

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2013**

***HODULIK & MORRISON, P.A.***  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
HIGHLAND PARK, N.J.



**CARTERET REDEVELOPMENT AGENCY**  
**BOROUGH OF CARTERET, MIDDLESEX COUNTY, NEW JERSEY**

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the  
Carteret Redevelopment Agency  
Carteret, New Jersey

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carteret Redevelopment Agency, Carteret, New Jersey (the "Agency") as of December 31, 2013, and 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

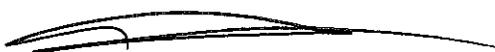
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or 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 statement.

## Other Reporting Required by Government Auditing Standards

In Accordance with Government Auditing Standards, we have also issued our report dated August 6, 2014, on our consideration of the Carteret Redevelopment Agency's internal control over financial reporting and 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 the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance Government Auditing Standards in considering the Carteret Redevelopment Agency's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants



Andrew G. Hodulik  
Registered Municipal Account  
No. 406

Highland Park, New Jersey  
August 6, 2014

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INDEPENDENT AUDITOR'S 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

Honorable Chairman and Members of the  
Carteret Redevelopment Agency  
Carteret, New Jersey

We have audited, 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 and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the governmental activities of the Carteret Redevelopment Agency, Middlesex County, New Jersey, (the "Agency") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Carteret Redevelopment Agency basic financial statements, and have issued our report thereon dated August 6, 2014.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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.

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For Year Ended December 31, 2013  
(Unaudited)**

The Agency is a corporate and politic body organized under the laws of the State of New Jersey. The Carteret Redevelopment Agency (the "Agency") is a component-unit of the Borough of Carteret, County of Middlesex, New Jersey (the "Borough"). The following Management's Discussion and Analysis of the activities and financial performance of the Agency provide an introduction to the financial statements of the Agency for the year ended December 31, 2013. Please read it in conjunction with the Agency's financial statements and accompanying notes.

The Management's Discussion and Analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No.34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

**FINANCIAL HIGHLIGHTS**

**Entity - Wide**

Cash, cash equivalents decreased by \$650,382 (60.45%) to \$425,527 in 2013 from \$1,075,909 in 2012.

Total net position decreased by \$485,159 to \$552,896 in 2013 from \$1,038,055 in 2012.

Liabilities decreased by \$2,148,372 (5.52%) to \$36,739,893 in 2013 from \$38,888,265 in 2012.

Expenditures/Expenses increased by \$616,736 to \$703,101 in 2013 from \$86,365 in 2012.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The Agency is a special-purpose government that engages in a single governmental activity program, and has elected to combine the government-wide and fund financial statements. The basic financial statements include the two kinds of combined statements that present different views of the Agency:

- **Government-wide financial statements** provide both short-term and long-term information about the Agency's overall financial status. The government-wide financial statements are designed to provide readers with a broad overview of the agency's finances, in a manner similar to a private sector business

- **Fund financial statements** that focus on individual parts of the Agency, reporting the Agency's operations in more detail than the district-wide statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Agency can be categorized into one category – governmental funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike governmental-wide financial statements, governmental fund financial statements focus on current resources uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The *Statement of Net Position and Governmental Funds Balance Sheet* presents the Agency's fund financial statements adjusted to the government-wide financial statements.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* presents the Agency's fund financial statements adjusted to the government-wide financial statements.

**Fiduciary Funds** – Fiduciary Funds are used to account for assets held by the Agency in a Trustee capacity or as an agent for individuals, private organizations, or other governments and/or other funds.

**Notes to Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements can be found as listed in the table of contents,

#### **FINANCIAL ANALYSIS OF THE AUTHORITY**

**Financial Position.** The following table summarizes the Statement of Net Position between December 31, 2013 and 2012:

**Figure A - 3**  
**Net Position**

|  | <b>Governmental<br/>Activities<br/>2013</b> | <b>Governmental<br/>Activities<br/>2012</b> | <b>%<br/>Increase<br/>(Decrease)</b> |
|--|---|---|--------------------------------------|
| <b>Assets</b>  |   |   |                                      |
| Current and other assets                             | 425,527                                     | 1,075,909                                   | -60.45%                              |
| Receivables  | 34,318,280                                  | 36,301,429                                  | -5.46%                               |
| Capital assets                                       | 2,548,982                                   | 2,548,982                                   | 0.00%                                |
| <b>Total assets</b>                                  | <b>37,292,789</b>                           | <b>39,926,320</b>                           | <b>-6.60%</b>                        |
| <b>Liabilities</b>                                   |   |   |                                      |
| Current and other liabilities                        | 4,444,884                                   | 4,569,985                                   | -2.74%                               |
| Long-term liabilities                                | 32,295,009                                  | 34,318,280                                  | -5.90%                               |
| <b>Total Liabilities</b>                             | <b>36,739,893</b>                           | <b>38,888,265</b>                           | <b>-5.52%</b>                        |
| <b>Net position</b>                                  |   |   |                                      |
| Net assets invested in<br>capital Assets net of debt | 2,548,982                                   | 2,548,982                                   | 100.00%                              |
| Restricted   | 384,144                                     | 356,743                                     | 7.68%                                |
| Unrestricted   | (2,380,230)                                 | (1,867,670)                                 | 27.44%                               |
| <b>Total net position</b>                            | <b>552,896</b>                              | <b>1,038,055</b>                            | <b>-46.74%</b>                       |
| <b>Total net position and liabilities</b>            | <b>37,292,790</b>                           | <b>39,926,320</b>                           | <b>-6.60%</b>                        |

The results of this year's operations for the Agency Governmental Activities as a whole are reported in the Statement of activities. Figure A - 4, below, takes the information from the Statement, rounds off the numbers, and rearranges them so slightly so you can see our total revenues and expenses for the year.

**Figure A - 4**  
**Change in Net Position**

|   | <u>2013</u>               | <u>2012</u>               | <u>Increase<br/>(Decrease)</u> |
|---|---------------------------|---------------------------|--------------------------------|
| <b>Revenues:</b>                        |                           |                           |                                |
| General revenue                         |                           |                           |                                |
| Local subsidy                           | \$25,000                  | \$25,000                  | \$0                            |
| Pledged Annual Service Charges          | 1,359,470                 | 918,541                   | \$440,929                      |
| Interest and Miscellaneous              | 368                       | 10,245                    | (9,877)                        |
| Total general revenues                  | <u>1,384,838</u>          | <u>953,786</u>            | <u>431,052</u>                 |
| <b>Total revenues</b>                   | <u>\$1,384,838</u>        | <u>\$953,786</u>          | <u>\$431,052</u>               |
| <b>Function/program expense:</b>        |                           |                           |                                |
| Redevelopment - Operations              | 703,101                   | 86,365                    | 616,736                        |
| Project Note Paydown                    | 150,000                   |                           | 150,000                        |
| Interest on Debt                        | 1,026,853                 | 1,194,507                 | (167,654)                      |
| Trustee Fees & Other Costs              | <u>140,043</u>            | <u>46,850</u>             | <u>93,193</u>                  |
| <b>Total expenses</b>                   | <u>\$2,019,997</u>        | <u>\$1,327,722</u>        | <u>\$842,275</u>               |
| <b>Increase (Decrease) net position</b> | <u><u>(\$635,157)</u></u> | <u><u>(\$373,936)</u></u> | <u><u>(\$261,221)</u></u>      |

## General Fund Budgetary Highlights

Actual expenditures reflect a positive budgetary variance of \$31,832, and revenues reflect a positive budgetary variance of \$155,504, resulting in net budgetary revenue over expense of \$187,336.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2013, the Agency reported \$2,548,982 in land within the Governmental Activities Funds. No depreciation was recorded during the year, as such assets were inexhaustible (such as land) or not placed in service.

At December 31, 2013 the Agency reported \$1,613,306 in land and other assets within the Fiduciary Fund. No depreciation was recorded during the year, as such assets were inexhaustible (such as land) or not placed in service.

### Long-Term Debt

At the end of this year, the Agency had \$34,318,280 in Bonds and Loans outstanding versus \$36,301,429 last year – an decrease of \$1,983,149, representing 5.0%. The represents the net activity of Revenue Bonds issued and Principal amounts redeemed The Long-term debt consisted of:

| <u>Description</u>                                | <u>Amount</u>              |
|---|----------------------------|
| Environmental Infrastructure Trust and Fund Loans | \$28,143,280               |
| Revenue Bonds, Series 2008A                       | 1,650,000                  |
| Revenue Bonds, Series 2012C                       | <u>4,525,000</u>           |
| <b>Total</b>                                      | <b><u>\$34,318,280</u></b> |

### Short-Term Debt

The Agency held the following short-term debt as at December 31, 2013

|                            |  |
|----------------------------|--|
| Project Note, Series 2013A | 1,587,000 Washington Avenue Project      |
| Project Note, Series 2013B | <u>513,000</u> Washington Avenue Project |

**TOTAL** **\$2,100,000**

## CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide the Borough residents and taxpayers, and the Agency's customers, investors and creditors, (where applicable) with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Executive Director, Eric F.M. Chubenko, Municipal Building, 61 Cooke Avenue, Carteret, New Jersey, 07008.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS/ DISTRICT-WIDE**

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2013**

|  | <u>General<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> | <u>Adjustments<br/>(Note 1Q.)</u> | <u>Statement<br/>of Net Position</u> |
|--|-------------------------|--------------------------------------|----------------------------------|---|-----------------------------------|--------------------------------------|
| <b>ASSETS</b>  |                         |                                      |                                  |   |                                   |                                      |
| Cash and cash equivalents                            | \$ 41,383               | \$                                   | \$ 384,144                       | \$ 425,527                              | \$                                | \$ 425,527                           |
| Pledged annual service charges receivable            |                         |                                      |                                  |   | 34,318,280                        | 34,318,280                           |
| Capital assets (net of depreciation)                 |                         |                                      |                                  |   | 2,548,982                         | 2,548,982                            |
| <b>Total Assets</b>                                  | <b>\$ 41,383</b>        | <b>\$</b>                            | <b>\$ 384,144</b>                | <b>\$ 425,527</b>                       | <b>\$ 36,867,262</b>              | <b>\$ 37,292,790</b>                 |
| <b>LIABILITIES</b>                                   |                         |                                      |                                  |   |                                   |                                      |
| Project note(s) payable                              | \$                      | \$ 2,100,000                         | \$                               | \$ 2,100,000                            | \$                                | \$ 2,100,000                         |
| Accrued interest payable                             |                         |                                      |                                  |   | 321,613                           | 321,613                              |
| Long -term liabilities:                              |                         |                                      |                                  |   |                                   |                                      |
| Due within one year                                  |                         |                                      |                                  |   | 2,023,271                         | 2,023,271                            |
| Due after one year                                   |                         |                                      |                                  |   | 32,295,009                        | 32,295,009                           |
| <b>Total Liabilities</b>                             |                         | <b>2,100,000</b>                     |                                  | <b>2,100,000</b>                        | <b>34,639,893</b>                 | <b>36,739,893</b>                    |
| <b>FUND BALANCE/ NET POSITION</b>                    |                         |                                      |                                  |   |                                   |                                      |
| Fund balances:                                       |                         |                                      |                                  |   |                                   |                                      |
| Restricted for:                                      |                         |                                      |                                  |   |                                   |                                      |
| Debt service fund                                    |                         |                                      | 384,144                          | 384,144                                 | (384,144)                         |                                      |
| Assigned - Designated for<br>subsequent years budget | 20,000                  |                                      |                                  | 20,000                                  | (20,000)                          |                                      |
| Unassigned   | 21,383                  | (2,100,000)                          |                                  | (2,078,617)                             | 2,078,617                         |                                      |
| <b>Total fund balance</b>                            | <b>41,383</b>           | <b>(2,100,000)</b>                   | <b>384,144</b>                   | <b>(1,674,473)</b>                      | <b>1,674,473</b>                  | <b>-</b>                             |
| <b>Total liabilities and fund balance</b>            | <b>\$ 41,383</b>        | <b>\$</b>                            | <b>\$ 384,144</b>                | <b>\$ 425,527</b>                       |                                   |                                      |
| Net Position:  |                         |                                      |                                  |   |                                   |                                      |
| Investment in capital assets,<br>net of related debt |                         |                                      |                                  |   | 2,548,982                         | 2,548,982                            |
| Restricted for:                                      |                         |                                      |                                  |   |                                   |                                      |
| Debt service   |                         |                                      |                                  |   | 384,144                           | 384,144                              |
| Unrestricted   |                         |                                      |                                  |   | (2,380,230)                       | (2,380,230)                          |
| <b>Total net position</b>                            |                         |                                      |                                  |   | <b>\$ 552,896</b>                 | <b>\$ 552,896</b>                    |
| <b>Total liabilities and net position</b>            |                         |                                      |                                  |   |                                   | <b>\$ 37,292,790</b>                 |

Note: See Notes to Financial Statements.

CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2013

|   | General Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds | Adjustments (Note 10.) | Statement of Net Assets |
|---|--------------|-----------------------|-------------------|--------------------------|------------------------|-------------------------|
| Expenditures/expenses:                            |              |                       |                   |                          |                        |                         |
| Redevelopment - operations                        | \$ 65,316    | \$ 637,785            | \$ 703,101        | \$ 703,101               | \$                     | 703,101                 |
| Debt service:                                     |              |                       |                   |                          |                        |                         |
| Principal   |              | 2,133,148             | 2,133,148         | 2,133,148                | (1,983,148)            | 150,000                 |
| Interest  |              | 1,042,075             | 1,042,075         | 1,042,075                | (15,222)               | 1,026,853               |
| Trustee Fees and Other Costs                      |              | 140,043               | 140,043           | 140,043                  |                        | 140,043                 |
| Total expenditures/expenses                       | 65,316       | 637,785               | 3,315,267         | 4,018,369                | (1,998,370)            | 2,019,999               |
| General revenues:                                 |              |                       |                   |                          |                        |                         |
| Local subsidy                                     | 25,000       |                       | 3,342,618         | 3,342,618                | (1,983,148)            | 25,000                  |
| Pledged annual service charges                    |              |                       | 50                | 368                      |                        | 1,359,470               |
| Investment/miscellaneous earnings                 | 318          |                       |                   |                          |                        | 368                     |
| Total general revenues                            | 25,318       |                       | 3,342,668         | 3,367,986                | (1,983,148)            | 1,384,838               |
| Excess (deficiency) in revenues over expenditures | (39,998)     | (637,785)             | 27,401            | (650,383)                | 650,383                |                         |
| Changes in net position                           |              |                       |                   |                          | 734,899                | (635,161)               |
| Other financing sources (uses):                   |              |                       |                   |                          |                        |                         |
| Proceeds project note payoff                      |              | 150,000               |                   | 150,000                  |                        | 150,000                 |
| Total other financing sources (uses)              |              | 150,000               |                   | 150,000                  |                        | 150,000                 |
| Beginning of year                                 | 81,381       | (1,612,215)           | 356,743           | (1,174,091)              |                        | 1,038,055               |
| End of year                                       | \$ 41,383    | \$ (2,100,000)        | \$ 384,144        | \$ (1,674,473)           | \$                     | \$ 552,896              |

Note: See Notes to Financial Statements.

**FIDUCIARY FUNDS**

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2013**

|                     |   | <b>Private-<br/>purpose<br/>Trust</b> |
|---------------------|---|---------------------------------------|
| <b>ASSETS</b>       |   |                                       |
|                     | Cash and cash equivalents   | \$ 323,798                            |
|                     | Loans receivable  | 43,412                                |
|                     | Other receivables   | 4,797                                 |
|                     | Capital assets, net of depreciation                                 | <u>1,613,306</u>                      |
|                     | <b>Total Assets</b>   | <b>\$ <u><u>1,985,313</u></u></b>     |
| <b>LIABILITIES</b>  |   |                                       |
|                     | Other liabilities and payables                                      | <u>7,313</u>                          |
|                     | <b>Total Liabilities</b>  | <b><u>7,313</u></b>                   |
| <b>NET POSITION</b> |   |                                       |
|                     | Investment in capital assets  | 1,613,306                             |
|                     | Held in Trust for redevelopment costs<br>and other related purposes | <u>\$ 364,695</u>                     |
|                     | <b>TOTAL NET POSITION</b>   | <b>\$ <u><u>1,978,000</u></u></b>     |
|                     | <b>TOTAL LIABILITIES AND NET POSITION</b>                           | <b>\$ <u><u>1,985,313</u></u></b>     |

Note: See Notes to Financial Statements.

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|                   |                                   |           | <b>Private-<br/>purpose<br/><u>Trusts</u></b> |
|-------------------|-----------------------------------|-----------|---|
| <b>ADDITIONS</b>  |                                   |           |   |
|                   | Contributions:                    |           |   |
|                   | Loan/Rental Proceeds              | \$        | <u>187,177</u>                                |
|                   | Total Contributions               |           | <u>187,177</u>                                |
|                   | Other revenues:                   |           |   |
|                   | Sale of Capital Assets            |           | 732,200                                       |
|                   | Interest on Deposits              |           | 577   |
|                   | Security Deposits                 |           | 3,405   |
|                   | Miscellaneous Receipts            |           | <u>111,222</u>                                |
|                   | Total Other Revenues              |           | <u>847,404</u>                                |
|                   | <b>Total Additions</b>            | <b>\$</b> | <b>1,034,580</b>                              |
| <b>DEDUCTIONS</b> |                                   |           |   |
|                   | Redevelopment Expenditures        |           | <u>833,022</u>                                |
|                   | <b>Total Deductions</b>           |           | <b>833,022</b>                                |
|                   | Change in Net Assets              |           | 201,559                                       |
|                   | Net Position - Beginning of Year  |           | <u>1,783,754</u>                              |
|                   | <b>Net Position - End of Year</b> | <b>\$</b> | <b><u>1,985,313</u></b>                       |

Note: See Notes to Financial Statements.

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

The Carteret Redevelopment Agency "the Agency" is a public body corporate and politic body organized under the laws of the State of New Jersey and was created by an ordinance adopted by the governing body, effective in December 2000, of the Borough of Carteret ("the creating municipality"), a municipal corporation of the State of New Jersey located in the County of Middlesex.

The Agency was created for the purpose of fostering the economic development of the community, specifically the revitalizing of the designated District's within the boundaries of Carteret Borough.

The ordinance creating the Agency provides that the Authority shall consist of seven commissioners, each of whom shall be appointed by the Mayor with the advice and consent of the Borough Council.

New Jersey Statutes provide for the creation, dissolution and operations of separate bodies corporate and politic for the purpose of fostering the economic development of the community (Redevelopment Agency). These statutes were enacted pursuant to Chapter 79 of the Laws of New Jersey 1992, under N.J.S.A. 40A:12A-1 through 40A:12A-9. Additional statutory requirements relating to the financial operations of independent local authorities were established as the "Local Authorities Fiscal Control Law", which is codified as NJSA 40A:5A-1 et seq. The provisions of the Local Authorities Fiscal Control Law established the Local Finance Board and the Division of Local Government Services, in the Department of Community Affairs (DCA), State of New Jersey, as oversight agencies for the creation, project financing, budgeting and overall financial condition of local authorities.

The Local Finance Board adopted the approving resolution on January 10, 2001 approving the Borough's request for establishment of a redevelopment agency. The Borough adopted the enacting ordinance on February 1, 2001. The Carteret Redevelopment Agency began operation during the calendar year 2001, accordingly, the year ended December 31, 2001 represent the first year of operation.

The Agency has no stockholders or equity holders.

As a public body under existing statute, the Agency is exempt from both Federal and State income taxes.

The financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and reporting. GASB pronouncements constitute GAAP for governmental units.

The DCA has recognized the statements and interpretations of the Governmental Accounting Standards Board (GASB) as authoritative on application of generally accepted accounting principles (GAAP) for local authorities.

## NOTES TO FINANCIAL STATEMENTS

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **B. Reporting Entity**

The primary criterion for including activities within the Agency's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Agency holds the corporate powers of the organization
- the Agency appoints a voting majority of the organization's board
- the Agency is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Agency
- there is a fiscal dependency by the organization on the Agency

The Agency is considered to be a "Component Unit" of the Borough of Carteret under GAAP. This determination is based on the oversight responsibility of the Borough, which manifests itself primarily in the selection of Commissioners of the Agency, and on a financial benefit/burden relationship that exists between the Agency and the Borough.

The Borough of Carteret does not follow GAAP for accounting and financial reporting purposes. Rather, it follows a regulatory basis, utilizing accounting principles, which differ, in some cases significantly, from GAAP. Of particular note is the exclusion from the Borough's financial statements of potential component units, based on separate legal status of these units. Accordingly, the financial statements of the Borough do not include the agency as a component unit.

Based on the aforementioned criteria, the Agency has no component units.

#### **C. GASB STATEMENT NO. 34**

The Agency adopted the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments during the year ended December 31, 2003. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a Management's Discussion and Analysis section, a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position. It requires the classification of Net Assets into three components – Invested in Capital Assets, net of related debt; Restricted for Debt Service; and Unrestricted.

The adoption of Statement 34 had little effect on the basic financial statements except for the classification of net position, the reflection of capital contributions as a change in net position, and the inclusion of Management's Discussion and Analysis (MD&A) section providing an analysis of the Agency's overall financial position and results of operations.

#### **D. Basis of Presentation**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Agency.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**D. Basis of Presentation (Cont'd)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements:**

The Agency segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Governmental funds are those funds through which most governmental functions typically financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Agency reports the following governmental and fiduciary funds:

**Governmental Funds**

**General Fund**

The General Fund is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund. All revenues and receipts that are not restricted by law or contractual agreement are accounted for in this fund. General operating expenditures that are not paid through other funds are paid from the General Fund.

Pursuant to single-program government reporting, the Agency has elected to combine the following: 1. statement of net position and balance sheet for governmental funds; 2. statement of activities and revenues, expenditures, and changes in fund balance for governmental funds.

**Fiduciary Funds**

Private-purpose Trust is used to report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

**E. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**E. Measurement Focus/Basis of Accounting (Cont'd)**

**Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Other revenue is considered available if collected within one year.

**Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred.

**F. Cash and Cash Equivalents**

Cash and cash equivalents include money market funds and short-term investments, which may include Certificates of Deposit, with a maturity of three months or less carried at cost, which approximates market.

**G. Investments**

Investments consist of certificates of deposit and direct obligations of the U.S. Government, U.S. Government Agencies, repurchase agreements and investments in money market funds and are valued at cost or amortized cost, which approximates market.

**H. Local Subsidy Receivable**

Local subsidy receivable at December 31, 2013 consisted of the amount of \$0.00 due from the Borough of Carteret, County of Middlesex pursuant to the 2013 local subsidy agreement.

**I. Pledged Annual Services Charges**

Annual Service Charge represents the amount the Redeveloper Entity shall pay the Borough (directed to the Trustee in accordance with Financial Agreement) in order to make the requisite debt service payments.

**J. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**K. Short-Term Receivables/Payables:**

Short-term receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Agency and that are due within one year.

The \$1,587,000 and \$513,000 Project Notes, Series 2013 A & B, respectively have been recorded as a fund liability within the Capital Projects Fund as at December 31, 2013.

**L. Unamortized Debt Issue Costs**

Previously, deferred debt costs incurred with the various bond issues of the Agency were being amortized over the life of the respective issues. With the implementation of GASB 65, prior debt issue costs have been expensed and all current and future debt issue costs are and will also be expensed in the year in which the debt is issued.

**M. Capital Assets:**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Agency maintains a threshold level of \$5,000 or more for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the Agency-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the Agency, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress.

The Agency does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

The Agency capitalizes and records capital assets acquired through the CARA Development Account in the Private-purpose Trust as reported within the Fiduciary Funds. The Capital Assets recorded do not include assets acquired by the Redeveloper and transferred to the agency for holding until requisitioned for project construction and utilization.

**N. Fund Equity:**

Restricted represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Assigned fund balances represent plans for future use of financial resources.

NOTES TO FINANCIAL STATEMENTS

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**O. Restricted Assets**

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as capital requirements and proceeds from the issuing of the bonds related to the capital project.

**P. Net Position:**

Net position represents the difference between assets and liabilities in the Agency-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the Agency-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Q. Reconciliation of Adjustments**

The following adjustments/reclassifications were required for the combing of the government-wide and fund financial statements in accordance with GASB:

**Statement of Net Position and Governmental Fund Balance Sheet:**

|                                  | <u>From</u> | <u>Adjustment</u> | <u>To</u>    |
|----------------------------------|-------------|-------------------|--------------|
| <b>Assets</b>                    |             |                   |              |
| Annual Service Charge Receivable | \$0         | \$34,318,280      | \$34,318,280 |
| Capital Assets                   | 0           | 2,548,982         | 2,548,982    |
| <b>Liabilities</b>               |             |                   |              |
| Accrued Interest Pay.            | 0           | 321,613           | 321,613      |
| Long-term Liabilities            |             |                   |              |
| Due within 1 yr.                 | 0           | 2,023,271         | 2,023,271    |
| Due after 1 yr.                  | 0           | 32,295,009        | 32,295,009   |
| <b>Fund Balance</b>              |             |                   |              |
| Restricted for Debt Serv.        | 384,144     | (384,144)         | 0            |
| Unassigned                       | (2,078,617) | 2,078,617         | 0            |
| Assigned                         | 20,000      | (20,000)          | 0            |
| <b>Net Position</b>              |             |                   |              |
| <b>Net Assets</b>                |             |                   |              |
| Invest. in Capital Assets        | 0           | 2,548,982         | 2,548,982    |
| Restricted For                   |             |                   |              |
| Debt Service                     | 0           | 384,144           | 384,144      |
| Unrestricted                     | 0           | (2,380,230)       | (2,380,230)  |

NOTES TO FINANCIAL STATEMENTS

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Statement of Activities and Governmental Revenues, Expenditures, and Changes in Fund Balance:

**Q. Reconciliation of Adjustments (Cont'd)**

|                                      | <u>From</u> | <u>Adjustment</u> | <u>To</u> |
|--------------------------------------|-------------|-------------------|-----------|
| Expenditures/Expenses                |             |                   |           |
| Debt Service                         |             |                   |           |
| Principal                            | 2,133,148   | (1,983,148)       | 150,000   |
| Interest                             | 1,042,075   | (15,222)          | 1,026,853 |
| General Revenues                     |             |                   |           |
| Pledged annual serv chrgs.           | 3,342,618   | (1,983,148)       | 1,359,470 |
| Excess of Revenues over Expenditures | (650,383)   | 650,383           | 0         |
| Change in Net Position               | 0           | 734,899           | (734,899) |

**R. Use of Estimates**

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

**S. Recent Accounting Standards**

GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities" in March 2012. The objective of the Statement is to amend the financial statement element classification of certain items previously reported as assets and liabilities for consistency with the definitions included in Concepts Statement 4.

GASB issued Statement No. 66, "Technical Corrections-2012- an amendment of GASB Statements No. 10 and 62" in March 2012. The objective of this Statement is to improve accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements.

GASB issued Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25" in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**S. Recent Accounting Standards (Cont'd)**

GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations" in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees" in April 2013. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The Agency prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The District is required to adopt these new standards in connection with the organization's financial statements.

**T. Disclosures about Fair Value of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments: The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term investments: The fair values of long-term investments are estimated based on quoted market prices for those or similar investments. Additional information pertinent to the value of these investments is provided in Note 3.

**T. Disclosures about Fair Value of Financial Instruments (Cont'd)**

Long-term debt: The Authority's long-term debt is stated at face value, net of unamortized discounts and premiums. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Authority's long-term debt is provided in Note 4.

**Note 2: DEPOSITS, CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Deposits

New Jersey statutes permit the deposit of public funds in 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 insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

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.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature within one year. Collateralization of fund investments is generally not required.

**Cash and Cash Equivalents**

The Agency had the following depository accounts. All deposits are carried at cost plus accrued interest. The government does not have a deposit policy.

As of December 31, 2013 cash and cash equivalents consisted of the following carrying amounts:

| <u>Depository Account</u>    | <u>Book Value</u> |
|------------------------------|-------------------|
| Demand & Checking            | \$365,181         |
| Trustee – Money Market Funds | 384,144           |
| Total                        | <u>\$749,325</u>  |

**Note 2: DEPOSITS, CASH AND CASH EQUIVALENTS AND INVESTMENTS  
(CONT'D))**

During the period ended December 31, 2013, the Agency no held investments in the State of New Jersey Cash Management Fund. Under criteria established in Governmental Accounting Standards Board Statement No. 9, the year-end balances in State of New Jersey Cash Management Fund are considered to be cash equivalents under GAAP.

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. The government does not have a specific deposit policy for custodial risk other than those policies that adhere to the requirements of statute. As of December 31, 2013, based upon the insured balances provided by the FDIC and NJGUDPA coverage, \$384,144 of the Agency’s bank balance of \$749,325 was considered exposed to custodial risk. As of December 31, 2013, based upon the insured balances provided by the FDIC and NJGUDPA coverage, the Agency’s bank balance of \$365,181 was considered exposed to custodial risk as follows.

| <u>Depository Account</u>           | <u>Deposit<br/>Amount</u> |
|-------------------------------------|---------------------------|
| Insured – FDIC                      | \$250,000                 |
| Insured – NJGUDPA (N.J.S.A. 17:941) | <u>115,181</u>            |
| Total                               | <u>\$365,181</u>          |

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

**Investments**

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of the Treasury for investment by local units;
6. Local government investment pools;

**Note 2: DEPOSITS, CASH AND CASH EQUIVALENTS AND INVESTMENTS  
(CONT'D))**

Investments (Cont'd)

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52: 18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

**New Jersey Cash Management Fund** – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2013 the Agency had no amounts on deposit with the New Jersey Cash Management Fund.

The Agency held no investments at December 31, 2013, and no investment activity related to purchase and redemption during the calendar year 2013.

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013 was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|--------------------|------------------|---------------------------|
| <b>Governmental Fund:</b>                     |                              |                  |                    |                  |                           |
| Land  | 2,548,982                    |                  |                    |                  | 2,548,982                 |
| Governmental Fund - Totals at Historical Cost | 2,548,982                    |                  |                    |                  | 2,548,982                 |
| <b>Fiduciary Fund:</b>                        |                              |                  |                    |                  |                           |
| Land  | 1,515,306                    |                  |                    |                  | 1,515,306                 |
| Other assets                                  | 98,000                       |                  |                    |                  | 98,000                    |
| Fiduciary Fund - Totals at Historical Cost    | 1,613,306                    |                  |                    |                  | 1,613,306                 |
| <b>Total Capital Assets, Net</b>              | <b>\$ 4,162,288</b>          | <b>\$</b>        | <b>\$</b>          | <b>\$</b>        | <b>\$ 4,162,288</b>       |

The Agency acquired land and other assets through the CARA Development Account. The assets acquired are accounted for and reported in the Private-purpose Trust within the Fiduciary Fund of the Agency's financial statements.

No depreciation has been recorded as assets may not be subject to depreciation or have not been placed into operation.

The Agency has obtained title to assets acquired by the Redeveloper Entity for inventory and holding until requisitioned for project construction and utilization. The Agency has not capitalized the assets acquired by the Redeveloper subject to transfers upon request.

**NOTE 4: LONG TERM DEBT**

Long-term debt liability activity for the year ended December 31, 2013 was as follows:

|                                    | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>     | <u>Ending<br/>Balance</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|------------------------------------|------------------------------|------------------|-----------------------|---------------------------|--|
| <b>Governmental Activities:</b>    |                              |                  |                       |                           |  |
| Revenue Bonds Payable              | \$ 6,310,000.00              | \$               | \$ (135,000.00)       | \$ 6,175,000.00           | \$ 140,000.00                              |
| Total Bonds Payable                | 6,310,000.00                 | -                | (135,000.00)          | 6,175,000.00              | 140,000.00                                 |
| Loans Payable                      | 29,991,429                   |                  | (1,848,148)           | 28,143,280                | 1,883,271                                  |
| Total Loans Payable                | 29,991,429                   | -                | (1,848,148)           | 28,143,280                | 1,883,271                                  |
| <b>Total Long-Term Liabilities</b> | <b>\$ 36,301,429</b>         | <b>\$ -</b>      | <b>\$ (1,983,148)</b> | <b>\$ 34,318,280</b>      | <b>\$ 2,023,271</b>                        |

NOTES TO FINANCIAL STATEMENTS

**Note 4: LONG-TERM DEBT (CONT'D)**

The following is disclosure of information about long-term liabilities. Long-term liability activity for the year ended December 31, 2012 was as follows:

A. Loans Payable (Conduit Debt) - The New Jersey Environmental Infrastructure Trust issued Series 2006B Bonds on behalf of the Carteret Redevelopment Agency, and pursuant to the issuance has established a Trust Loan Agreement in the amount of \$28,180,000 and a Fund Loan Agreement in the amount of \$18,292,833, of which totals \$38,472,833, dated November 9, 2006. The Bonds are guaranteed by the Borough of Carteret, County of Middlesex, and the Redeveloper Urban Renewal Entity, subject to the Panattoni Agency Guaranty Agreements. During 2011, the Panattoni Agency Guaranty Agreements have been assigned to KTR Partners. Additionally, the Borough of Carteret has executed a Financial Agreement with the Redeveloper Urban Renewal Entity.

B. Schedule of Annual Debt Service for Principal and Interest for Loan Debt Issued and Outstanding

New Jersey Environmental Infrastructure Trust 2006B – Fund Loan Agreement

Payment due dates are February 1 and August 1, respectively at 0% interest.

| <u>Due Date</u> | <u>Principal Amount</u> |
|-----------------|-------------------------|
| 2014            | \$978,271.42            |
| 2015            | 977,532.44              |
| 2016            | 976,300.80              |
| 2017            | 976,762.66              |
| 2018            | 975,684.97              |
| 2019            | 976,670.29              |
| 2020            | 976,547.13              |
| 2021            | 978,394.60              |
| 2022            | 976,181.49              |
| 2023            | 975,700.37              |
| 2024            | 976,816.54              |
| 2025            | 975,246.21              |
| 2026            | <u>978,171.56</u>       |
| Total           | <u>\$12,698,280.48</u>  |

NOTES TO FINANCIAL STATEMENTS

**Note 4: LONG-TERM DEBT (CONT'D)**

B. Schedule of Annual Debt Service for Principal and Interest for Loan Debt Issued and Outstanding (Cont'd)

New Jersey Environmental Infrastructure Trust 2006B – Trust Loan Agreement

Payment due dates are February 1 and August 1, respectively at a multiple interest rate between 4% and 5%.

| <u>Due Date</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Principal and Interest Amount</u> |
|-----------------|-------------------------|------------------------|--------------------------------------|
| 2014            | \$905,000.00            | \$683,562.50           | \$1,588,562.50                       |
| 2015            | 940,000.00              | 647,362.50             | 1,587,362.50                         |
| 2016            | 985,000.00              | 600,362.50             | 1,585,362.50                         |
| 2017            | 1,035,000.00            | 551,112.50             | 1,586,112.50                         |
| 2018            | 1,085,000.00            | 499,362.50             | 1,584,362.50                         |
| 2019            | 1,130,000.00            | 455,962.50             | 1,585,962.50                         |
| 2020            | 1,175,000.00            | 410,762.50             | 1,585,762.50                         |
| 2021            | 1,225,000.00            | 363,762.50             | 1,588,762.50                         |
| 2022            | 1,275,000.00            | 310,168.75             | 1,585,168.75                         |
| 2023            | 1,330,000.00            | 254,387.50             | 1,584,387.50                         |
| 2024            | 1,390,000.00            | 196,200.00             | 1,586,200.00                         |
| 2025            | 1,450,000.00            | 133,650.00             | 1,583,650.00                         |
| 2026            | <u>1,520,000.00</u>     | <u>68,400.00</u>       | <u>1,588,400.00</u>                  |
| Total           | <u>\$15,445,000.00</u>  | <u>\$5,175,056.27</u>  | <u>\$20,620,056.27</u>               |

C. Revenue Bonds Payable - The Agency issued \$1,750,000 Revenue Bonds, Series 2008A (Borough Guaranteed) related to the Lower Roosevelt Avenue Redevelopment Project. The Bonds consist of Term Bonds with principal requirements ranging from \$295,000 - \$675,0000 and interest rates 4.250% - 5.375%, which subject to mandatory sinking fund requirements.

The Obligations constitute special limited obligations of the Agency payable from and secured by the assignment of Annual Service Charges due and payable under the Financial Agreement by and between the Borough of Carteret and Gateway, dated July 31, 2007, and the Financial Agreement by and between the Borough of Carteret and Camelot, dated July 31, 2007, the special assessment payments due and payable under the Special Assessments Agreement by and between the Borough of Carteret and Gateway, dated November 1, 2008, and the Special Assessments Agreement by and between the Borough of Carteret and Camelot, dated November 1, 2008, and by proceeds of the obligations held by the Trustee in certain funds pursuant to the Indenture.

NOTES TO FINANCIAL STATEMENTS

**Note 4: LONG-TERM DEBT (CONT'D)**

D. Schedule of Annual Debt Service for Principal and Interest for Bond Debt Issued and Outstanding – revenue Bonds Payable, Series 2008A

| <u>Due Date</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Principal and Interest Amount</u> |
|-----------------|-------------------------|------------------------|--------------------------------------|
| 2014            | \$40,000                | \$78,325.00            | \$118,325.00                         |
| 2015            | 40,000                  | 81,837.50              | 121,837.50                           |
| 2016            | 40,000                  | 80,137.50              | 120,137.50                           |
| 2017            | 40,000                  | 78,437.50              | 118,437.50                           |
| 2018            | 40,000                  | 76,737.50              | 116,737.50                           |
| 2019            | 45,000                  | 75,037.50              | 120,037.50                           |
| 2020            | 45,000                  | 72,900.00              | 117,900.00                           |
| 2021            | 50,000                  | 70,762.50              | 120,762.50                           |
| 2022            | 50,000                  | 68,387.50              | 118,387.50                           |
| 2023            | 55,000                  | 66,012.50              | 121,012.50                           |
| 2024            | 55,000                  | 63,400.00              | 118,400.00                           |
| 2025            | 60,000                  | 60,650.00              | 120,650.00                           |
| 2026            | 60,000                  | 57,650.00              | 117,650.00                           |
| 2027            | 65,000                  | 54,650.00              | 119,650.00                           |
| 2028            | 70,000                  | 51,400.00              | 121,400.00                           |
| 2029            | 70,000                  | 47,812.50              | 117,812.50                           |
| 2030            | 75,000                  | 44,225.00              | 119,225.00                           |
| 2031            | 80,000                  | 40,381.26              | 120,381.26                           |
| 2032            | 85,000                  | 36,281.26              | 121,281.26                           |
| 2033            | 85,000                  | 31,712.50              | 116,712.50                           |
| 2034            | 90,000                  | 27,143.76              | 117,143.76                           |
| 2035            | 95,000                  | 22,306.26              | 117,306.26                           |
| 2036            | 100,000                 | 17,200.00              | 117,200.00                           |
| 2037            | 105,000                 | 11,825.00              | 116,825.00                           |
| 2038            | 115,000                 | 6,181.26               | 121,181.26                           |
| <b>Total</b>    | <b>\$1,650,000</b>      | <b>\$1,326,393.80</b>  | <b>\$2,976,393.80</b>                |

E. Revenue Bonds Payable - The Agency issued \$4,625,000 Revenue Bonds, Series 2012C (Borough Guaranteed) related to the Lower Roosevelt Avenue Redevelopment Project. The Bonds consist of Term Bonds with principal requirements ranging from \$100,000 - \$280,000 and interest rates 1.173% - 4.850%, which subject to mandatory sinking fund requirements, maturing in years 2013 through 2040.

The Bonds were issued to currently refund the principal of the Agency's \$4,500,000 Project Note, Series 2010B (Lower Roosevelt Avenue Development Project) dated and issued November 23, 2010 and maturing on November 21, 2012.

NOTES TO FINANCIAL STATEMENTS

**Note 4: LONG-TERM DEBT (CONT'D)**

F. Schedule of Annual Debt Service for Principal and Interest for Bond Debt Issued and Outstanding – Revenue Bonds Payable, Series 2012C

| <u>Due Date</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Principal and Interest Amount</u> |
|-----------------|-------------------------|------------------------|--------------------------------------|
| 2014            | \$105,000               | \$191,570.30           | \$296,570.30                         |
| 2015            | 105,000                 | 190,144.40             | 295,144.40                           |
| 2016            | 105,000                 | 188,438.60             | 293,468.60                           |
| 2017            | 110,000                 | 186,485.16             | 296,485.16                           |
| 2018            | 110,000                 | 184,077.26             | 294,077.26                           |
| 2019            | 115,000                 | 180,227.26             | 295,227.26                           |
| 2020            | 120,000                 | 176,202.26             | 296,202.26                           |
| 2021            | 125,000                 | 172,002.26             | 297,002.26                           |
| 2022            | 125,000                 | 167,627.26             | 292,627.26                           |
| 2023            | 130,000                 | 163,252.26             | 293,252.26                           |
| 2024            | 135,000                 | 157,914.46             | 292,914.46                           |
| 2025            | 140,000                 | 152,371.36             | 292,371.36                           |
| 2026            | 150,000                 | 146,622.96             | 296,622.96                           |
| 2027            | 155,000                 | 140,463.96             | 295,463.96                           |
| 2028            | 160,000                 | 133,425.40             | 293,425.40                           |
| 2029            | 170,000                 | 126,159.80             | 296,159.80                           |
| 2030            | 175,000                 | 118,440.10             | 293,440.10                           |
| 2031            | 185,000                 | 110,493.36             | 295,493.36                           |
| 2032            | 195,000                 | 102,092.50             | 297,092.50                           |
| 2033            | 200,000                 | 92,635.00              | 292,635.00                           |
| 2034            | 210,000                 | 82,935.00              | 292,935.00                           |
| 2035            | 220,000                 | 72,750.00              | 292,750.00                           |
| 2036            | 230,000                 | 62,080.00              | 292,080.00                           |
| 2037            | 245,000                 | 50,925.00              | 295,925.00                           |
| 2038            | 255,000                 | 39,042.50              | 294,042.50                           |
| 2039            | 270,000                 | 26,675.00              | 296,675.00                           |
| 2040            | 280,000                 | 13,580.00              | 293,580.00                           |
| Total           | <u>\$4,525,000</u>      | <u>\$3,428,663.50</u>  | <u>\$7,953,663.50</u>                |

**Note 5: SHORT-TERM DEBT**

The Agency issued Project Notes, Series 2013 A and Project Note, Series 2013 B (Borough Guaranteed) related to the Washington Avenue Redevelopment Project in the total amount of \$2,100,000, consisting of \$1,587,000 bearing an interest rate of 1.25%, maturing on September 25, 2014 and \$513,000 bearing an interest rate of 2.25%, maturing on September 25, 2014. The Notes were issued to redeem the Project Notes, Series 2012 A and 2012 B, respectively, issued in the total amount of \$2,250,000 due on September 27, 2013. In addition, the Agency budgeted a note pay-down in the amount of \$150,000.

The Project Notes are reported within the Capital Projects Fund of the Agency for the year ended December 31, 2013.

**Note 6: PENSION PLAN**

Employees of the Carteret Redevelopment Agency are enrolled in the Public Employees Retirement System (PERS). The Division of Pensions in the Department of the Treasury, State of New Jersey, administers the PERS plan. The plan is funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plan, which covers public employees throughout the State, does not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Authority who are members of the plan is not available.

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 for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

**Note 7: OPERATING LEASES**

The Agency did not enter into any operating lease agreements during 2013, and accordingly no future minimum lease payments disclosed.

**Note 8: COMPENSATED ABSENCES**

The Agency has not adopted a compensated absence policy for the years ended December 31, 2013 and prior, and accordingly no expenditures or accruals have been made.

**Note 9: ADMINISTRATION OF REDEVELOPMENT AGREEMENT**

The Carteret Redevelopment Agency accepted by resolution (#04-3) of the Board of Commissioners the designation to administer the Redevelopment Agreement between the Borough of Carteret and Kaplan at Carteret, LLC pursuant to the terms of resolution #04-75 adopted by the Governing Body on March 4, 2004. In accordance with the designation by the Borough of Carteret, the Borough retains all statutory responsibility as redevelopment entity for implementation of the Redevelopment Agreement.

The Carteret Redevelopment Agency accepted by resolution no. 05-1, adopted March 1, 2005, the amended designation of Redevelopment Entity to implement the Lower Roosevelt Avenue Redevelopment Plan pursuant to the terms of resolution no. 05-48 adopted by the Governing Body on January 27, 2005. The Borough of Carteret maintains financial accounting and reporting responsibility of all funding related to the Redeveloper Agreement, including all redeveloper escrow deposits and expenditures. The Borough of Carteret, County of Middlesex accounts for and reports all Redeveloper Escrow transactions within the Trust Fund section of the Borough's financial statements.

**Note 10: ANNUAL SERVICE CHARGES RECEIVABLE**

The Borough has executed a Financial Agreement with Titan-PDC Carteret Urban Renewal, LLC /assumed by KTR setting forth annual service charges for the Carteret Landfill Redevelopment Project. The annual services charges represent pledged and unpledged amounts due to the Borough and the Borough has assigned the annual service charged, which are pledged to the Carteret Redevelopment Agency for payment of debt service requirements as detailed in Schedule 1 "Debt Service portion of Pledged Annual Service Charge", Financial Agreement, dated August 18, 2006, as amended.

## NOTES TO FINANCIAL STATEMENTS

### **Note 10: ANNUAL SERVICE CHARGES RECEIVABLE (CONT'D)**

The Borough has executed a Financial Agreement with Camelot at Carteret Urban Renewal, LLC setting forth annual service charges for the Lower Roosevelt Avenue Redevelopment Project. The annual service charges represent pledged and unpledged amounts due to the Borough and the Borough has assigned the annual service charges, which are pledged to the Carteret Redevelopment Agency for payment of debt service requirements as detailed in Article s 4 & 5 "Debt Service portion of Pledged Annual Service Charge", Financial Agreement, dated July 31, 2007.

The Agency has recorded the amount of \$34,318,280 respectively on the Statement of Net Position as at December 31, 2013. The pledged annual service charges receivable in the amount of \$34,318,280 represents the total bond and loan principal outstanding and subject to the pledged annual service charge agreements for the Lower Roosevelt and Washington Avenue Redevelopment Projects.

### **Note 11: CARA DEVELOPMENT ACCOUNT**

The Carteret Redevelopment Agency adopted by resolution authorization to execute a memorandum of agreement with the Borough of Carteret for the future development account (CARA Development Account) funded and controlled by the Borough of Carteret. The executed agreement contains Article I, which sets forth the requirements of the future development account.

The Carteret Redevelopment Agency adopted resolution number 07-18 granting a loan from the CARA Development Account, pursuant to authorization and direction from the Borough of Carteret. The Loan will be amortized over a seven-year period bearing a 6 % rate of interest.

The Carteret Redevelopment Agency adopted resolution number 09-14 granting a loan from the CARA Development Account, pursuant to authorization and direction from the Borough of Carteret. The Loan will be amortized over a seven-year period bearing a 6 % rate of interest.

The Carteret Redevelopment Agency reports the funds within the Fiduciary Funds within the Agency's financial statements.

### **Note 12: FUND BALANCE (DEFICIT)**

**General Fund** - Of the total General Fund Balance at December 31, 2013, the amount of \$20,000 is Assigned - Designated for the subsequent years budget and the remaining \$21,383 is reported as unassigned.

**Debt Service Fund** - Of the \$384,144 total Debt Service Fund Balance at December 31, 2013, the entire amount is reserved for debt service purposes.

**Capital Projects Fund** - Capital Projects Fund Balance at December 31, 2013 was reported in a deficit amount of \$2,100,000. The deficit amount reported was the effect of the expenditure of short term financing - Project Notes within the Capital Projects Fund.

**Note 13: CONTINGENT LIABILITIES AND PENDING LITIGATION**

Pending Litigation

As at December 31, 2013 and the date of this report, there was no litigation pending which, in the event of an adverse or unfavorable outcome, would materially impair the financial position of the Carteret Redevelopment Agency.

**Note 14: SUBSEQUENT EVENTS**

As of the date of this report, the Agency has authorized the submission of an application to issue Revenue Bonds not to exceed \$2,100,000 to the Local Finance Board, Department of Community Affairs, State of New Jersey. The Bonds will be issued to permanently finance the Project Note(s), Series 2013 A & B, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET  
AND ACTUAL REVENUES FOR THE PRIOR YEAR  
(BUDGETARY BASIS)  
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2013**

|   | <u>2013<br/>BUDGET</u>     | <u>2013<br/>ACTUAL</u>     | <u>2012<br/>ACTUAL</u>     |
|---|----------------------------|----------------------------|----------------------------|
| <b>Revenues:</b>  |                            |                            |                            |
| Fund Balance  | \$ 59,890                  | \$ 59,890                  | \$ 59,890                  |
| Local Subsidy   |                            |                            |                            |
| Borough of Carteret   | 40,000                     | 25,000                     | 25,000                     |
| Pledged Annual Service Charges                              | 3,172,482                  | 3,342,618                  | 3,015,704                  |
| Interest Income/ Miscellaneous                              | <u>368</u>                 | <u>368</u>                 | <u>10,135</u>              |
| <b>TOTAL REVENUES - BUDGETARY</b>                           | <b>\$ <u>3,272,372</u></b> | <b>\$ <u>3,427,876</u></b> | <b>\$ <u>3,110,729</u></b> |
| <b>Expenses:</b>  |                            |                            |                            |
| <b>Administration</b>                                       |                            |                            |                            |
| Salaries and Wages/Fringe Benefits                          | \$ 51,300                  | \$ 52,421                  | \$ 51,794                  |
| Other Expenses  | 48,590                     | 12,895                     | 15,444                     |
| <b>Debt Service:</b>  |                            |                            |                            |
| Principal   | 2,133,149                  | 2,133,148                  | 2,097,163                  |
| Interest  | <u>1,039,333</u>           | <u>1,042,075</u>           | <u>957,410</u>             |
| <b>TOTAL EXPENSES - BUDGETARY</b>                           | <b>\$ <u>3,272,372</u></b> | <b>\$ <u>3,240,540</u></b> | <b>\$ <u>3,121,811</u></b> |
| <b>Budgetary Revenues over Expenses</b>                     | <b>\$ <u>3,272,372</u></b> | <b>\$ <u>187,336</u></b>   | <b>\$ <u>(11,082)</u></b>  |
| <b>Reconciliation of Budgetary Basis<br/>to Net Income:</b> |                            |                            |                            |
| Budgetary Revenues over Expenses<br>Brought Forward         |                            | \$ 187,336                 | \$ (11,082)                |
| <b>Adjustments to Budgetary Basis:</b>                      |                            |                            |                            |
| Less: Appropriations of Retained Earnings                   |                            | (59,890)                   | (59,890)                   |
| Add: Trustee & Other Costs                                  |                            | <u>(140,043)</u>           | <u>(46,850)</u>            |
| Total Adjustments - Net                                     |                            | <u>(199,933)</u>           | <u>(106,740)</u>           |
| <b>Net Income (Loss)</b>                                    |                            | <b>\$ <u>(12,597)</u></b>  | <b>\$ <u>(117,822)</u></b> |
| <b>Analysis of Balance - Net Income (Loss):</b>             |                            |                            |                            |
| General Fund  |                            | \$ (39,998)                | (41,577)                   |
| Debt Service Fund   |                            | <u>27,401</u>              | <u>(76,245)</u>            |
| <b>Totals</b>   |                            | <b>\$ <u>(12,597)</u></b>  | <b>\$ <u>(117,822)</u></b> |

**Other Supplementary Information**

CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS - ALL FUNDS  
YEAR ENDED DECEMBER 31, 2013

|   | GOVERNMENTAL FUNDS |                       |                   |                       | FIDUCIARY FUND | TOTAL ALL FUNDS |
|---|--------------------|-----------------------|-------------------|-----------------------|----------------|-----------------|
|   | GENERAL FUND       | CAPITAL PROJECTS FUND | DEBT SERVICE FUND | PRIVATE-PURPOSE TRUST |                |                 |
| Cash and Cash Equivalent Balance - December 31, 2010                          | \$ 81,381          | \$ 637,785            | \$ 356,743        | \$ 124,586            | \$             | 1,200,495       |
| Cash Receipts:  |                    |                       |                   |                       |                |                 |
| Local Subsidies Collected   | 25,000             |                       | 3,342,617         | 732,200               |                | 25,000          |
| Pledged Annual Service Charges Collected                                      |                    |                       |                   | 187,177               |                | 3,342,617       |
| Sale of Capital Assets  |                    |                       |                   | 112,857               |                | 732,200         |
| Loan/Rental/Miscellaneous Proceeds  |                    |                       | 50                |                       |                | 187,177         |
| Interest & Dividend/Miscellaneous Received                                    | 318                | 2,100,000             |                   |                       |                | 113,225         |
| Project Notes Issued  |                    | 150,000               |                   |                       |                | 2,100,000       |
| Note Paydown requirement  |                    |                       |                   |                       |                | 150,000         |
| Total Cash Receipts   | 25,318             | 2,250,000             | 3,342,667         | 1,032,234             |                | 6,650,219       |
| Cash Disbursements:   |                    |                       |                   |                       |                |                 |
| Operating Expenses  | 65,316             |                       | 140,043           |                       |                | 205,359         |
| Capital Outlay Expenditures   |                    | 637,785               |                   |                       |                | 637,785         |
| Redevelopment Costs   |                    |                       |                   | 833,022               |                | 833,022         |
| Project Notes Redeemed  |                    | 2,250,000             |                   |                       |                | 2,250,000       |
| Payment of Debt Service   |                    |                       | 3,175,223         |                       |                | 3,175,223       |
| Total Cash Disbursements  | 65,316             | 2,887,785             | 3,315,266         | 833,022               |                | 7,101,389       |
| Cash and Cash Equivalent Balance - December 31, 2012                          | \$ 41,383          | \$ 0                  | \$ 384,144        | \$ 323,798            | \$             | 749,325         |
| Analysis of Cash, Cash Equivalent and Investment Balance - December 31, 2012: |                    |                       |                   |                       |                |                 |
| By Account Type:  |                    |                       |                   |                       |                |                 |
| Cash and cash equivalents   | \$ 41,383          | \$ 0                  | \$ 384,144        | \$ 323,798            | \$             | 749,325         |
|   | \$ 41,383          | \$ 0                  | \$ 384,144        | \$ 323,798            | \$             | 749,325         |



CARTERET REDEVELOPMENT AGENCY  
 BOROUGH OF CARTERET  
 MIDDLESEX COUNTY, STATE OF NEW JERSEY

SCHEDULE OF REVENUE BONDS PAYABLE  
 FOR THE PERIOD ENDED DECEMBER 31, 2013

| Revenue Bonds, Series 2012C | 11/13/2012 \$ | 4,625,000 | 12/1/14 | \$ | 105,000.00 | 1.358% | \$ | 4,625,000.00 | \$ | (100,000.00) | \$ | 4,525,000.00 |
|-----------------------------|---------------|-----------|---------|----|------------|--------|----|--------------|----|--------------|----|--------------|
|                             |               |           | 12/1/15 |    | 105,000.00 | 1.596% |    |              |    |              |    |              |
|                             |               |           | 12/1/16 |    | 105,000.00 | 1.889% |    |              |    |              |    |              |
|                             |               |           | 12/1/17 |    | 110,000.00 | 2.189% |    |              |    |              |    |              |
|                             |               |           | 12/1/18 |    | 110,000.00 | 3.500% |    |              |    |              |    |              |
|                             |               |           | 12/1/19 |    | 115,000.00 | 3.500% |    |              |    |              |    |              |
|                             |               |           | 12/1/20 |    | 120,000.00 | 3.500% |    |              |    |              |    |              |
|                             |               |           | 12/1/21 |    | 125,000.00 | 3.500% |    |              |    |              |    |              |
|                             |               |           | 12/1/22 | *  | 125,000.00 | 3.500% |    |              |    |              |    |              |
|                             |               |           | 12/1/23 |    | 130,000.00 | 4.106% |    |              |    |              |    |              |
|                             |               |           | 12/1/24 |    | 135,000.00 | 4.106% |    |              |    |              |    |              |
|                             |               |           | 12/1/25 |    | 140,000.00 | 4.106% |    |              |    |              |    |              |
|                             |               |           | 12/1/26 | *  | 150,000.00 | 4.106% |    |              |    |              |    |              |
|                             |               |           | 12/1/27 |    | 155,000.00 | 4.541% |    |              |    |              |    |              |
|                             |               |           | 12/1/28 |    | 160,000.00 | 4.541% |    |              |    |              |    |              |
|                             |               |           | 12/1/29 |    | 170,000.00 | 4.541% |    |              |    |              |    |              |
|                             |               |           | 12/1/30 |    | 175,000.00 | 4.541% |    |              |    |              |    |              |
|                             |               |           | 12/1/31 | *  | 185,000.00 | 4.541% |    |              |    |              |    |              |
|                             |               |           | 12/1/32 |    | 195,000.00 | 4.850% |    |              |    |              |    |              |
|                             |               |           | 12/1/33 |    | 200,000.00 | 4.850% |    |              |    |              |    |              |
|                             |               |           | 12/1/34 |    | 210,000.00 | 4.850% |    |              |    |              |    |              |
|                             |               |           | 12/1/35 |    | 220,000.00 | 4.850% |    |              |    |              |    |              |
|                             |               |           | 12/1/36 |    | 230,000.00 | 4.850% |    |              |    |              |    |              |
|                             |               |           | 12/1/37 |    | 245,000.00 | 4.850% |    |              |    |              |    |              |
|                             |               |           | 12/1/38 |    | 255,000.00 | 4.850% |    |              |    |              |    |              |
|                             |               |           | 12/1/39 |    | 270,000.00 | 4.850% |    |              |    |              |    |              |
|                             |               |           | 12/1/40 | *  | 280,000.00 | 4.850% |    |              |    |              |    |              |

\* Term Bonds

|                                 |    |                     |
|---------------------------------|----|---------------------|
| Term Bonds Due December 1, 2022 | \$ | 595,000.00          |
| Term Bonds Due December 1, 2026 |    | 555,000.00          |
| Term Bonds Due December 1, 2031 |    | 845,000.00          |
| Term Bonds Due December 1, 2040 |    | <u>2,105,000.00</u> |
|                                 | \$ | <u>4,100,000.00</u> |

Totals

|    |                     |    |                     |    |                     |
|----|---------------------|----|---------------------|----|---------------------|
| \$ | <u>6,310,000.00</u> | \$ | <u>(135,000.00)</u> | \$ | <u>6,175,000.00</u> |
|----|---------------------|----|---------------------|----|---------------------|

CARTERET REDEVELOPMENT AGENCY  
 BOROUGH OF CARTERET  
 MIDDLESEX COUNTY, STATE OF NEW JERSEY

SCHEDULE OF NOTES PAYABLE  
 FOR THE PERIOD ENDED DECEMBER 31, 2013

| ISSUE  | DATE OF ISSUE | AMOUNT OF ORIGINAL ISSUE | MATURITY DATE | AMOUNT       | INTEREST RATE | BALANCE JANUARY 1, 2013 | ISSUED                 | RETIRED                  | BALANCE DECEMBER 31, 2013 |
|--|---------------|--------------------------|---------------|--------------|---------------|-------------------------|------------------------|--------------------------|---------------------------|
| Project Note, Series 2012A (Tax Exempt)        |               | \$                       |               | \$           |               | 1,587,000.00            | 0.00                   | (1,587,000.00)           | 0.00                      |
| Project Note, Series 2013A (Tax Exempt)        |               | 1,587,000                | 9/25/14       | 1,587,000.00 | 1.250%        |                         | 1,587,000.00           |                          | 1,587,000.00              |
| Project Note, Series 2012B (Federally Taxable) |               |                          |               |              |               | 663,000.00              | 0.00                   | (663,000.00)             | 0.00                      |
| Project Note, Series 2013B (Federally Taxable) |               | 513,000                  | 9/25/14       | 513,000.00   | 2.250%        |                         | 513,000.00             |                          | 513,000.00                |
| <b>Totals</b>                                  |               |                          |               |              |               | <u>\$ 2,250,000.00</u>  | <u>\$ 2,100,000.00</u> | <u>\$ (2,250,000.00)</u> | <u>\$ 2,100,000.00</u>    |

Project Notes Issued  
 Notes Payable Redeemed  
 Total Retired

\$ (2,100,000.00)  
 (150,000.00)  
 \$ (2,250,000.00)

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, STATE OF NEW JERSEY**  
**SCHEDULE OF LOANS PAYABLE  
FOR THE PERIOD ENDED DECEMBER 31, 2013**

| ISSUE   | DATE OF ISSUE  | AMOUNT OF ORIGINAL ISSUE | ANNUAL DATE | MATURITIES AMOUNT | INTEREST RATE | BALANCE JANUARY 1, 2013 | ISSUED        | RETIRED         | BALANCE DECEMBER 31, 2013 |               |
|---|--|--------------------------|-------------|-------------------|---------------|-------------------------|---------------|-----------------|---------------------------|---------------|
| New Jersey Environmental Infrastructure Trust<br>Trust Loan Agreement | 11/9/2006  | \$ 20,180,000            | 8/1/14      | 905,000.00        | 4.000%        | 16,315,000.00           | \$            | \$ (870,000.00) | 15,445,000.00             |               |
|   |  |                          | 8/1/15      | 940,000.00        | 5.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/16      | 985,000.00        | 5.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/17      | 1,035,000.00      | 5.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/18      | 1,085,000.00      | 4.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/19      | 1,130,000.00      | 4.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/20      | 1,175,000.00      | 4.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/21      | 1,225,000.00      | 4.375%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/22      | 1,275,000.00      | 4.375%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/23      | 1,330,000.00      | 4.375%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/24      | 1,390,000.00      | 4.500%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/25      | 1,450,000.00      | 4.500%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/26      | 1,520,000.00      | 4.500%        |                         |               |                 |                           |               |
|   |  |                          |             |                   |               |                         | 13,676,428.74 |                 | (978,148.26)              | 12,698,280.48 |
|   | New Jersey Environmental Infrastructure Trust<br>Fund Loan Agreement | 11/9/2006                | 18,292,833  | 2/1/14            | 210,476.34    | 0.000%                  |               |                 |                           |               |
|   |  |                          |             | 8/1/14            | 767,795.08    | 0.000%                  |               |                 |                           |               |
|   |  |                          | 2/1/15      | 199,329.97        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/15      | 778,202.47        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 2/1/16      | 184,858.16        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/16      | 791,442.64        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 2/1/17      | 169,693.54        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/17      | 807,069.12        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 2/1/18      | 153,759.15        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/18      | 821,925.82        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 2/1/19      | 140,395.82        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/19      | 836,274.47        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 2/1/20      | 126,478.25        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/20      | 850,068.88        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 2/1/21      | 112,006.44        | 0.000%        |                         |               |                 |                           |               |
|   |  |                          | 8/1/21      | 866,388.16        | 0.000%        |                         |               |                 |                           |               |
|   |  | 2/1/22                   | 95,504.34   | 0.000%            |               |                         |               |                 |                           |               |
|   |  | 8/1/22                   | 880,677.15  | 0.000%            |               |                         |               |                 |                           |               |
|   |  | 2/1/23                   | 78,328.68   | 0.000%            |               |                         |               |                 |                           |               |
|   |  | 8/1/23                   | 897,371.69  | 0.000%            |               |                         |               |                 |                           |               |
|   |  | 2/1/24                   | 60,412.11   | 0.000%            |               |                         |               |                 |                           |               |
|   |  | 8/1/24                   | 916,404.43  | 0.000%            |               |                         |               |                 |                           |               |
|   |  | 2/1/25                   | 41,152.29   | 0.000%            |               |                         |               |                 |                           |               |
|   |  | 8/1/25                   | 934,093.92  | 0.000%            |               |                         |               |                 |                           |               |
|   |  | 2/1/26                   | 21,061.10   | 0.000%            |               |                         |               |                 |                           |               |
|   |  | 8/1/26                   | 957,110.46  | 0.000%            |               |                         |               |                 |                           |               |

Totals \$ 29,991,428.74 \$ 0.00 \$ (1,848,148.26) \$ 28,143,280.48

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**ROSTER OF OFFICIALS  
AS AT DECEMBER 31, 2013**

**Roster of Officials - December 31, 2013:**

| <b><u>AGENCY COMMISSIONERS</u></b> | <b><u>POSITION</u></b> |
|------------------------------------|------------------------|
| Anthony Neibert                    | Chairman               |
| Chester Bohanek, Jr.               | Vice-Chairman          |
| Talisa Andrews                     | Commissioner           |
| Vincent Bellino                    | Commissioner           |
| Dennis Cherepski                   | Commissioner           |
| Christopher Fiore                  | Commissioner           |
| Frank Kaskiw                       | Commissioner           |

**AGENCY OFFICIAL(S)**

|                    |                    |
|--------------------|--------------------|
| Eric F.M. Chubenko | Executive Director |
| Michael T. Sica    | General Counsel    |

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
COUNTY OF MIDDLESEX, NEW JERSEY**

**GENERAL COMMENTS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2013**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Carteret Redevelopment Agency, County of Middlesex, New Jersey, for the period ended December 31, 2013, has been completed.

Scope of Audit

The audit covered the financial transactions of the finance function of the Carteret Redevelopment Agency, County of Middlesex, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of Carteret Redevelopment Agency, Borough of Carteret, County of Middlesex, New Jersey as of and for the fiscal year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A deficiency 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 significant deficiency is a deficiency, or 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

With respect to the reporting of internal control matters, Statement on Auditing Standards No. 115 requires that only a significant deficiencies and material weaknesses need be reported in writing to management and those charged with governance.

RECOMMENDATION(S)

NONE

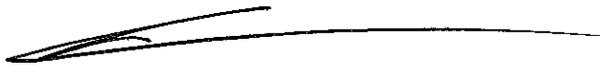
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ACKNOWLEDGMENT

During the course of our engagement we received the complete cooperation of the various officials and employees of the Agency, and the courtesies extended to us were greatly appreciated.

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA  
No. 406

