JERSEY CIRCULAR LETTER 04-04-OMB

To the Commissioners of
City of Camden Redevelopment Agency

Report on Compliance for Each Major Federal and State Program

We have audited the City of Camden Redevelopment Agency's (the "Agency") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and State of New Jersey Circular Letter 04-04-OMB that could have a direct and material effect on each of the Agency's major federal or state programs for the year ended December 31, 2013. The Agency's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and State of New Jersey Circular Letter 04-04-OMB. Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Agency's compliance.

- AN INDEPENDENTLY OWNED MEMBER, MCGGLADREY ALLIANCE
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY OMB CIRCULAR A-133 AND STATE OF NEW JERSEY CIRCULAR LETTER 04-04-OMB (CONTINUED)

Opinion on Each Major Federal and State Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular Letter 04-04-OMB, 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of New Jersey Circular Letter 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

Meradian, P.C.
Certified Public Accountants

April 4, 2014