

**HIGHLAND PARK REDEVELOPMENT  
AGENCY  
BOROUGH OF HIGHLAND PARK  
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.

**HIGHLAND PARK REDEVELOPMENT AGENCY  
BOROUGH OF HIGHLAND PARK  
MIDDLESEX COUNTY, NEW JERSEY**

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the  
Highland Park Redevelopment Agency  
Highland Park, 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 Highland Park Redevelopment Agency, Highland Park, 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.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Highland Park Redevelopment Agency, Highland Park, New Jersey, as of December 31, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

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

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Highland Park Redevelopment Agency, Highland Park, New Jersey, the basic financial statements. Supplemental data and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

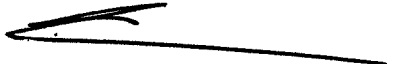
The supplemental data section has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In Accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2104, on our consideration of the Highland Park 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 Highland Park Redevelopment Agency's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

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

  
Andrew G. Hodulik  
Registered Municipal Account  
No. 406

Highland Park, New Jersey  
July 16, 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  
Highland Park Redevelopment Agency  
Highland Park, 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 Highland Park 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 Highland Park Redevelopment Agency basic financial statements, and have issued our report thereon dated July 16, 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying General Comments Section of this report.

We noted certain matters, including matters of control deficiencies, which we reported to the Agency in the General Comments section of this report.

## Purpose of this Report

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

This report is intended for the information and use of the members and management of the Highland Park Redevelopment Agency and the Division of Local Government Services and is not intended to be, and should not be, used by anyone other than these specified parties.



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

Highland Park, New Jersey  
July 16, 2014

**REQUIRED SUPPLEMENTARY INFORMATION**



**HIGHLAND PARK REDEVELOPMENT AGENCY  
MIDDLESEX COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2013**

The Highland Park Redevelopment Agency (the "Authority") is a component-unit of the Borough of Highland Park, Middlesex County, New Jersey (the "Borough"). The following Management's Discussion and Analysis of the activities and financial performance of the Authority provide an introduction to the financial statements of the Authority for the year ended December 31, 2013. Please read it in conjunction with the Authority'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**

Cash and investments decreased by \$849 (-19.21%) to \$3,569 in 2013 from 4,417 in 2012, other assets remained unchanged in 2013 from \$0 in 2012, and total current assets decreased by \$849 (-19.21%) to \$3,569 in 2013 from 4,417 in 2012.

Other liabilities decreased by \$136,750 (-99.17%) to \$1,150 in 2013 from \$137,899.76 in 2012 and total current liability decreased by \$1,150 in 2013 from \$137,899.76 in 2012.

Operating revenues decreased by \$4,688 (-43.86%) to \$6,000 in 2013 from \$10,688 in 2012.

Operating expenses decreased by \$3,860 (-38.63%) to \$6,132 in 2013 from \$9,992.00 in 2012.

Net income (loss) decreased by \$828 (-119.01%) from a net gain of \$696.00 in 2012 to a net loss of (\$132) in 2013.

**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 government-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 Assets 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.

**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 Governmental Fund Balance Sheet and Statement of Net Assets at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>	Change Increase/ (Decrease)	Percentage of Change
Current assets	<u>\$3,568</u>	<u>\$4,417</u>	(\$848)	-19.21%
Total assets	3,568	4,417		
Current -liabilities	<u>\$1,150</u>	<u>\$137,900</u>	(\$136,750)	-99.17%
Total liabilities	1,150	137,900		
Net Assets	<u>2,419</u>	<u>(\$133,483)</u>	<u>135,902</u>	<u>101.81%</u>

**Results of Operations:** The following table summarizes the results of operations for 2013 and 2012:

	<u>2013</u>	<u>2012</u>	Change Increase/ (Decrease)	Percentage of Change
Operating -expenses	\$6,132	\$9,992	(\$3,860)	-38.63%
Total expenditures	<u>6,132</u>	<u>9,992</u>		
General - revenues - net	<u>6,000</u>	<u>10,688</u>	<u>(4,688)</u>	<u>-43.86%</u>
Excess of Revenues over Expenditures	(132)	696	(828)	-119.01%

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The Authority has not acquired any capital assets and carries no debt as of the date of this report.

#### **CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide Highland Park Borough residents and taxpayers, and the Authority's customers, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, please contact Diane Reh, Secretary, Highland Park Redevelopment Agency, 221 South Fifth Avenue, Highland Park, New Jersey, 08904.

**FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE AND GOVERNMENTAL FUNDS**

**HIGHLAND PARK REDEVELOPMENT AGENCY  
BOROUGH OF HIGHLAND PARK  
MIDDLESEX COUNTY, NEW JERSEY**

**GOVERNMENTAL FUNDS BALANCE SHEET/  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2013**

	<b>General Fund</b>	<b>Adjustments (See Notes)</b>	<b>Statement of Net Assets</b>
<b>ASSETS</b>			
Cash and investments	\$ <u>2,419</u>	\$ _____	\$ <u>2,419</u>
Total Assets	\$ <u><u>2,419</u></u>	\$ <u><u>          </u></u>	\$ <u><u>2,419</u></u>
<b>LIABILITIES</b>			
Loans Payable	<u>0</u>	_____	<u>0</u>
Total Liabilities	<u>0</u>	_____	<u>0</u>
<b>FUND BALANCE/ NET ASSETS</b>			
Fund balances:			
Unreserved	<u>2,419</u>	<u>(2,419)</u>	<u>0</u>
Total fund balance	<u>2,419</u>	<u>(2,419)</u>	<u>0</u>
Total liabilities and fund balance \$	<u><u>2,419</u></u>		
Net assets:			
Unrestricted		<u>2,419</u>	<u>2,419</u>
Total net assets		\$ <u><u>2,419</u></u>	\$ <u><u>2,419</u></u>

**Note: See Notes to Financial Statements.**

**HIGHLAND PARK REDEVELOPMENT AGENCY  
BOROUGH OF HIGHLAND PARK  
MIDDLESEX COUNTY, NEW JERSEY**

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

	<b>General Fund</b>	<b>Adjustments (See Notes)</b>	<b>Statement of Activities</b>
Expenditures/ expenses:			
Redevelopment - operations	\$ 6,132	\$ _____	\$ 6,132
Total expenditures/ expenses	<u>6,132</u>	<u>_____</u>	<u>6,132</u>
General revenues:			
Operating Grants & Entitlements			
Interest and dividend income			
Service Charges			
Local Subsidy	6,000		6,000
Loan Payable Cancelled	<u>136,034</u>	<u>_____</u>	<u>136,034</u>
Total general revenues	<u>142,034</u>	<u>_____</u>	<u>142,034</u>
Excess/(Defecit) of revenues over expenditures	135,902	(135,902)	
Change in net assets		135,902	135,902
Fund balance/ net assets:			
Beginning of the year	<u>(133,483)</u>	<u>_____</u>	<u>(133,483)</u>
End of the year	<u>\$ 2,419</u>	<u>\$ _____</u>	<u>\$ 2,419</u>

**Note: See Notes to Financial Statements.**

**FIDUCIARY FUNDS**



**HIGHLAND PARK REDEVELOPMENT AGENCY  
BOROUGH OF HIGHLAND PARK  
MIDDLESEX COUNTY, NEW JERSEY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2013**

	<b>HPRA Development <u>Account</u></b>
<b>ASSETS</b>	
Cash and investments	\$ <u>1,150</u>
Total Assets	\$ <u><u>1,150</u></u>
<b>NET ASSETS</b>	
Held in Trust for redevelopment costs and other related purposes	\$ <u>1,150</u>
<b>TOTAL NET ASSET</b>	\$ <u><u>1,150</u></u>

**Note: See Notes to Financial Statements.**

Exhibit -D

HIGHLAND PARK REDEVELOPMENT AGENCY  
BOROUGH OF HIGHLAND PARK  
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2013

	<b>HPRA Development <u>Account</u></b>
<b>ADDITIONS:</b>	
Service Charges	\$ <u>          0</u>
<b>DEDUCTIONS:</b>	
Redevelopment Expenditures	<u>          716</u>
Change in net assets	(716)
Net Assets Beginning of the Year	<u>         1,866</u>
Net Assets End of the year	\$ <u><u>         1,150</u></u>

**Note: See Notes to Financial Statements.**

**HIGHLAND PARK REDEVELOPMENT AGENCY  
BOROUGH OF HIGHLAND PARK  
MIDDLESEX COUNTY, NEW JERSEY**

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

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

**A. General Statement**

Authorizing Legislation - The Highland Park 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 May 2004, of the Borough of Highland Park ("the creating municipality"), a municipal corporation of the State of New Jersey located in the County of Middlesex.

The Agency was created to serve as a redevelopment entity for the economic development and redevelopment of areas designated in a redevelopment plan.

The ordinance creating the Agency provides that the Agency shall consist of seven commissioners, each of whom shall be appointed by the governing body by resolution.

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 resolution approving the Borough's request for establishment of a redevelopment agency on November 12, 2003. The Borough adopted the enacting ordinance on May 4, 2004. The Highland Park Redevelopment Agency began operation during the calendar year 2005, accordingly, the year ended December 31, 2005 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 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.

**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 Highland Park 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 Highland Park 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**

GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments established standards for external financial reporting for all state and local governmental entities, which includes a Management's Discussion and Analysis section, a Balance Sheet and a Statement of Revenues, Expenses and Change in Net Assets. 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 assets, the reflection of capital contributions as a change in net assets, 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 Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Agency.

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.

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

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

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 are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Agency reports the following governmental fund:

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 assets and balance sheet for governmental funds; 2. statement of activities and revenues, expenditures, and changes in fund balance for governmental funds.

Fiduciary Funds

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

**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:

**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 maturity of three months or less carried at cost, which approximates market.

NOTES TO FINANCIAL STATEMENTS

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

**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. 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 Assets and Governmental Fund Balance Sheet:

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
Fund Balance			
Unreserved	\$2,419	(\$2,419)	\$0
Net Assets			
Unrestricted	\$0	\$2,419	\$2,419

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

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
Excess/(Deficit) of Revenues over Expenditures	\$135,902	(\$135,902)	\$0
Change in Net Assets	\$0	\$135,902	\$135,902

**I. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**J. Recent Accounting Standards**

GASB issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in March, 2010. The objective of this statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards" in March, 2010. The objective of this statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statement on Auditing Standards.

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

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

GASB issued Statement No. 65, "Summary of Statement No. 65 Items Previously Reported as Assets and Liabilities" in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

GASB issued Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62" in March 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

GASB issued Statement No. 67, "Financial Reporting for Pension Plans", and amendment to GASB Statement No. 25 in June 2012. The objective of this Statement is to improve the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assess accountability.

GASB issued Statement NO 68, "Accounting and Financial Reporting for Pensions: which amends GASB Statement No. 27. The objective of the 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.

GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations in January 2013. This Statement establishes account and financial reporting standards related to government combinations and disposals of government operations.

GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees" in April 2013. This Statement establishes account and financial reporting standards related to government that extends nonexchange financial guarantees.

GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68" in November 2013. This Statement address and issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions.

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

**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, which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insure deposits, or the State of New Jersey Cash Management Fund.

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

NOTES TO FINANCIAL STATEMENTS

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

Deposits (cont'd.)

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.

**Cash and Cash Equivalents**

The carrying amount of the Agency's cash and cash equivalents at year-end 2013 was \$3,569, which is all FDIC insured in a demand account.

At December 31, 2009, cash and cash equivalents and investments, by fund, are as follows:

	<u>2010</u>
General Fund	\$2,419
Fiduciary Fund	<u>1,150</u>
	<u>\$3,569</u>

**Custodial Credit Risk:**

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. As of December 31, 2013, based upon the insured balances as provided by FDIC and when and if applicable, NJGUDPA coverage, no amount of the Agency's bank balance of \$3,569 was exposed to custodial risk. The Agency does not have an official deposit policy for custodial credit risk, however informal custodial credit risk is based upon deposits with financial institutions utilizing FDIC and NJGUDPA coverage's.

**Investments:**

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: PROPERTY, PLANT AND EQUIPMENT**

The Agency did not acquire Property, Plant, and/or equipment during the year ended December 31, 2013.

**Note 4: OPERATING LEASES**

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



## NOTES TO FINANCIAL STATEMENTS

### **Note 5: LONG TERM/ SHORT TERM OBLIGATIONS**

The Agency has authorized a loan obligation with the Borough of Highland Park for which no terms of this loan have been executed as of the date of this report. The balance of the loan is \$136,034 as of the years ending December 31, 2012. During the period of this audit the Agency negotiated with the Borough of Highland Park to forgive this loan as of October 15, 2013, by action of the Governing Body Resolution # 10-13-324.

### **Note 6: CONTINGENT LIABILITIES AND PENDING LITIGATION**

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

### **Note 7: SUBSEQUENT EVENTS:**

March 5, 2014 the Agency adopted the annual budget for FY 2014 and received approval from the Division of Local Government Services on April 28, 2014.

**SUPPLEMENTAL SCHEDULES AND DATA**

**HIGHLAND PARK REDEVELOPMENT AGENCY  
BOROUGH OF HIGHLAND PARK  
MIDDLESEX COUNTY, NEW JERSEY**

**SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2013**

	<u>GENERAL FUND</u>	<u>FIDUCIARY FUND</u>	<u>TOTAL ALL FUNDS</u>
Cash and Investment Balances - December 31, 2012	\$ 2,551	\$ 1,866	\$ 4,417
Cash Receipts:			
Local Subsidy - Borough of Highland Park	<u>6,000</u>	<u>          </u>	<u>6,000</u>
Total Cash Receipts	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total Cash Receipts and Balance	<u>8,551</u>	<u>1,866</u>	<u>10,417</u>
Cash Disbursements:			
Operating Expenses	<u>6,132</u>	<u>716</u>	<u>6,849</u>
Total Cash Disbursements	<u>6,132</u>	<u>716</u>	<u>6,849</u>
Cash and Cash Equivalent Balance - December 31, 2012	<u>\$ 2,419</u>	<u>\$ 1,150</u>	<u>\$ 3,569</u>

**Analysis of Cash and Cash Equivalent Balance -  
December 31, 2013:**

By Account Type:			
Demand Account	<u>\$ 2,419</u>	<u>\$ 1,150</u>	<u>\$ 3,569</u>
	<u>\$ 2,419</u>	<u>\$ 1,150</u>	<u>\$ 3,569</u>

**HIGHLAND PARK REDEVELOPMENT AGENCY  
BOROUGH OF HIGHLAND PARK  
MIDDLESEX COUNTY, NEW JERSEY**

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

	<u>2013 BUDGET</u>	<u>2013 ACTUAL</u>	<u>2012 ACTUAL</u>
Revenues:			
Service Charges	\$	\$	\$ 10,688
Operating Grants & Entitlements			
Local Subsidies & Donations		6,000	
Misc Revenue			
Accounts Payable Cancelled			
<b>TOTAL REVENUES - BUDGETARY</b>	<u>\$ 0</u>	<u>\$ 6,000</u>	<u>\$ 10,688</u>
Expenses:			
Administration			
Salaries and Wages	\$	\$	\$
Other Expenses		6,132	9,992
Cost of Providing Services			
Other Expenses			
<b>TOTAL EXPENSES - BUDGETARY</b>	<u>\$ 0</u>	<u>\$ 6,132</u>	<u>\$ 9,992</u>
<b>Budgetary Revenues over Expenses</b>	<u>\$ 0</u>	<u>\$ (132)</u>	<u>\$ 696</u>
Reconciliation of Budgetary Basis to Net Income:			
Budgetary Revenues over Expenses Brought Forward		\$ (132)	\$ 696
Adjustments to Budgetary Basis:			
Less: Appropriations of Retained Earnings None		<u>0</u>	<u>0</u>
Total Adjustments - Net		<u>(132)</u>	<u>696</u>
<b>Net Income (Loss)</b>		<u>\$ (132)</u>	<u>\$ 696</u>

**HIGHLAND PARK REDEVELOPMENT AGENCY  
BOROUGH OF HIGHLAND PARK  
MIDDLESEX COUNTY, NEW JERSEY**

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

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

<u>AGENCY COMMISSIONERS</u>	<u>POSITION</u>	<u>TERM</u>
Micky Landis	Chairperson	July 11, 2014
Clint Andrews	Vice Chairperson	July 11, 2018
Rosanne Baruh	Commisioner	January 2, 2019
Mary Botteon	Commissioner	July 11, 2016
Edward Guttenplan	Commissioner	July 11, 2017
Francis McDonald	Commissioner	July 11, 2017
Randall Soloman	Commissioner	July 11, 2017
Gayle Brill Mittler	Council Liaison	July 11, 2017

**HIGHLAND PARK REDEVELOPMENT AGENCY  
BOROUGH OF HIGHLAND PARK  
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 Highland Park 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 Highland Park 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 the Highland Park Redevelopment Agency, 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 Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 control 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 misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

## INTERNAL CONTROL MATTERS (CONT'D.)

### Control Deficiencies:

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or a material weakness need be reported in writing to management and those charged with governance.

The control deficiencies reported are not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, control deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Agency's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

As indicated below, we identified certain deficiencies in internal control that we consider to be control deficiencies.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 31, 2013 on the financial statements of the Highland Park Redevelopment Agency. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

### Segregation of Duties

Conditions exist whereby the same person may collect, record, deposit, disburse, analyze and/or reconcile cash and investment activity within the Agency's finance function.

This condition is the result of multiple tasks performed by the same individual within the organization.

## OTHER MATTERS

### Tax Matters

Through the course of its business operations, the Agency should review its requirements for the filing of government information returns, where required.

### Authority Budget

As of the date of this audit report, the Agency had not introduced and submitted to the Director of the Division of Local Government Services for approval the 2013 authority budget, as a result they are not compliant with Statute N.J.A.C. 5:31-2.3 requiring each authority to transmit two certified copies of the introduced annual budget to the Director of the Division of Local Government Services at least sixty (60) days prior to the end of the current fiscal year.

As of the date of this audit the Agency has been in contact with DLGS and has agreed to move forward with the understanding that they will remain compliant with Statute N.J.A.C. 5:31-2.3 requiring each authority to transmit two certified copies of the introduced annual budget to the Director of the Division of Local Government Services at least sixty (60) days prior to the end of the current fiscal year. The Agency has introduced the 2014 budget with the time restraints of the Statute on October 17, 2013; it has been approved by the DLGS. The Agency amended the 2014 budget and adopted it on March 5, 2014, which was subsequently approved by the DLGS on April 28, 2014.

It is suggested the Agency continue to monitor the budget process to ensure they remain compliant with the Statute.

RECOMMENDATIONS

It is recommended:

None

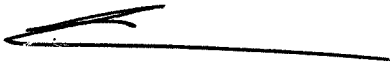
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ACKNOWLEDGMENT

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

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA  
No. 406