CITY OF CAMDEN REDEVELOPMENT AGENCY

Financial Report

December 31, 2011

CITY OF CAMDEN REDEVELOPMENT AGENCY

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December 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Commissioners of
City of Camden Redevelopment Agency

We have audited the accompanying financial statements of the business-type activities of City of Camden Redevelopment Agency (the "Agency") as of and for the years ended December 31, 2011 and 2010, which comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2011 and 2010, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated April 4, 2012 and April 6, 2011, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and State of New Jersey Circular Letter 04-04-OMB, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mercadien, P.C.
Certified Public Accountants

April 4, 2012

CITY OF CAMDEN REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

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

Responsibility and Control

The Agency has retained Mercadien, P.C., Certified Public Accountants, to prepare an independent audit of the financial statements for the years ended December 31, 2011 and 2010.

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

In management's opinion, the financial statements represent, in all material respects, the financial position, and results of operations and cash flows of the Agency as of and for the years ended December 31, 2011 and 2010, in conformity with generally accepted accounting principles.

Mission

The Agency's mission, since its creation on August 27, 1987, is an ongoing coordination with the Mayor and members of City Council to undertake the redevelopment of blighted, underdeveloped and improperly developed areas for the social and economic well being of the City of Camden (the "City") and its citizens.

In keeping with this mission, the Agency continues to focus on developing the physical and economic elements of the City's communities. Our services are geared toward enhancing daily living and commerce throughout the City.

Summary of Agency and Business

The Agency was established by ordinance of the Council of the City and is charged with the redevelopment of blighted areas and areas in danger of being in blight, in an effort to promote public health, safety, welfare and stimulate growth of the City. The City believes these are essential governmental functions that the Agency, operating independently, can perform more efficiently and economically than the City, if the City were to carry out these services directly.

Examples of the types of projects undertaken by the Agency include: rehabilitation of historic buildings; renovation of public facilities; market rate housing construction (for sale); affordable housing rehabilitation (for sale and rental); school construction projects; replacement housing for new school construction; and location assistance for entities relocating from within and outside of the City.

Accomplishments

- The Agency's grants from the American Recovery and Reinvestment Act of 2009 ("ARRA") continue in full implementation. The Agency was awarded grants from:

    - **U.S. Environmental Protection Agency** - $400,000 for petroleum and hazardous substance assessments at various industrial sites in the City of Camden; and

    - **U.S. Department of Housing and Urban Development** - $11.9 million for the Neighborhood Stabilization Program II (NSP2) in seven census tracts: North Camden, Lanning Square, Cooper Plaza, Gateway, Marlton, Stockton and Rosedale, with the following eligible activities: acquisition, new construction, rehabilitation, demolition, landbanking and greening of vacant lots. A major benchmark was achieved in February 2012 for 50% spend down of the total award. All funds must be spent by February 11, 2013. Beyond the aforementioned activities, job creation and the creation of a Real Estate Asset Management Program has been the result.

- *Management of Brownfield Program (City-wide)* - the Agency continued to manage the City's Brownfield Program under a shared services agreement. These services include contracting for investigation and remediation activities with state and federal grant sources. In addition, the Agency continued to host North Camden and Cramer Hill Brownfield Development Area advisory committees to work with the state and community on addressing environmental investigation and remediation in these neighborhoods.

- Specific redevelopment activities include the following:

    - *Rutgers Graduate Student apartments with commercial space (Downtown District)* - the development will be owned and operated by Rutgers-Camden. A redevelopment agreement was structured, negotiated and executed with a redeveloper, the Camden County Improvement Authority, for the property assemblage and sale in the Downtown District on Cooper Street. This redevelopment will energize Cooper Street and bring jobs to the Camden residents and businesses. The $55 million 12-story project is scheduled for completion in September 2012.

    - *University of Medicine & Dentistry of New Jersey new facility (Cooper/Lanning Neighborhood)* - the Agency completed the land assemblage and business relocation for the new construction. The school will grow from about 100 students in the first year to approximately 400 students in succeeding years. This $140 million project is scheduled for completion in September 2012.

    - *Catto School Demonstration with Stockton Park (Dudley Neighborhood)* - under the stewardship of the Agency as project manager, the $65 million school has been completed and opened. The $5 million park was also completed as of Fall 2011.

Accomplishments (Continued)

- *Ray and Joan Kroc Recreation Center (Cramer Hill Neighborhood)* - the Agency, in its environmental role, coordinated with The Salvation Army (recipient of $50 million from the Kroc Foundation), New Jersey Department of Energy, the New Jersey Attorney General's Office and the New Jersey Department of Transportation for the remediation of a long standing "dump." The $77 million 120,000 square foot recreation center is scheduled for completion in late 2013.

- *New Roosevelt Plaza Park (Downtown District)* - the Agency acts as the agent of the City and project manager for the construction of the new Roosevelt Plaza Park. The Agency completed the asbestos remediation of the Parkade Building where the park will be built and executed a contract for the demolition of the Parkade Building, a long standing vacant eyesore in front of City Hall. The demolition activities began in January 2011. The $9 million park project is scheduled for completion in late Spring 2012.

- *Campbell Soup Redevelopment of International Headquarters and Office Park (Gateway Neighborhood)* - Campbell Soup was able to celebrate its $100 million World Headquarters expansion in 2010. The expansion was successful based on the Agency's early execution of the terms and conditions of the Project Development Agreement for land acquisition and environmental remediation. While the impact of the economy's downward spiral has delayed the office park completion, activities are moving forward to prepare the Gateway neighborhood for its coming.

- *Cramer Hill Human Capital Plan* - the Agency completed its work in coordination with the Neighborhood Plan. The City Council adopted Ordinance MC-11639 in April 2011, approving the Cramer Hill Redevelopment Study and Plan along with the Human Capital Plan.

- *Central Waterfront Parking* - the Agency acted as the City's agent for the acquisition and land assemblage of properties through eminent domain, providing more than 1,200 temporary overflow parking spaces utilized by the Susquehanna Center for its concert series. The parking authority maintains and enforces the parking in that area. As a settlement was reached in the condemnation action with the prior property owners, the City realized more than $300,000 in back taxes. This also gave the City the ability to negotiate for additional funds for the additional parking spaces.

- *Amendment to the Lanning Square Redevelopment Study and Plan* - the Agency assisted the City Department of Planning and Development in undertaking the field surveys in Lanning Square that formed the basis for amending the redevelopment study and plan. This also carried out certain terms of the settlement agreement reached between the City and Lanning Square residents. City Council adopted Ordinance MC-4606 in March 2011, approving amendments and modifications to the Lanning Square redevelopment study and plan.

Accomplishments (Continued)

- *Real Estate Asset Management Program (RAMP)* - RAMP is a customer service driven system for the redevelopment of Agency owned property that results in an improved quality of life for residents and businesses, and sustainable revenues for the City and the Agency. One of the great achievements funded by the NSP2 grant is the development of RAMP. The disposition of properties in the RAMP inventory will also stimulate operating revenue. The program will allow the Agency to make huge strides in targeting and planning for specific development, particularly in the NSP2 areas. Staff members working with RAMP received asset management training online from the Neighborworks Institute.

Financial Analysis

	2011	2010	$ Difference	% Difference
Total Assets	$47,781,640	$42,255,903	$ 5,525,737	13.1 %
Total Liabilities	5,287,085	5,358,923	(71,838)	(1.3)%
Net Assets	42,494,555	36,896,980	5,597,575	15.2 %
Total Operating Revenue	17,383,481	17,639,972	(256,491)	(1.5)%
Total Operating Expense	13,970,600	17,859,018	(3,888,418)	(21.8)%

Total Assets

- Total assets increased by $5,525,737 or 13.1% compared to 2010 activities due to an increase in capital assets as a result of land acquired during the fiscal year.

Total Liabilities

- Total liabilities decreased by $71,838 or 1.3% compared to 2010. This change was primarily due to the decrease in deferred revenue.

Total Net Assets

- Total net assets increased by $5,597,575 or 15.2%, primarily due to the aforementioned acquisition of land during the fiscal year.

Total Operating Revenue

- The following two major categories affected total operating revenue:
  - Grant Revenue decreased by $124,917, or 0.8%, due to a slight decrease in activities of the various project grants managed by the Agency.
  - Project Management Fees decreased by $39,833, or 3.8%, due to an decrease in the number of projects managed by the Agency.

Total Operating Expense

- Total operating expense decreased by $3,888,418, or 21.8%, compared to 2010. This change was primarily due to an decrease of $2,813,566 or 19.3% in relocation and acquisition expenses for grant funded projects since the cost of acquiring land is capitalized upon purchase of the property.

Capital Assets

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

Debt

Intergovernmental loans payable in the amount of $210,398 is the result of two separate outstanding debts due to the County and New Jersey Redevelopment Authority ("NJRA").

- Debt to the County in the amount of $114,260; the County administrator's office has provided proof of the debt and the terms of repayment have been agreed to. The Agency intends to repay the debt within the 2012 fiscal year.

- Debt to the NJRA in the amount of $96,138; the NJRA and the Agency are in the process of determining terms of the repayment and when the amount will be repaid.

New Business and Goals

During 2012, the Agency will continue its focus on redevelopment work in the target neighborhoods of Cooper-Lanning, Gateway, Downtown, Cramer Hill, North Camden, Parkside, Centerville, Fairview and Whitman Park (in which two redevelopment projects and potential retail development are underway). Commercial developments, various market rate and affordable housing, infrastructure upgrades, open space, environmental investigation and remediation will be reflected in the work. Specific projects will include, among others, Radio Lofts (market condominiums), Cooper Grant Phase II (market housing) and Haddon Transit Village Hub (retail center and market housing).

The NSP2 implementation will require a good deal of staff time, as 100% of the funds must be spent by February 11, 2013.

The Agency's implementation of RAMP will greatly assist in generating revenues for the Agency and the City. These activities will include disposition through auction and redevelopment agreements. From the Tax Lien Finance Corporation, over 150 properties will be added to the RAMP inventory. Certain properties within NSP2 target areas are slated for rehabilitation or new construction, and are primarily located in the Cooper-Lanning neighborhood. The remainder will be held for auction or other redevelopment purposes.

The Agency will also continue the office park development by Campbell Soup with condemnations, acquisitions and environmental remediation as per the Project Development Agreement.

During 2011, two bargaining units were certified: Local 1360 will represent both supervisory and non-supervisory staff. The Agency will work with these units to assure a strong office environment.

Contacting the Agency

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

CITY OF CAMDEN REDEVELOPMENT AGENCY

STATEMENTS OF NET ASSETS

	December 31, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,936,134	$ 5,094,646
Rent receivable, net of allowance for uncollectible amounts of $24,750 for 2011 and 2010	27,600	27,600
Accounts receivable, net of allowance for uncollectible amounts of $21,317 for 2011 and 2010	41,486	39,324
Grants receivable	1,174,714	497,313
Notes receivable - current	-	170,000
Total current assets	5,179,934	5,828,883
Noncurrent assets		
Notes receivable - noncurrent	600,000	600,000
Capital assets, net of accumulated depreciation of $114,016 in 2011 and 2010	42,001,706	35,827,020
Total noncurrent assets	42,601,706	36,427,020
Total Assets	$47,781,640	$42,255,903
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 2,366,923	$ 871,405
Accrued interest payable	213,286	201,328
Deferred revenue	2,496,478	4,075,792
Intergovernmental loans payable	210,398	210,398
Total liabilities	5,287,085	5,358,923
Net Assets		
Invested in capital assets, net of related debt	41,791,308	35,616,622
Unrestricted	703,247	1,280,358
Total Net Assets	42,494,555	36,896,980
Total Liabilities and Net Assets	$47,781,640	$42,255,903

See notes to financial statements.

CITY OF CAMDEN REDEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2011	2010
Operating revenues		
Grants	$16,185,917	$16,310,834
Project management and administrative fees	1,004,366	1,044,199
Rental income	153,816	173,279
In-kind revenue	39,382	111,660
Total operating revenues	17,383,481	17,639,972
Operating expenses		
Relocation and acquisition expenses	11,790,224	14,603,790
Project consulting and management fees	446,152	1,659,390
Salaries and benefits	1,263,308	993,959
Professional fees	103,075	119,495
Insurance expense	220,623	188,626
In-kind salaries	1,777	74,055
Payroll taxes and service fees	79,617	70,779
Other operating expenses	6,163	90,283
In-kind rent	37,605	37,605
Office supplies	13,030	13,205
Training and conferences	4,380	4,772
Marketing	3,183	645
Travel	1,463	2,414
Total operating expenses	13,970,600	17,859,018
Operating income (loss)	3,412,881	(219,046)
Nonoperating revenues (expenses)		
Interest revenue	596	1,348
Interest expense	(11,958)	(11,958)
Net nonoperating expenses	(11,362)	(10,610)
Change in net assets before capital contributions and loss on acquisition and sale of land	3,401,519	(229,656)
Capital contributions	5,865,272	179,142
Loss on acquisition of land	(2,899,605)	-
Loss on sale of land	(769,611)	(229,423)
Change in net assets	5,597,575	(279,937)
Net assets, beginning of year	36,896,980	37,176,917
Net assets, end of year	$42,494,555	$36,896,980

See notes to financial statements.

CITY OF CAMDEN REDEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2011	2010
Cash flows from operating activities		
Cash received from grants income	$ 13,929,202	$ 18,090,047
Cash received from rental income	153,816	173,279
Other operating cash receipts	1,002,204	1,043,071
Payments made to employees for services	(1,263,308)	(993,959)
Payments made to suppliers for goods and services	(11,172,392)	(17,558,486)
Net cash provided by operating activities	2,649,522	753,952
Cash flows from noncapital financing activities		
Proceeds from other nonoperating sources	596	1,348
Net cash provided by noncapital financing activities	596	1,348
Cash flows from capital and related financing activities		
Cash received from land sales	269,387	578,036
Purchase of capital assets	(4,078,017)	-
Net cash (used in) provided by capital and related financing activities	(3,808,630)	578,036
Net change in cash and cash equivalents	(1,158,512)	1,333,336
Cash and cash equivalents, beginning of year	5,094,646	3,761,310
Cash and cash equivalents, end of year	$ 3,936,134	$ 5,094,646
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ 3,412,881	$ (219,046)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Increase (decrease) in cash from		
Accounts receivable	(2,162)	(1,128)
Grants receivable	(677,401)	1,018,224
Accounts payable and accrued expenses	1,495,518	(805,087)
Deferred revenue	(1,579,314)	760,989
Total adjustments	(763,359)	972,998
Net cash provided by operating activities	$ 2,649,522	$ 753,952

CITY OF CAMDEN REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity

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

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

Component Unit

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

Basis of Accounting, Measurement Focus and Basis of Presentation

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

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

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

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

Allowance for Uncollectibles

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

Capital Assets

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Net Assets

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

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

Restricted - This represents net assets whose use is limited by external parties. There were no restricted net assets as of December 31, 2011 and 2010.

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

Operating and Non-operating Revenues and Expenses

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

Grant Revenue

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

Income Taxes

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

Compensated Absences

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

B. CASH AND CASH EQUIVALENTS

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

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

(a) The market value of the collateral must equal 5% of the average daily balance of public funds; or

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

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

Custodial Credit Risk-Deposits

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

	December 31,			
	2011		2010	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Cash and cash equivalents	$ 3,936,134	$ 4,082,569	$5,094,646	$5,809,555

C. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	December 31,	
	2011	2010
Urban Enterprise Zone Authority	$ 62,803	$ 60,641
Less: allowance for uncollectible amounts	21,317	21,317
Total accounts receivable, net	$ 41,486	$ 39,324

D. NOTES RECEIVABLE

Notes receivable consist of the following:

	December 31,	
	2011	2010
Mortgage note due on 2/12/2011, non-interest bearing	$ -	$ 170,000
Mortgage note due in five annual installments of $120,000 commencing 8/27/2016. Interest accrues on the unpaid principal balance at a rate of 5% per annum beginning August 19, 2016.	600,000	600,000
Total notes receivable	$ 600,000	$ 770,000

CITY OF CAMDEN REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

E. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2011 and 2010, was as follows:

	2011			
	Beginning Balance	Increase	Decrease	Ending Balance
Non-depreciable assets				
Land inventory	$35,827,020	$ 9,943,289	$ (3,768,603)	$42,001,706
Total non-depreciable assets	35,827,020	9,943,289	(3,768,603)	42,001,706
Depreciable assets				
Furniture and equipment	114,016	-	-	114,016
Accumulated depreciation	(114,016)	-	-	(114,016)
Total depreciable assets	-	-	-	-
Capital assets, net	$35,827,020	$ 9,943,289	$ (3,768,603)	$42,001,706

	2010			
	Beginning Balance	Increase	Decrease	Ending Balance
Non-depreciable assets				
Land inventory	$37,225,337	$ 179,143	$ (1,577,460)	$35,827,020
Total non-depreciable assets	37,225,337	179,143	(1,577,460)	35,827,020
Depreciable assets				
Furniture and equipment	114,016	-	-	114,016
Accumulated depreciation	(114,016)	-	-	(114,016)
Total depreciable assets	-	-	-	-
Capital assets, net	$37,225,337	$ 179,143	$ (1,577,460)	$35,827,020

The market value ratio developed by Taxation and adopted by the Agency was 1.2091 and .6856 for 2011 and 2010, respectively. This rate was applied to contributed land in the year donated in order to convert from the tax-assessed value to fair market value. During 2011, the City of Camden performed a reassessment of all properties within the City of Camden, including those owned by the Agency. Based on the results of the reassessment, there was no impairment of the recorded value of the land owned by the Agency that would require a loss on impairment to be recognized.

F. INTERGOVERNMENTAL LOANS PAYABLE

The Agency has a loan payable of $96,138 as of December 31, 2011 and 2010, to the New Jersey Redevelopment Authority, secured by a property located in the City of Camden. Loan proceeds were used for professional studies for the Gateway North Shopping Center Development. Repayments of the entire principal and accumulated interest, at a 4% interest rate, commences one year after the sale of the property or when construction of the shopping center begins, whichever is earlier. As of December 31, 2011, the conditions for repayment had not yet been met.

The Agency also has a loan from the County of Camden. This agreement, made in December 1993 for $114,260 at an annual interest rate of 7.1%, was for a study to be undertaken to examine the engineering, architectural and financial potential for the re-use or disposition of the General Electric Company Facilities. The balance on the note was $114,260 as of December 31, 2011 and 2010. Repayments of the entire principal and accumulated interest on this loan are due on demand.

G. PENSION AND RETIREMENT PLANS

Simplified Employee Pension Plan

The Agency has a Simplified Employee Pension Plan ("SEP") available for all its employees. Employees are 100% vested in the SEP/IRA contribution at all times. If funds are available to make contributions, the Agency contributes up to 3% of the employee's compensation to the SEP. The Agency did not make contributions to the plan in 2011 or 2010.

Pension and Retirement Plans

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

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

Covered Agency employees are required by PERS to contribute 5.5% of their salaries. State statute requires the Agency to contribute the remaining amounts necessary to pay benefits when due. The amount of the Agency contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. The actuarial contribution requirements and the contributions made for the years ended December 31, 2011 and 2010, were $112,810 and $82,337, respectively.

H. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency maintains commercial insurance coverage for property, liability and surety bonds.

I. COMMITMENTS AND CONTINGENCIES

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

In 2010, the Agency was awarded $11,926,887 of Neighborhood Stabilization Program II funds under the American Recovery and Reinvestment Act of 2009 ("ARRA"). Under the terms of the award, the Agency has twenty-four months to expend half of the grant amount, and thirty-six months to expend the entire grant amount. The Agency met the requirement to expend half of the grant amount in February 2012.

J. RELATED PARTY TRANSACTIONS

The City of Camden provides employees and office space to the Agency at no charge. The value of these contributed services and rent is estimated at $1,777 and $37,605 for 2011, respectively, and $74,055 and $37,605 for 2010, respectively. The cost of liability insurance is also contributed by the City of Camden. However this cost cannot reasonably be estimated; consequently, no amounts have been reported in the financial statements for this liability insurance.

K. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after the statement of net assets date but before April 4, 2012, the date the financial statements were available to be issued. No matters were determined by management to require disclosure.

SUPPLEMENTARY INFORMATION

CITY OF CAMDEN REDEVELOPMENT AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2011

Federal Grantor/Program Title	Federal CFDA Number	Program Award Amount Received	Grant Period	Current Year Expenditures	Total Cumulative Expenditures
United States Environmental Protection Agency:					
Hazardous Substance - ARRA	66.818	$ 115,078	10/01/09 - 09/30/12	$ 47,590	$ 148,445
Petroleum Assessment - ARRA	66.818	155,585	10/01/09 - 09/30/12	63,487	177,939
Tire and Battery Lot 5	66.818	27,280	10/01/08 - 09/30/11	-	199,824
Tire and Battery Lot 4	66.818	-	10/01/08 - 09/30/11	-	200,000
ABC Barrel (324-330 N. Front Street)	66.818	971	10/01/10 - 09/30/13	30,009	30,009
ABC Barrel (300 Block of N. Second Street)	66.818	995	10/01/10 - 09/30/13	30,033	30,033
ABC Barrel (121-123 Penn Street)	66.818	971	10/01/10 - 09/30/13	30,009	30,009
United States Department of Housing & Urban Development: Neighborhood Stabilization Program II (ARRA)	14.256	3,525,642	01/14/10 - 02/11/13	3,661,705	3,755,511 *
		$ 3,826,522		$ 3,862,833	$ 4,571,770

* Denotes major program.

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

CITY OF CAMDEN REDEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended December 31, 2011

State Grantor/Program Title	State Account Number	Program Award Amount Received	Grant Period	Current Year Expenditures	Total Cumulative Expenditures	
New Jersey Economic Development Authority, Economic Recovery Board:						
Central Waterfront Parking	P16137	$ 4,805,005	11/04/04 until completion	$ 39,102	$ 4,566,418	
Campbell's Soup	P18198	3,095,372	06/01/07 until completion	171,473	2,710,312	
North Camden Infrastructure	P25607	109,989	07/17/09 until completion	-	104,989	
Cramer Hill Streetscape	P15443	644,478	10/28/05 until completion	-	644,478	
Neighborhood & Redevelopment I	P15686	328,070	05/19/04 until completion	45,336	349,562	
Neighborhood & Redevelopment II	P16904	190,500	01/11/06 until completion	-	189,058	
Demolition Fund	P15365	4,300,660	10/14/04 until completion	673,490	4,970,885	
301 Market	P17193	3,300,000	08/01/07 until completion	-	3,298,222	
Mixed Site Acquisition	P20265	680,856	01/01/07 until completion	144,220	303,636	
Tire & Battery	P20266	102,551	03/18/08 until completion	-	233,910	
Centerville Hope VI	P16011	5,000,000	09/04/04 until completion	-	5,000,000	
Cooper Plaza	P20263	751,850	01/01/07 until completion	-	47,100	
Cathedral Soup Kitchen	P16132	230,793	09/04/04 until completion	-	209,737	
River Road Affordable Housing	P16717	-	06/09/09 until completion	-	80,000	
Building 8	P17493	1,542,724	10/01/06 until completion	670,608	1,537,551	
New Jersey School Development Authority/ Catto School	N/A	73,107,479	01/04/05 until completion	5,545,057	73,119,986	*
State of New Jersey, Department of the Treasury:						
Development of Community Facilities	CDG-07-P03	412,500	07/01/08 - 12/31/09	-	825,000	
Harrison Landfill	V24N-5810	8,800	until completion	8,800	8,800	
New Jersey Economic Development Authority, Hazardous Discharge Site Remediation Fund:						
Harrison Landfill	P20557	3,505,624	12/11/07 until completion	2,831,105	3,963,268	*
Harrison Landfill	P24794	1,248,000	02/01/09 until completion	-	982,304	
Block N	P20369	33,445	04/17/08 until completion	-	10,808	
Tire & Battery	P21145	281,215	02/13/08 until completion	95,633	320,253	
East Village	P27089	287,335	06/04/09 until completion	-	287,335	
Sycamore Street/Oasis	P23306	169,775	08/12/08 until completion	-	193,401	
ABC Barrel	P23392	274,929	12/01/08 until completion	-	275,532	
Building 8	P20733	31,845	08/20/08 until completion	-	25,477	
Building 8	P23772	43,327	02/02/09 until completion	-	43,327	
Building 8	P26841	1,353,038	08/06/09 until completion	446,152	1,408,641	
New Jersey Urban Enterprise Zone Authority						
Roosevelt Place	07-32	136,964	09/13/06 until completion	136,964	277,543	
University of Medicine & Dentistry of New Jersey/ Block 190	N/A	4,961,031	09/20/06 until completion	-	4,357,848	
New Jersey Department of Environmental Protection/ Green Acres/ Roosevelt Plaza	N/A	1,262,408	10/16/09 - 10/16/11	357,568	1,815,485	
New Jersey Redevelopment Authority/ Building 8	04-22	2,059,578	02/25/05 until completion	-	1,820,181	
		$ 114,260,141		$ 11,165,508	$ 113,981,047	

* Denotes major program.

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

CITY OF CAMDEN REDEVELOPMENT AGENCY

NOTE TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended December 31, 2011

Note 1. Basis of Presentation

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

CITY OF CAMDEN REDEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

• Material weaknesses identified?	_______ yes	___X___ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_______ yes	___X___ none reported
Noncompliance material to financial statements noted?	_______ yes	___X___ no

Federal and State Awards
Internal control over major programs:

• Material weaknesses identified?	_______ yes	___X___ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_______ yes	___X___ none reported

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

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

CITY OF CAMDEN REDEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended December 31, 2011

Section I - Summary of Auditors' Results (Continued)

Identification of major programs:

CFDA Number / State Account Number	*Name of State Program*
14.256	United States Department of Housing & Urban Development: Neighborhood Stabilization Program II (ARRA)
P20557	New Jersey Economic Development Authority, Hazardous Discharge Site Remediation Fund - Harrison Landfill
N/A	New Jersey School Development Authority/ Catto School

Dollar threshold used to distinguish between type A and type B programs for federal awards:	$ 300,000
Dollar threshold used to distinguish between type A and type B programs for state awards:	$ 334,965
Auditee qualified as low-risk auditee for federal purposes?	____ yes __X__ no
Auditee qualified as low-risk auditee for state purposes?	____ yes __X__ no

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

Section II - Financial Statement Findings
NONE

Section III - Federal and State Award Findings and Questioned Costs
NONE

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Commissioners of
City of Camden Redevelopment Agency

We have audited the financial statements of City of Camden Redevelopment Agency (the "Agency") as of and for the year ended December 31, 2011, and have issued our report thereon dated April 4, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

Compliance and Other Matters

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

This report is intended solely for the information and use of the Commissioners, management and funding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mercadien, PC
Certified Public Accountants

April 4, 2012

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE OF NEW JERSEY CIRCULAR LETTER 04-04-OMB

To the Commissioners of
City of Camden Redevelopment Agency

Compliance

We have audited the compliance of City of Camden Redevelopment Agency (the "Agency") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011. The Agency's major federal and state programs are identified in the "Summary of Auditors' Results" section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and State of New Jersey Circular Letter 04-04-OMB. Those standards and OMB Circular A-133 and State of New Jersey Circular Letter 04-04 OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE OF NEW JERSEY CIRCULAR LETTER 04-04-OMB (CONTINUED)

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

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

This report is intended solely for the information and use of the Commissioners, management, others within the Agency, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mercadien, PC
Certified Public Accountants

April 4, 2012