GARFIELD REDEVELOPMENT AGENCY

(A Component Unit of the City of Garfield)

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2013 AND 2012

GARFIELD REDEVELOPMENT AGENCY

(A Component Unit of the City of Garfield)

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the Board
Garfield Redevelopment Agency
Garfield, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Garfield Redevelopment Agency, a component unit of the City of Garfield as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Garfield Redevelopment Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Garfield Redevelopment Agency's basic financial statements as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2014 on our consideration of the Garfield Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Garfield Redevelopment Agency's internal control over financial reporting and compliance.

Lerch Vinci & Higgins LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
April 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013

This section of the Garfield Redevelopment Agency's ("Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year ended on December 31, 2013. Please read it in conjunction with the Agency's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Agency's assets exceeded its liabilities at December 31, 2013 by $99,868.
- The Agency's total net position for 2013 increased $31,199 from 2012.
- Operating revenues increased $9,993, or 6.6%, from 2012 to 2013.
- Operating expenses increased $7,797, or 6.4%, from 2012 to 2013.

OVERVIEW OF FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Agency is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Enterprise Fund statements offer short-term and long-term financial information about the activities and operations of the Agency. These statements are presented in the Government Accounting Standards Board ("GASB") prescribed manner.

FINANCIAL ANALYSIS OF THE AGENCY

Net Position – The following table summarizes the Statement of Net Position at December 31, 2013, 2012 and 2011:

	2013	2012	2011
Current and Other Assets	$ 271,960	$ 230,307	$ 151,146
Total Assets	271,960	230,307	151,146
Current Liabilities	172,092	161,638	111,232
Total Liabilities	172,092	161,638	111,232
Net Position:			
Unrestricted	99,868	68,669	39,914
Total Net Position	$ 99,868	$ 68,669	$ 39,914

FINANCIAL ANALYSIS OF THE AGENCY (Continued)

The Agency's Net Position increased $31,199. Key elements of this increase are as follows:

- The Agency operating revenues included $45,000 from the City of Garfield as well as $115,300 received from developers under various Agreements with the Agency.
- The Agency's operating expenses for administration and various redevelopment projects in 2013 totaled $130,305.

OPERATING ACTIVITIES

The following table summarizes the changes in Net Position between fiscal years 2013, 2012 and 2011.

	2013	2012	2011
OPERATING REVENUES			
City Contribution	$ 45,000	$ 35,307	$ 45,000
Developer Fees	115,300	115,000	150,000
Total Operating Revenues	160,300	150,307	195,000
OPERATING EXPENSES			
Administration	47,331	58,000	39,156
Cost of Providing Services	82,974	64,508	28,228
Total Operating Expenses	130,305	122,508	67,384
OPERATING LOSS	29,995	27,799	127,616
NON-OPERATING REVENUES			
Interest Revenue	1,204	956	2
CHANGE IN NET POSITION	31,199	28,755	127,618
NET POSITION (DEFICIT), BEGINNING OF YEAR	68,669	39,914	(87,704)
NET POSITION, END OF YEAR	$ 99,868	$ 68,669	$ 39,914

OPERATING ACTIVITIES (Continued)

Operating revenue for 2013, 2012 and 2011 was $160,300, $150,307, and $195,000, respectively. The major revenue source for the Agency in 2013 is $115,300 from Developer Fees.

Operating expenses increased $7,797 or 6.4% from 2012. The major operating expenses of the Agency consist of payroll and professional fees for the various redevelopment projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Agency had no capital assets at December 31, 2013, 2012 and 2011.

Capital Debt

The Agency had no outstanding capital debt as of December 31, 2013, 2012 and 2011.

OTHER FINANCIAL INFORMATION

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2014 budget was adopted by the Agency and submitted to the Division of Local Government Services in December of 2013. Operating expenses increased $27,000 when compared to the previous year's amount of $55,000.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of Garfield, investors and creditors, with a general overview of the Agency's finances to demonstrate the Agency's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the office of the Chief Financial Officer at 111 Outwater Lane, Garfield, New Jersey 07026.

BASIC FINANCIAL STATEMENTS

GARFIELD REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 271,960	$ 230,307
Total Current Assets	271,960	230,307
Total Assets	271,960	230,307
LIABILITIES		
Current Liabilities		
Accounts Payable	43,245	32,791
Intergovernmental Loans Payable	128,847	128,847
Total Current Liabilities	172,092	161,638
Total Liabilities	172,092	161,638
NET POSITION		
Unrestricted	99,868	68,669
Total Net Position	$ 99,868	$ 68,669

The Accompanying Notes are an Integral Part of the Basic Financial Statements

GARFIELD REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
City of Garfield Budget Appropriation	$ 45,000	$ 35,307
Developer Fees	115,300	115,000
Total Operating Revenues	160,300	150,307
OPERATING EXPENSES		
Administration:		
Salaries and Wages	33,000	28,000
Fringe Benefits	4,086	3,495
Other Expenses	10,245	26,505
Costs of Providing Services		
Other Expenses	82,974	64,508
Total Operating Expenses	130,305	122,508
OPERATING INCOME	29,995	27,799
NON-OPERATING REVENUES		
Interest Income	1,204	956
Total Non-Operating Revenues	1,204	956
CHANGE IN NET POSITION	31,199	28,755
Total Net Position, Beginning of Year	68,669	39,914
Total Net Position, End of Year	$ 99,868	$ 68,669

The Accompanying Notes are an Integral Part of the Basic Financial Statements

GARFIELD REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Intergovernmental - City of Garfield	$ 45,000	$ 35,307
Developer Fees	115,300	265,000
Payments for Employees Salaries and Wages	(37,086)	(35,654)
Payments to Suppliers	(82,765)	(84,448)
Net Cash Provided by Operating Activities	40,449	180,205
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Intergovernmental Loans Received	-	48,000
Net Cash Provided by Non-Capital Financing Activities	-	48,000
CASH FLOWS FROM INVESETING ACTIVITIES:		
Interest Received	1,204	956
Net Cash Provided by Investing Activities	1,204	956
Net Increase in Cash and Cash Equivalents	41,653	229,161
Cash and Cash Equivalents, Beginning of Year	230,307	1,146
Cash and Cash Equivalents, End of Year	$ 271,960	$ 230,307
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 29,995	$ 27,799
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
(Increase)/Decrease in Developer Fee Receivable		150,000
Increase/(Decrease) in Accounts Payable	10,454	2,406
Net Cash Provided by Operating Activities	$ 40,449	$ 180,205

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Garfield Redevelopment Agency (the "Agency") is a public body corporate and politic of the State of New Jersey. The Agency was created by municipal ordinance on July 22, 2002 pursuant to the provisions of N.J.S.A. 40A:12A-1, et seq., for the purpose of carrying out the redevelopment plan for the City of Garfield. The Agency is empowered to exercise public and essential government functions, including acquisition, condemnation, clearance, renovation and redevelopment of property in designated blighted areas and to carry out redevelopment plans for the City of Garfield.

The agency is governed by a Board of Commissioners consisting of seven members, who are appointed by the Mayor with the advice and consent of the Council. The Board of Commissioners determines policy actions, approves resolutions and selects an executive director to be responsible for the overall operation of the Agency. Based upon this criteria and the possibility of the Agency providing a financial benefit to the City, the Agency is considered a component unit of the City.

On August 5, 1992, the Legislature of the State of New Jersey adopted the Local Redevelopment and Housing Law (NJSA 40A:12A-1 et. seq.) which became effective on a retroactive basis to January 1, 1992. This law requires all redevelopment agencies to be subject to the provisions of the "Local Authorities Fiscal Control Law". As a result of this legislation, the Garfield Redevelopment Agency is subject to the laws, rules and regulations promulgated for Authorities in the State of New Jersey and must report to the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

The Garfield Redevelopment Agency includes in its financial statements the primary government and those component units for which the primary government is financially accountable. Component units are legally separate organizations for which the Agency is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Agency is financially accountable for an organization if the Agency appoints a voting majority of the organization's board, and (1) the Agency is able to significantly influence the programs or services performed or provided by the organization; or (2) the Agency is legally entitled to or can otherwise access the organization's resources; the Agency is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the Agency is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Agency in that the Agency approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Agency has no component units. The Agency would be includable as a component unit of the City of Garfield on the basis of such criteria.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Proprietary Fund Types – This fund type accounts for operations that are organized to be self-supporting and includes Enterprise Funds.

An enterprise fund is used to account for those operations that are financed and operated in a manner similar to a private business or where the entity has decided that the periodic determination of revenues earned, costs incurred and/or net income is appropriate for management accountability purposes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Agency's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Agency has elected not to follow FASB guidance issued subsequent to December 1, 1989.

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

C. Assets, Liabilities and Net Position

1. Deposits and Investments

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Agency to invest in certain types of investments. These investment vehicles are summarized in Note 3.

2. Intergovernmental Payables

Amounts owed to the City of Garfield at the end of the year as a result of contractual arrangements are reported as intergovernmental payables.

3. Net Position

Unrestricted net position represent the net position neither restricted nor invested in capital assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other

1. Use of Estimates

The preparation of financial statements requires management of the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

2. Supplementary Schedules

The supplementary schedules presented are required by the "New Jersey Authority Accounting Principles and Auditing Standards Manual".

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Accounting

The Agency annually prepares an operating budget. The budget is prepared in accordance with the Budget Manual for Local Public Authorities as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America. The budget serves as a plan for expenses and the proposed means for financing them. Unexpended appropriations lapse at year-end.

The annual budget is required to be approved at least sixty days prior to the beginning of the fiscal year. The budget must be approved by the Board and submitted to the Division of Local Government Services, Bureau of Authority regulation for approval prior to adoption. The budget adoption and amendments are recorded in the Agency's minutes.

A six year capital budget is also required to be prepared. Included within the budget are individual projects along with their estimated cost, completion date and source of funding.

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

In accordance with accounting principles generally accepted in the United States of America, outstanding encumbrances at year-end for which goods or services are received, are classified to expenses and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year-end and are either cancelled or are included as reappropriations of fund equity for the subsequent year. Encumbrances at year-end in funds that are budgeted on a project basis automatically carry forward along with their related appropriations and are not subject to annual cancellations and reappropriations.

2. Revenues

Revenues from user charges are recognized on an accrual basis when earned. Grants received are recognized as revenue when the resources are expended for the purpose specified on the grant agreement. Grant funds received and the related program income not yet expended are reported as deferred revenue.

NOTE 3 DEPOSITS AND INVESTMENTS

The Agency considers change funds, petty cash, cash in banks and certificates of deposit as cash and cash equivalents.

Deposits

The Agency's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lessor of 75% of its capital funds or $200 million for all deposits not covered by the FDIC.

Bank balances are insured up to $250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of $250,000 for each failed brokerage firm. At December 31, 2013 and 2012 the book value of the Agency's deposits were $271,960 and $230,307, respectively, and bank balances of the Agency's cash and deposits amounted to $271,960 and $235,479, respectively. The Agency's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

	Bank Balance	
Depository Account	2013	2012
Insured	$271,960	$235,479

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Agency does not have a formal policy for custodial credit risk. As of December 31, 2013 and 2012, none of the Agency's bank balances were exposed to custodial credit risk.

Investments

The Agency is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Agency or bonds or other obligations of the school districts which are a part of the Agency or school districts located within the Agency, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2013 and 2012, the Agency had no outstanding investments.

NOTE 4 AGENCY DEBT

Intergovernmental Loans Payable

The City of Garfield has provided the Agency with a loan in the amount of $198,000. The Agency has repaid $69,153, leaving a balance due to the City of $128,847 as of December 31, 2013.

NOTE 5 CAPITAL ASSETS

The Agency has no capital assets as of December 31, 2013 and 2012.

NOTE 6 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement system ("retirement system") covering those Agency employees who are eligible for pension coverage.

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

The cost of living increase for PERS is funded directly by the system but is currently suspended as a result of reform legislation.

According to state law, all obligations of the PERS retirement system will be assumed by the State of New Jersey should the retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at *www.state.nj.us/treasury/pension*.

Basis of Accounting

The financial statements of the retirement system are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement system. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement system.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which the PERS operates and to the benefit provisions of the system.

NOTE 6 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation (Continued)

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS, is 64.5 percent with an unfunded actuarial accrued liability of $47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and $34.4 billion, respectively, and the aggregate funded ratio and unfunded accrued liability for the local systems, including PERS, is 76.1 percent and $12.8 billion.

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

NOTE 6 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

In the July 1, 2012 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement system. The actuarial assumptions included: (a) 7.90% for investment rate of return for the retirement system; and (b) changes to projected salary increases for the retirement system.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the retirement system requires employee contributions based on 6.5% plus an additional 1% phased-in over 7 years beginning July 2012 for PERS of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2013 for PERS, which is a cost sharing multi-employer defined benefit pension plan, annual pension cost equals contributions made.

During the years ended December 31, 2013, 2012 and 2011, the Agency was not required to reimburse the City of Garfield for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums.

NOTE 7 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to general liability, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is covered by an insurance policy to guard against these events should they occur.

NOTE 8 OTHER MATTERS

The Agency has entered into a Memorandum of Agreement ("MOA") dated November 8, 2004 with Vornado Realty, LP ("Vornado") for the redevelopment of property identified as Block 6, Lot 1; Block 7.02, Lot 1.02; and Block 18, Lot 25. As part of this MOA, Vornado has agreed to provide reimbursement to the Agency for administrative costs incurred by the Agency in connection with this project in an amount not to exceed $300,000. The Agency has received the $300,000 due under this agreement and will reimburse itself for administrative costs as they are incurred. A formal Redevelopment Agreement between the Agency and New Bridgeland Warehouses, LLC which is owned by Vornado has been signed.

NOTE 8 OTHER MATTERS (Continued)

The Agency has entered into Amendment No. 1 to Redevelopment Agreement with New Bridgeland Warehouses, LLC ("Vornado") dated May, 2008 for the redevelopment of property identified as Block 6, Lot 1; Block 7.02, Lot 1.02; and Block 18, Lot 25. As part of this Agreement, Vornado has agreed to pay the sum of $500,000 to be utilized for certain infrastructure improvements, $150,000 is to be paid to the Garfield Redevelopment Agency and $350,000 is to be paid to the City of Garfield. The Agency has received the $150,000 due under this agreement.

The Agency has entered into a Memorandum of Agreement ("MOA") dated June 6, 2005 with Paragon River Road, LLC ("Paragon") for the redevelopment of property identified as Block 6, Lot 1; Block 7.02, Lot 1.02; and Block 18, Lot 25 (the "Kalama Property"). The MOA states the Agency's desire to enter into negotiations with Paragon with the intent that Paragon be selected as the redeveloper for the Redevelopment Property. A formal Redevelopment Agreement was to be signed by both parties. As part of this MOA, Kalama has agreed to provide reimbursement to the Agency for administrative costs incurred by the Agency in connection with this project in an amount not to exceed $300,000. As of December 31, 2013, the Agency has received $110,000 as part of this administrative fee to be paid by Paragon.

The Agency desires to enter into negotiations with Jewell Street Realty with the intent that Jewell Street Realty be selected as the redeveloper for the property identified as Block 133, Lot 1 (the "Jewell Street/C-Mor Redevelopment Area"). The Agency has received $15,000 from Jewell Street Realty as an administrative fee for this project. The Agency subsequently entered into a Memorandum of Agreement in 2012 with Coremark Garfield, LLC and received an additional $100,000 as an administrative fee for this project. The Agreement also calls for Coremark to pay the Agency an Impact Fee of $500,000 upon the receipt of final development approvals or issuance of a building permit, whichever occurs earlier. An additional $115,000 has been received by the Agency in 2013.

The Agency has entered into a Redeveloper Agreement with H.P. Garfield Investment, LLC as the redeveloper for the Redevelopment Property formerly known as Garden State Paper. The Agency has received $50,000 from H.P. Garfield Investment, LLC as an administrative fee for this project. The Agreement also calls for an "in-kind contribution" whereby the redeveloper will contribute the building for a new "police facility".

The Agency has entered into a Memorandum of Agreement ("MOA") dated March 15, 2007 with Schley Crossing, LLC ("Schley") for the redevelopment of property identified as Block 119.03, Lot 52 (the "Sketchley Property"). The MOA states the Agency's desire to enter into negotiations with Schley with the intent that Sketchley Textile Retail Sellers will be the title owner to the Sketchley Property. As part of this MOA, Schley has agreed to provide reimbursement to the Agency for administrative costs incurred by the Agency an amount not to exceed $300,000. As of December 31, 2013, the Agency has received $40,300 of this amount.

A recap of the developer's contributions are as follows:

Developer	Total Contribution	Amount Realized 2013	Amount Realized Prior
Vornado	$ 450,000		$ 450,000
Paragon (Kalama)	110,000		110,000
Schley (Capadagli)	40,300	$ 300	40,000
Demetrakis (Garden State)	50,000		50,000
Rappaport (C-Mor)	15,000		15,000
Cormark Garfield, LLC (C-Mor)	215,000	115,000	100,000
	$ 880,300	$ 115,300	$ 765,000

SUPPLEMENTARY SCHEDULES

GARFIELD REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND APPROPRIATIONS COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2013
BUDGETARY BASIS
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2012)

	2013 Budget	2013 Actual	Variance	2012 Actual
REVENUES				
Operating Revenues:				
City of Garfield Appropriation	$ 45,000	$ 45,000		$ 35,307
Developer Fees	-	115,300	$ 115,300	115,000
Total Operating Revenues	45,000	160,300	115,300	150,307
Non-Operating Revenues:				
Interest Revenue	-	1,204	1,204	956
Total Non-Operating Revenues	-	1,204	1,204	956
Total Revenues	45,000	161,504	116,504	151,263
APPROPRIATIONS				
Operating Appropriations:				
Administration:				
Salaries and Wages	28,000	33,000	(5,000)	28,000
Fringe Benefits	2,600	4,086	(1,486)	3,495
Other Expenses	11,400	10,245	1,155	26,505
Costs of Providing Services:				
Other Expenses	13,000	82,974	(69,974)	64,508
Total Operating Appropriations	55,000	130,305	(75,305)	122,508
Total Appropriations	55,000	130,305	(75,305)	122,508
Total Budgetary Income (Loss)	$ (10,000)	$ 31,199	$ 41,199	$ 28,755
Changes in Net Position - GAAP		$ 31,199		$ 28,755

GOVERNMENT AUDITING STANDARDS

LVH

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
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DEBORAH K. LERCH, CPA, PSA
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DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

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

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the Board
Garfield Redevelopment Agency
Garfield, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Garfield Redevelopment Agency, as of and for the year ended December 31, 2013, and the related notes to the financial statements, as listed in the table of contents which collectively comprise the Garfield Redevelopment Agency's basic financial statements, and have issued our report thereon dated April 26, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Garfield Redevelopment Agency's internal control over financial reporting 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 Garfield Redevelopment Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Garfield Redevelopment Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the Garfield Redevelopment Agency in the section of our report of audit entitled, "General Comments and Recommendations".

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Garfield Redevelopment Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Garfield Redevelopment Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lerch, Vinci & Higgins, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
April 26, 2014

ROSTER OF OFFICIALS

AND

GENERAL COMMENTS AND RECOMMENDATIONS

ROSTER OF OFFICIALS

DECEMBER 31, 2013

Name	Title
Roger Hetel	Chairman
Arthur Andreano	Vice-Chairman
Joseph Delaney	Commissioner/Mayor
Peter Amadio	Commissioner
Raymond Simione	Commissioner
Ernest P. Rosolen	Commissioner
Joseph Iapichella	Commissioner
Christos J. Diktas, Esq.	Executive Director/Agency Attorney/Secretary
Roy Riggitano	Chief Financial Officer

FINDINGS AND RECOMMENDATIONS

Our audit of the monthly minutes indicated the following:

1. The monthly minutes were not always approved.
2. Disbursements were not always reflected in the minutes.

It is recommended that all minutes be approved and reflect the approval for the payment of bills.

Appreciation

We desire to express our appreciation of the assistance of the Executive Director and Chief Financial Officer during the course of our audit.

Respectfully submitted,

Lerch Vinci & Higgins LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398