

JERSEY CITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Jersey City)

REPORT OF AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

JERSEY CITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Jersey City)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Jersey City Redevelopment Agency, a component unit of the City of Jersey City as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Jersey City Redevelopment Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jersey City Redevelopment Agency as of December 31, 2015 and 2014, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the year ended December 31, 2015, the Jersey City Redevelopment Agency adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information 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 Jersey City Redevelopment Agency's basic financial statements as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by U.S. Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2016 on our consideration of the Jersey City Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Jersey City Redevelopment Agency's internal control over financial reporting and compliance.

Leach, Vinci & Higgins LLP

LERCH, VINCI & HIGGINS, LLP

Certified Public Accountants

Registered Municipal Accountants

Gary W. Higgins

Gary W. Higgins

Registered Municipal Accountant

RMA Number CR00405

Fair Lawn, New Jersey
May 26, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JERSEY CITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2015

This section of the Jersey City Redevelopment Agency's ("JCRA" or "Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year ended on December 31, 2015. Please read it in conjunction with the Agency's financial statements and accompanying notes.

The 1949 creation ordinance for the JCRA had two key tasks to be accomplished by the JCRA.

- Undertake certain urban renewal program activities for the City of Jersey City ("the City").
- Carryout redevelopment plans for the City.

FINANCIAL HIGHLIGHTS

- The Agency's total net position increased \$696,597, or approximately 2 percent. The increase is the net result of decreases in the investment in capital assets of \$45,096, restricted net position of \$204,072 and an increase in unrestricted net position of \$945,765.
- Cash and Cash Equivalents decreased \$1,008,317 or approximately 6 percent. The majority of the decrease is the result of current year operations.
- Operating revenues increased \$4,968,130. The increase is the net result of increases in Federal, State and private grant revenue realized of \$4,621,778, redeveloper fees and reimbursements of \$692,284, City and County contributions of \$930,341, and decreases in gains/contributions of property of \$1,106,250 and miscellaneous revenues of \$170,023.
- Operating expenses increased \$6,571,232. The increase is the result of decreases in both grant related and non-grant related redevelopment expenses.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

JERSEY CITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2015 (Continued)

FINANCIAL ANALYSIS OF THE AGENCY

Net Position – The following table summarizes Net Position as of December 31, 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net Position:			
Investment in Capital Assets	\$ 32,269,699	\$ 32,314,795	\$ 32,301,516
Restricted	1,336,630	1,540,702	1,500,280
Unrestricted	1,684,110	738,345	(1,747,465)
Total Net Position	<u>\$ 35,290,439</u>	<u>\$ 34,593,842</u>	<u>\$ 32,054,331</u>

The Agency's Net Position increased \$696,597 or 2.0% and \$2,539,511, or 7.9%, in the years ended December 31, 2015 and 2014, respectively, as a result of the following:

Net Investment in capital assets decreased \$45,096 and increased \$13,279 during 2015 and 2014, respectively; mainly as a result of the acquisition and disposition of certain properties, in 2015 and 2014, respectively.

Restricted net positions decreased \$204,072 and increased \$40,422 during 2015 and 2014, respectively, as a result of interest earnings and mortgage related restrictions.

Unrestricted net position increased \$945,765 and \$2,485,810 during 2015 and 2014, respectively, as a result of current year operating results.

The following table summarizes the capital assets as of December 31 2015, 2014 and 2013.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Invested in Capital Assets:</u>			
Buildings	\$ 9,676,058	\$ 9,676,058	\$ 9,676,058
Property Held for Redevelopment	25,692,087	25,540,461	25,330,461
Vehicles and Equipment	15,718	18,675	19,389
	35,383,863	35,235,194	35,025,908
Less:			
Accumulated Depreciation	<u>(3,114,164)</u>	<u>(2,920,399)</u>	<u>(2,724,392)</u>
	<u>\$ 32,269,699</u>	<u>\$ 32,314,795</u>	<u>\$ 32,301,516</u>

JERSEY CITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

OPERATING ACTIVITIES

The following table summarizes the changes in revenues, expenses and net position for the years ended December 31, 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:			
Federal and State Grants	\$ 6,218,456	\$ 1,596,678	\$ 3,515,031
Other:			
City and County Contributions	1,810,861	880,520	1,018,007
Redeveloper Fees	742,200	544,448	775,000
Redeveloper Reimbursements	2,006,156	1,511,624	3,185,876
Miscellaneous	3,166,517	3,336,540	1,453,873
Contributions of Buildings/Property Held for Redevelopment			1,060,000
Gain on Sale of Property	-	1,106,250	338,800
Total Operating Revenues	<u>13,944,190</u>	<u>8,976,060</u>	<u>11,346,587</u>
OPERATING EXPENSES			
Grant Related			
Federal and State	6,218,456	1,340,178	3,415,831
Nongrant Related			
City and County Contributions	1,810,861	880,520	1,018,007
Other	4,703,914	4,053,440	5,863,337
Depreciation	196,722	196,721	188,721
Disposition of Property Held for Redevelopment	112,138	-	1,346,623
Total Operating Expenses	<u>13,042,091</u>	<u>6,470,859</u>	<u>11,832,519</u>
OPERATING INCOME (LOSS)	<u>902,099</u>	<u>2,505,201</u>	<u>(485,932)</u>
NONOPERATING REVENUES (EXPENSES):			
Interest Revenue	44,498	34,310	38,021
Bad Debt Expense	(250,000)		
Cooperation Agreement-City of Jersey City	-	-	(278,871)
Total Nonoperating Revenues (Expenses)	<u>(205,502)</u>	<u>34,310</u>	<u>(240,850)</u>
Change in Net Position	<u>\$ 696,597</u>	<u>\$ 2,539,511</u>	<u>\$ (726,782)</u>

**JERSEY CITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015
(Continued)**

DEBT ADMINISTRATION

Capital Debt

The Agency has no debt outstanding at December 31, 2015, 2014 and 2013.

OTHER FINANCIAL INFORMATION

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Agency has applied and been approved for Community Development Block Grants from the City to continue existing projects.

The Agency continues to seek redevelopers to undertake redevelopment projects. These redevelopers are responsible to pay administrative fees, as well as the payment of all related professional fees for engineering, environmental and legal services. The Agency continues to review options to sell surplus property held for redevelopment.

All of these factors were considered in preparing the JCRA's budget for the 2016 fiscal year.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City of Jersey City, New Jersey citizens and redevelopers with a general overview of the Agency's finances to demonstrate the JCRA's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the office of the Executive Director at 66 York Street, Floor 2, Jersey City, New Jersey 07302.

BASIC FINANCIAL STATEMENTS

**JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2015 AND 2014**

ASSETS	<u>2015</u>	<u>2014</u> (restated)
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 9,153,929	\$ 9,806,488
Accounts Receivable	54,872	117,440
Intergovernmental Receivables	2,621,319	978,544
Less: Allowance for Doubtful Accounts	(250,000)	
Mortgage Loans Receivable	<u>428,125</u>	<u>196,967</u>
Total Unrestricted Current Assets	<u>12,008,245</u>	<u>11,099,439</u>
Restricted Current Assets		
Cash and Cash Equivalents	6,860,649	7,216,407
Mortgage Loan Receivable	<u>7,750,000</u>	<u>1,750,000</u>
Total Restricted Current Assets	<u>14,610,649</u>	<u>8,966,407</u>
Total Current Assets	<u>26,618,894</u>	<u>20,065,846</u>
Unrestricted Noncurrent Assets		
Mortgage Loans Receivable	<u>2,091,970</u>	<u>2,087,725</u>
Total Unrestricted Noncurrent Assets	<u>2,091,970</u>	<u>2,087,725</u>
Restricted Noncurrent Assets		
Mortgage Loans Receivable	1,850,000	9,600,000
Accrued Interest - Mortgage Loans Receivable	<u>-</u>	<u>204,825</u>
Total Restricted Noncurrent Assets	<u>1,850,000</u>	<u>9,804,825</u>
Capital Assets		
Buildings (Net of Accumulated Depreciation of \$3,098,446 and \$2,901,724)	6,577,612	6,774,334
Property Held for Redevelopment	25,692,087	25,540,461
Vehicles and Equipment (Net of Accumulated Depreciation of \$15,718 and \$18,675)	<u>-</u>	<u>-</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>32,269,699</u>	<u>32,314,795</u>
Total Noncurrent Assets	<u>36,211,669</u>	<u>44,207,345</u>
Total Assets	<u>62,830,563</u>	<u>64,273,191</u>
Deferred Outflows of Resources		
Deferred Amount on Net Pension Liability	<u>323,578</u>	<u>121,498</u>
Total Deferred Outflows of Resources	<u>323,578</u>	<u>121,498</u>
Total Assets and Deferred Outflows of Resources	<u>63,154,141</u>	<u>64,394,689</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2015 AND 2014**

LIABILITIES	2015	2014 (Restated)
Current Liabilities Payable from Unrestricted Assets		
Accounts Payable and Other Liabilities	\$ 144,788	\$ 856,670
Unearned Revenue	7,724,925	7,079,632
Redeveloper Contracts Payable	114,590	114,473
Intergovernmental Payables	1,693,460	1,693,460
Total Current Liabilities Payable from Unrestricted Assets	9,677,763	9,744,235
Current Liabilities Payable from Restricted Assets		
Project Deposits	5,924,019	6,280,530
Judgment Payable	7,750,000	1,750,000
Total Current Liabilities Payable from Restricted Assets	13,674,019	8,030,530
Total Current Liabilities	23,351,782	17,774,765
Noncurrent Liabilities Payable from Unrestricted Assets		
Inter-Agency Loan Payable	317,204	317,204
Compensated Absences Payable	340,145	320,082
Net Pension Liability	2,113,773	2,065,692
Total Noncurrent Liabilities Payable from Unrestricted Assets	2,771,122	2,702,978
Noncurrent Liabilities Payable from Restricted Assets		
Judgement Payable	1,450,000	9,200,000
Total Noncurrent Liabilities Payable from Restricted Assets	1,450,000	9,200,000
Total Noncurrent Liabilities	4,221,122	11,902,978
Total Liabilities	27,572,904	29,677,743
Deferred Inflows of Resources		
Deferred Amount on Net Pension Liability	290,798	123,104
Total Deferred Inflows of Resources	290,798	123,104
Total Liabilities and Deferred Inflows of Resources	27,863,702	29,800,847
NET POSITION		
Investment in Capital Assets	32,269,699	32,314,795
Restricted for:		
Renewal and Replacement	936,630	935,877
Other Purposes	400,000	604,825
Unrestricted	1,684,110	738,345
Total Net Position	\$ 35,290,439	\$ 34,593,842

The Notes to the Financial Statements are an Integral Part of this Statement.

JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u> (Restated)
OPERATING REVENUES		
Federal Grants		
Jersey City Pass-Through		
Department of Housing and Urban Development	\$ 5,645,055	\$ 1,288,831
Environmental Protection Agency	208,891	286,692
Department of Transportation		21,155
State Grants		
Department of Environmental Protection	317,510	
Private Grants		
Major League Baseball	47,000	
Other		
Redeveloper Fees	742,200	544,448
Redeveloper Reimbursements	2,006,156	1,511,624
City Contributions	905,445	880,520
Hudson County Open Space	905,416	
Miscellaneous	666,517	816,540
Miscellaneous - Property Lease	2,500,000	2,520,000
Gain on Sale of Property	-	1,106,250
	<u>13,944,190</u>	<u>8,976,060</u>
Total Operating Revenues		
OPERATING EXPENSES		
Grant Related		
Federal	1,835,923	1,340,178
State	4,335,533	
Private	47,000	
Nongrant Related		
City Contributions	905,445	880,520
Hudson County Open Space	905,416	
Redeveloper Reimbursed Expenses	2,053,619	1,511,624
Other	2,650,295	2,541,816
Depreciation	196,722	196,721
Disposition of Property Held for Redevelopment	112,138	-
	<u>13,042,091</u>	<u>6,470,859</u>
Total Operating Expenses		
Operating Income	<u>902,099</u>	<u>2,505,201</u>
NONOPERATING REVENUES (EXPENSES):		
Interest Revenue	44,498	34,310
Bad Debt Expense	(250,000)	-
	<u>(205,502)</u>	<u>34,310</u>
Total Nonoperating Revenues (Expenses)		
Change in Net Position	696,597	2,539,511
Net Position, Beginning of Year	<u>34,593,842</u>	<u>32,054,331</u>
Net Position, End of Year	<u>\$ 35,290,439</u>	<u>\$ 34,593,842</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Cash Receipts	\$ 12,667,385	\$ 9,796,012
Operating Cash Payments	(13,411,355)	(7,775,746)
Receipts of Project Deposits	1,689,949	2,349,211
Payments from Project Deposits	(1,735,030)	(1,225,631)
Receipts from the Sale of Property Held for Redevelopment	87,862	678,125
Payments for the Acquisition of Property Held for Redevelopment	<u>(351,626)</u>	<u>(460,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,052,815)</u>	<u>3,361,971</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>44,498</u>	<u>34,310</u>
Net Cash Provided by Investing Activities	<u>44,498</u>	<u>34,310</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,008,317)	3,396,281
Cash and Cash Equivalents at Beginning of Year	<u>17,022,895</u>	<u>13,626,614</u>
Cash and Cash Equivalents at End of Year	<u>\$ 16,014,578</u>	<u>\$ 17,022,895</u>
Analysis of Balance at December 31,		
Unrestricted - Cash and Cash Equivalents	\$ 9,153,929	\$ 9,806,488
Restricted - Cash and Cash Equivalents	<u>6,860,649</u>	<u>7,216,407</u>
	<u>\$ 16,014,578</u>	<u>\$ 17,022,895</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u> (Restated)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income	\$ 902,099	\$ 2,505,201
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	196,722	196,721
Change in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	62,568	(19,402)
(Increase)/Decrease in Intergovernmental Receivables	(1,642,775)	(386,177)
(Increase)/Decrease in Mortgage Loans Receivable	(235,403)	(675,241)
(Increase)/Decrease in Accrued Interest - Mortgage Loans Receivable	204,825	(39,726)
(Increase)/Decrease in Property Held for Redevelopment	(151,626)	(210,000)
Increase/(Decrease) in Accounts Payable and Other Liabilities	(711,882)	234,108
Increase/(Decrease) in Unearned Revenue	645,293	2,368,557
Increase/(Decrease) in Redeveloper Contracts Payable	117	66
Increase/(Decrease) in Compensated Absences Payable	20,063	22,142
Increase/(Decrease) in Project Deposits	(356,511)	850,158
Increase/(Decrease) in Intergovernmental Payable	-	(1,510,031)
Increase/(Decrease) in Net Pension Liability	48,081	23,989
(Increase)/Decrease in Deferred Amounts on Net Pension Liability	(34,386)	1,606
Total Adjustments	(1,954,914)	856,770
Net Cash Provided (Used) by Operating Activities	\$ (1,052,815)	\$ 3,361,971

The Notes to the Financial Statements are an Integral Part of this Statement.

NOTES TO FINANCIAL STATEMENTS

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Jersey City Redevelopment Agency (the "Agency") is a public body corporate and politic of the State of New Jersey. The Agency was created by municipal ordinance on August 16, 1949 pursuant to the provisions of Chapter 306 of the New Jersey Sessions Law of 1949, N.J.S.A. 40:55C-1, for the purpose of carrying out certain urban renewal program activities for City of Jersey City (the "City"). The Agency is empowered to exercise public and essential government functions, including acquisition, condemnation, clearance, renovation and redevelopment of property in designated blighted areas and to carry out redevelopment plans for the City.

The Agency is governed by a Board of Commissioners (the "Board") consisting of seven members, who are appointed by the Governing Body of the City of Jersey City. The Board of Commissioners determines policy actions, approves resolutions and selects an executive director to be responsible for the overall operation of the Agency.

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

In June of 1992 the City of Jersey City created by City Ordinance #92-066, a Division of Redevelopment. The purpose of said Division was to assume many of the programmatic duties of the Agency on a day-to-day basis. In addition thereto, a Cooperation Agreement was entered into between the Agency and the City of Jersey City whereby the Redevelopment Agency transferred a substantial portion of its personnel to this Division of Redevelopment.

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

B. New Accounting Standards

During the 2015 fiscal year, the Agency adopted the following GASB statements:

- GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective beginning with the year ending December 31, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

Other accounting standards that the Agency is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 72, *Fair Value Measurement and Application*, will be effective beginning with the fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective beginning with the fiscal year ending June 30, 2016. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

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

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

Reclassifications

Certain reclassifications may have been made to the December 31, 2014 balances to conform to the December 31, 2015 presentation.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

E. Assets, Deferred Outflows of Resources, Liabilities Deferred Inflows of Resources and Net Position

1. Cash Deposits and Investments

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

Investments held by the Agency approximate fair value, which is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

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

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities Deferred Inflows of Resources and Net Position (Continued)

2. Intergovernmental Receivables and Payables

Transactions between the Agency and the City of Jersey City and other City and State of New Jersey (the "State") agencies that are representative of capital allotment/grant award arrangements outstanding at the end of the fiscal year are referred to as intergovernmental receivables.

Amounts owed to the City of Jersey City and other City and State agencies at the end of the year as a result of contractual arrangements are reported as intergovernmental payables.

3. Mortgage Loans Receivable

The Agency has issued mortgage loans to secure a portion of the project costs on certain renovation and rehabilitation projects within the City.

4. Restricted Assets

Certain assets are restricted as the result of certain agreements entered into between the Agency and third parties.

5. Capital Assets

Buildings, property held for redevelopment and vehicles and equipment are recorded at cost or, if donated or contributed, are stated at their estimated fair market value on the date of receipt by the Agency. Capital assets are defined by the Agency as assets with an initial individual cost of \$2,000 and an estimated useful life in excess of five years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are expensed.

Major outlays for capital assets are capitalized as projects are constructed or acquired by the Agency. All other costs to place the assets in the intended location and condition for use are capitalized in the value of the asset constructed.

Buildings, vehicles and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Year</u>
Buildings	50
Vehicles	5
Equipment	3-6

6. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Agency has one item that qualifies for reporting in this category. It is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the Agency-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities Deferred Inflows of Resources and Net Position (Continued)

6. Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one type of item that qualifies for reporting in this category. It is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the Agency-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

7. Project Deposits

Certain monies held by the Agency or third parties on behalf of the Agency in conjunction with a specific project or purpose are reported as project deposits.

8. Unearned Revenue

Grant funds and related program income, City capital contributions and redeveloper reimbursements received, but not earned at year-end, are reported as unearned revenue.

9. Compensated Absences

It is the Agency's policy to permit employees to accumulate earned but unused sick leave, compensatory time and vacation benefits. A long-term liability of accumulated sick leave, compensatory time and vacation benefits and salary related payments has been recorded on the statement of net position, representing the Agency's commitment to fund such costs from future operations.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Net Position

In the statement of net position, there are three classes of net position:

- **Investment in Capital Assets** – consists of capital assets less accumulated depreciation.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities Deferred Inflows of Resources and Net Position (Continued)

12. Net Position Flow Assumption

Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted – net position have been depleted before unrestricted – net position is applied.

F. Revenues and Expenses

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

Grants received are recognized as revenue when the resources are expended for the purpose specified in the grant agreement. Grant funds received and not yet expended are reported as deferred revenue.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

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

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

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

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

For budgetary purposes the unrestricted net position as of December 31, 2015 and 2014 is \$3,765,103 and \$2,805,643 which excludes the impact of recognizing the net pension liability reported under GASB No. 68.

JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2015 and 2014, the book value of the Agency's deposits were \$16,014,578 and \$17,022,895, respectively, and bank balances of the Agency's cash and deposits amounted to \$16,474,128 and \$17,139,520, respectively. The Agency's deposits which are displayed on the statement of net position as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2015</u>	<u>2014</u>
Insured	\$ 8,733,277	\$ 9,440,010
Uninsured and Collateralized	<u>7,740,851</u>	<u>7,699,510</u>
	<u>\$ 16,474,128</u>	<u>\$ 17,139,520</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Agency does not have a formal policy for custodial credit risk. As of December 31, 2015 and 2014, the Agency's bank balances of \$7,740,851 and \$7,699,510 were exposed to custodial credit risk as follows:

	<u>2015</u>	<u>2014</u>
Uninsured and collateral held by pledging bank's trust department, not in the Agency's name	<u>\$7,740,851</u>	<u>\$7,699,510</u>

Investments

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

As of December 31, 2015 and 2014, the Agency had no outstanding investments.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 4 MORTGAGE LOANS RECEIVABLE

The mortgage loan receivable balances at December 31, 2015 and 2014 consists of mortgage loans on various properties in certain redevelopment areas.

<u>Location Description</u>	<u>Loan Terms</u>
• Ocean/Bayview	Issued to New Community Ocean/Bayview Housing Associates, L.P. on December 28, 1989 as a balloon mortgage for \$274,000 at an interest rate of 9% and subsequently rolled over in 1991 at an interest rate of 1% for a term of 20 years. The term of this mortgage has been extended for 30 years, maturing on June 10, 2021.
• Salem-Lafayette	Issued to Salem-Lafayette Urban Renewal Associates, L.P., on November 25, 1996 for \$400,000, with an interest rate of 7.03% per annum, compounded annually. Interest shall accrue from the date of issuance of the final certificate of occupancy (December 1, 2008). The mortgage shall mature upon the expiration of thirty (30) years from the issuance of the final certificate of occupancy.
• Grove Street 1	Issued to Exeter Property Services Corp. on September 21, 2001 for \$275,000 at a 3% interest rate. Principal and interest shall be paid monthly based upon a thirty year payout, however, all sums owed under the mortgage were originally due no later than October 5, 2011. The Agency has agreed to extend the due date for an additional thirty-six (36) months, with a maturity date of March 1, 2015.
• Grove Street 2	Issued to Majestic U.R. LLC on October 15, 2015 for \$183,344, with an interest rate of 4.25% per annum. The note provides for monthly payment of principal and interest of \$1,135 based on a twenty year payout. All sums owed on the note are due no later than November 15, 2025.
• 1 Edward Hart Road	Issued to 1 Edward Hart Road LLC in October 2015 for \$250,000 with an interest rate of 3.5%. The note requires monthly payments of interest only up to the earlier of the mortgagee securing permanent financing or October 2017 at which time a lump sum payment of the entire unpaid principal balance will be due.
• Journal Square	Issued to Kennedy, LLC on June 2, 2003 for \$700,000 as a balloon mortgage payable on June 2, 2033 at interest rates of 1% for years one through five, 3% for years six through fifteen, and 5% for years fifteen through thirty.
• Liberty Harbor	Issued to Liberty Harbor North II Urban Renewal Company, LLC on October 29, 2004. The mortgage provides an amount equal to any excess condemnation award determined by the Court related to the property for which the mortgage is secured. On February 6, 2009, the Superior Court of New Jersey determined the excess condemnation award to be \$17,350,000, plus interest. In July 2012, a settlement was entered into whereby the developer agreed to pay the Agency the sum of \$21,000,000 plus a deferred interest payment of \$1,450,000. Payments will be made in accordance with the agreed upon schedule of payments commencing in 2012 with the final payment to be made on or before June 30, 2018.
• MLK Drive	Issued to Jackson Green, LLC on May 29, 2013 for \$435,600, interest free. Payment shall be made by the borrower upon the sale of each unit for which the mortgage has been issued. The lien of the mortgage shall be released at closing with respect to each unit sold by the borrower, whether or not such sale provided proceeds to be applied to the repayment of the mortgage note.
• Liberty Manor	Issued to 28 Liberty Manor Development, LLC, on December 23, 2014 for \$678,125. Payments shall be made in thirty one (31) equal installments as each residential condominium unit is sold. Interest at a yearly rate of 2% will be charged on that part of the principal which has not been paid from the issuance date until all principal has been paid. Final payment shall be due on or before the maturity date of November 5, 2016.

JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 MORTGAGE LOANS RECEIVABLE (Continued)

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
		(Restated)
Ocean/Bayview	\$ 274,000	\$ 274,000
Salem-Lafayette	400,000	400,000
Grove Street 1		196,967
Grove Street 2	182,370	
1 Edward Hart Road	250,000	
Journal Square	700,000	700,000
Liberty Harbor	9,200,000	10,950,000
MLK Drive	435,600	435,600
Liberty Manor	678,125	678,125
	<u>\$ 12,120,095</u>	<u>\$ 13,634,692</u>
Restricted	\$ 9,600,000	\$ 11,350,000
Unrestricted	2,520,095	2,284,692
	<u>\$ 12,120,095</u>	<u>\$ 13,634,692</u>

NOTE 5 CAPITAL ASSETS

The following is a summary of the Agency's capital assets activity for the years ended at December 31, 2015 and 2014:

	<u>2015</u>			
	<u>Balance,</u>			<u>Balance,</u>
	<u>January 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2015</u>
Capital Assets, Not Being Depreciated:				
Property Held for Redevelopment	\$ 25,540,461	\$ 351,626	\$ (200,000)	\$ 25,692,087
Total Capital Assets, Not Being Depreciated	25,540,461	351,626	(200,000)	25,692,087
Capital Assets, Being Depreciated:				
Buildings	9,676,058			9,676,058
Vehicles and Equipment	18,675	-	(2,957)	15,718
Total Capital Assets Being Depreciated	9,694,733	-	(2,957)	9,691,776
Less Accumulated Depreciation for:				
Buildings	(2,901,724)	(196,722)		(3,098,446)
Vehicles and Equipment	(18,675)	-	2,957	(15,718)
Total Accumulated Depreciation	(2,920,399)	(196,722)	2,957	(3,114,164)
Total Capital Assets, Being Depreciated, Net	6,774,334	(196,722)	-	6,577,612
Capital Assets, Net	\$ 32,314,795	\$ 548,348	\$ (200,000)	\$ 32,269,699

JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 5 CAPITAL ASSETS (Continued)

	2014		
	Balance, January 1, 2014	Increases	Balance, December 31, 2014
Capital Assets, Not Being Depreciated:			
Property Held for Redevelopment	\$ 25,330,461	\$ 460,000	\$ 25,540,461
Total Capital Assets, Not Being Depreciated	25,330,461	460,000	25,540,461
Capital Assets, Being Depreciated:			
Buildings	9,676,058		9,676,058
Vehicles and Equipment	19,389	-	18,675
Total Capital Assets Being Depreciated	9,695,447	-	9,694,733
Less Accumulated Depreciation for:			
Buildings	(2,705,003)	(196,721)	(2,901,724)
Vehicles and Equipment	(19,389)	-	(18,675)
Total Accumulated Depreciation	(2,724,392)	(196,721)	(2,920,399)
Total Capital Assets, Being Depreciated, Net	6,971,055	(196,721)	6,774,334
Capital Assets, Net	\$ 32,301,516	\$ 263,279	\$ 32,314,795

On March 27, 1998 the Agency and the City of Jersey City entered into a cooperation agreement for the construction of a community/educational center on property owned by the Agency in Ward E. Under the agreement, the City agreed to issue bonds in the amount of \$9,500,000 and provide a grant of that amount solely to finance the construction of the project. The City has permanently financed the project through the issuance of general serial bonds, which have since been refinanced on multiple occasions. The facility was completed during 1999 and the Agency entered into certain leases for the entire facility. Pursuant to the cooperation agreement, the Agency will, to the extent reasonably possible, fully reimburse the City the annual amount needed by the City to pay principal and interest due on the bonds issued by the City to construct the facility from any revenue the agency receives under its lease of the facility. The Agency has complied with all financial provisions of the cooperation agreement from inception through December 31, 2015. Although the City has refinanced the original bonds, the Agency continues to calculate its reimbursement to the City based on the amortization schedule of the original bonds from any available revenue the Agency receives from leasing or renting the facility.

NOTE 6 OTHER LONG TERM LIABILITIES

A. Compensated Absences Payable

Under the existing policies of the Agency, employees are allowed to accumulate (with certain restrictions) unused sick leave, compensatory time and vacation benefits over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon retirement, termination in good standing or by extended absence immediately preceding retirement. Additionally, employees who meet certain minimum accruals are allowed to receive payments for compensatory and annual leave time in March and October for compensatory time and May for annual leave. It is estimated that the current cost of such unpaid compensation would approximate \$340,145 and \$320,082 at December 31, 2015 and 2014, respectively. These amounts are accrued as a noncurrent liability at December 31, 2015 and 2014.

JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6 OTHER LONG TERM LIABILITIES (Continued)

B. Inter-Agency Loan Payable – Brownfields Revolving Loan Program

In 2012 the Jersey City Redevelopment Agency entered into a loan agreement with the Hudson County Economic Development Corporation in the amount of \$273,000, which was amended to \$317,204 during 2013, for the abatement and removal of environmental hazards on certain properties located in Jersey City, New Jersey. This amount represents pass through funds from the United States Environmental Protection Agency's Brownfields Revolving Loan Program which are to be drawn down based on qualified expenditures. As of December 31, 2015 and 2014 the entire loan amount of \$317,204 has been drawn down by the Jersey City Redevelopment Agency. Throughout the term of the loan, a fixed rate of interest of 0.5% per annum will be charged. Interest is due and payable from inception to June 20, 2019 on June 20, 2019. Principal and interest payments in five equal installments commence on June 20, 2019 and will be paid on the first day of each year. All amounts of principal and interest owed will be paid no later than June 20, 2029. The Agency has recorded a loan payable of \$317,204 as of December 31, 2015 and 2014.

Changes in Other Long Term Liabilities

	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
Compensated Absences	\$ 320,082	\$ 36,033	\$ 15,970	\$ 340,145	
Inter-Agency Loan Payable	317,204			317,204	
Judgment Payable (See Note 9)	10,950,000		1,750,000	9,200,000	\$ 7,750,000
Net Pension Liability - PERS (See Note 7)	<u>2,065,692</u>	<u>129,036</u>	<u>80,955</u>	<u>2,113,773</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 13,652,978</u>	<u>\$ 165,069</u>	<u>\$ 1,846,925</u>	<u>\$ 11,971,122</u>	<u>\$ 7,750,000</u>
	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>	(Restated)				
Compensated Absences	\$ 297,940	\$ 56,650	\$ 34,508	\$ 320,082	\$ 15,970
Inter-Agency Loan Payable	317,204			317,204	
Judgment Payable (See Note 9)	11,700,000		750,000	10,950,000	1,750,000
Net Pension Liability - PERS (See Note 7)	<u>2,041,703</u>	<u>114,944</u>	<u>90,955</u>	<u>2,065,692</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 14,356,847</u>	<u>\$ 171,594</u>	<u>\$ 875,463</u>	<u>\$ 13,652,978</u>	<u>\$ 1,765,970</u>

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 7 EMPLOYEE RETIREMENT SYSTEM

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement system (retirement system) covering substantially all state and local government employees which includes those Agency employees who are eligible for pension coverage.

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

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PERS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. DCRP is a defined contribution pension plan.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement system to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

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

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

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

Basis of Accounting

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

Investment Valuation

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

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 7 EMPLOYEE RETIREMENT SYSTEM (Continued)

Investment Valuation (Continued)

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

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, which was rolled forward to June 30, 2014 the aggregate funded ratio for all the State administered retirement systems, including PERS, is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 52.08 percent and \$18.7 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuation, the date of the most recent actuarial valuations, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the pension trust funds. The actuarial assumptions included: (a) 7.90% for investment rate of return for PERS and (b) changes to projected salary increases of 2.15-5.40 percent based on age for PERS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 5.50 percent for DCRP and 6.92 percent for fiscal year 2015 for PERS of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended December 31, 2015 for PERS, which is a cost sharing multi-employer defined benefit pension plan, annual pension cost equals contributions made. In the DCRP, which is defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2015, 2014 and 2013, the Agency was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>	<u>DCRP</u>
2015	\$ 80,955	\$ 3,560
2014	90,955	825
2013	80,493	

JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 7 EMPLOYEE RETIREMENT SYSTEM (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS)

At December 31, 2015 and 2014, the Agency had a liability of \$2,113,773 and \$2,065,692, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Agency's proportionate share of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Agency's proportionate share was .00941 percent, which was a decrease of .00162 percent from its proportionate share measured as of June 30, 2014 of .01103 percent.

For the years ended December 31, 2015 and 2014, the pension system has determined the Agency's pension expense to be \$94,648 and \$116,597, respectively, for PERS based on the actuarial valuation which is more than the actual contribution made by the Agency of \$90,955 and \$80,493, respectively. At December 31, 2015 and 2014, the Agency's deferred outflows of resources and deferred inflows of resources related to PERS pension are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 50,427			
Changes of Assumptions	227,002		\$ 64,956	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 33,985		\$ 123,104
Changes in Proportion and Differences Between Agency Contributions and Proportionate Share of Contributions	<u>46,149</u>	<u>256,813</u>	<u>56,542</u>	<u>-</u>
Total	<u>\$ 323,578</u>	<u>\$ 290,798</u>	<u>\$ 121,498</u>	<u>\$ 123,104</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2016	\$ (5,493)
2017	(5,493)
2018	(5,493)
2019	(5,493)
2020	3,003
Thereafter	<u>51,749</u>
	<u>\$ 32,780</u>

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 7 EMPLOYEE RETIREMENT SYSTEM (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.15-4.40% Based on Age	2.15-4.40% Based on Age
Thereafter	3.15-5.40% Based on Age	3.15-5.40% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2014 and 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 7 EMPLOYEE RETIREMENT SYSTEM (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Discount Rate</u>
2015	4.90%
2014	5.39%

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 7 EMPLOYEE RETIREMENT SYSTEM (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Agency's proportionate share of the PERS net pension liability as of December 31, 2015 calculated using the discount rate of 4.90%, as well as what the Agency's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Agency's Proportionate Share of the PERS Net Pension Liability	\$ <u>2,627,161</u>	\$ <u>2,113,773</u>	\$ <u>1,683,352</u>

The sensitivity analysis was based on the proportionate share of the Agency's net pension liability at December 31, 2015. A sensitivity analysis specific to the Agency's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 8 RESTRICTED NET POSITION

The Agency has reserved certain prior year excess revenue received from the use of the community/educational center it owns to fund a renewal and replacement account for the future replacement of common element components of the facility. In addition, the Agency has restricted a portion of net position for a mortgage receivable and related accrued interest.

As of December 31, 2015 and 2014 the restricted net position is comprised of the following:

	<u>2015</u>	<u>2014</u>
Restricted for:		
Renewal and Replacement	\$ 936,630	\$ 935,877
Other Purposes	<u>400,000</u>	<u>604,825</u>
	<u>\$ 1,336,630</u>	<u>\$ 1,540,702</u>

NOTE 9 COMMITMENTS AND CONTINGENCIES

State and Federal Grants: The Agency receives grants from the State of New Jersey, the U.S. Government and the City of Jersey City that are generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by the grantors. In addition, these audits could result in the disallowance of costs previously reimbursed and require repayment to the grantor agency. The Agency estimates that no material liabilities will result from these audits.

Redeveloper Agreements: The Agency has entered into certain redeveloper agreements whereby the redeveloper is responsible for the payment of any awards of just compensation and any relocation claim awards resulting from the condemnation of real property. The Agency is however primarily liable for these payments if the redeveloper defaults on any payments. At the present time the financial terms of all redeveloper agreements have been met.

Environmental Remediation Liability: Certain of the Agency's redevelopment properties are in the process of being cleared of identified environmental contamination. Costs associated with the clean-up of these sites will be reimbursed by the prior property owners, project redevelopers and State or City agencies. Management believes the Agency's liability, if any, will not be material.

Litigation: The Agency is a defendant in several lawsuits which arose out of the normal course of business and which the Agency's management believes will not have a material impact on the financial statements, except as for the litigation set forth below. These liabilities, if any, not covered by insurance, should not be material in amount.

Jersey City Redevelopment Agency v. Kerrigan

The Agency has entered into a settlement agreement relating to a judgment pertaining to a condemnation award. In conjunction with the terms of the agreement the Agency obtained a mortgage on the related property from Liberty Harbor Holding, L.L.C. which constitutes a first lien on the property.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 COMMITMENTS AND CONTINGENCIES (Continued)

Jersey City Redevelopment Agency v. Kerrigan (Continued)

The redeveloper of the property shall make payments in accordance with an agreed upon schedule to the Agency's legal counsel. All payments received will be paid to the legal counsel in trust for the original property owners in satisfaction of the judgement payable. Upon final payment by the redeveloper the JCRA will discharge the mortgage on the property.

As of December 31, 2015, the redeveloper has made all payments required by the settlement agreement. The balance of the mortgage receivable and related judgment payable at December 31, 2015 is \$9,200,000. The Agency still has significant exposure to liability with respect to the JCRA v. Kerrigan case in that the redeveloper's financial resources and security for payment of the final award may be insufficient.

The payment schedule for the balance at December 31, 2015 is as follows:

PAYMENT DATE	PAYMENT AMOUNT
Balloon Payment on or before December 31, 2016	\$7,750,000
Deferred Interest Payment on or before June 30, 2018	\$1,450,000
TOTAL	\$9,200,000

NOTE 10 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency has obtained insurance coverage to guard against these events which will provide minimum exposure to the Agency should they occur.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

NOTE 11 RESTATEMENT

On January 1, 2015, the Jersey City Redevelopment Agency implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions". The Agency has determined that the effect of implementing this accounting change on the financial statements previously reported as of December 31, 2014 was to recognize the Agency's proportionate share of Public Employees' Retirement System's (PERS) net pension liability, contributions payable, deferred outflows of resources and deferred inflows of resources with a corresponding reduction in the unrestricted component of net position in the amount of \$2,158,253.

The Agency has restated its December 31, 2014 mortgages receivable to reflect a previously unrecorded mortgage loan. The net effect of this restatement was an increase in the unrestricted component of net position in the amount of \$435,600.

The net effect of these restatements combined is a decrease of total net position of \$1,722,653 at December 31, 2014 from \$36,316,495, as originally reported, to \$34,593,842.

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 CONDUIT DEBT OBLIGATIONS

The Agency has received approval to issue debt on behalf of third-party entities. The Agency has no obligation for the debt beyond the resources provided by the related trust indenture and funding agreements, and, accordingly, the debt is not reflected as a liability in accompanying financial statements.

The Agency's conduit debt activity for the year ending December 31, 2015 is as follows:

	Balance, December 31, 2014	Increase	Decrease	Balance, December 31, 2014
Series 2015 Redevelopment Area Bonds	-	\$ 10,000,000	-	\$ 10,000,000
	-	\$ 10,000,000	-	\$ 10,000,000

• Series 2015 Redevelopment Area Bonds – Forest City PEP-I

The Agency was granted approval during 2015 to issue \$20,000,000 of redevelopment area bonds for Forest City redevelopment projects.

On November 6, 2015, the Agency issued \$10,000,000 of federally taxable Redevelopment Area Bonds. The bonds have a final maturity date of September 15, 2040 and bear interest at a rate of 7% per annum. The entire principal amount of this bond shall be drawn down by December 31, 2016. Principal payments are due and payable on September 15 of each year, commencing in 2018. Interest payments are due and payable on March 15 and September 15 of each year, commencing in 2018. The obligation to make the payments of the principal of and interest on the bonds shall be secured by the pledge by the City of Jersey City of the pledged annual service charge, as stated in the financial agreement, dated September 9, 2015, governing payments made to the City in lieu of real estate taxes. These bonds were issued to (i) fund certain costs of Phase 1A of the redevelopment plan for the Harismus Cove Redevelopment Area; and (ii) pay certain costs incidental to the issuance and sale of the bonds, together with other costs permitted by the Local Redevelopment and Housing Law. As of December 31, 2015, the remaining authorization of \$10,000,000 has not been issued.

NOTE 13 DESIGNATION OF UNRESTRICTED NET POSITION

During 2015, the Board of Commissioners has designated \$350,000 of unrestricted net position for redevelopment revolving loans. The Board granted a \$250,000 revolving loan under this program in 2015.

NOTE 14 SUBSEQUENT EVENT

Conduit Debt Obligation

• Series 2016 Redevelopment Area Bonds – Journal Squared Project

The Agency was granted approval during 2013 to issue \$10,000,000 of redevelopment area bonds for Journal Square redevelopment projects.

On January 28, 2016, the Agency issued \$10,000,000 of federally taxable redevelopment area bonds. The bonds have a final maturity date of September 1, 2042 and bear interest at a rate of 7% per annum. Principal and interest shall be payable on each March 1, June 1, September 1, and December 1, commencing March 1, 2016. The Bonds are special limited obligations of the Agency payable solely from amounts pledged therefore under a Trust Indenture Agreement, dated January 28, 2016, including payments of pledged annual service charges pursuant to financial agreements between the City and redeveloper. These bonds were issued to finance a portion of certain public and private improvements in the Journal Square Redevelopment Area.

REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION

**JERSEY CITY REDEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last Three Years *

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Agency's Proportion of the Net Position Liability (Asset)	0.00941%	0.01103%	0.01068%
Agency's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 2,113,773</u>	<u>\$ 2,065,692</u>	<u>\$ 2,041,703</u>
Agency's Covered-Employee Payroll	<u>\$ 649,719</u>	<u>\$ 763,045</u>	<u>\$ 737,115</u>
Agency's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	325.34%	270.72%	276.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

* The amounts presented for each year were determined as of June 30 of the respective year.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the Agency will only present information for those years for which information is available.

**JERSEY CITY REDEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AGENCY'S CONTRIBUTIONS**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last Three Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily Required Employer Contribution	\$ 80,955	\$ 90,955	\$ 80,493
Contributions in Relation to the Statutorily Required Contributions	<u>80,955</u>	<u>90,955</u>	<u>80,493</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's Covered- Employee Payroll	<u>\$ 649,719</u>	<u>\$ 763,045</u>	<u>\$ 737,115</u>
Contributions as a Percentage of Covered-Employee Payroll	12.46%	11.92%	10.92%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the Agency will only present information for those years for which information is available.

**JERSEY CITY REDEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and
statutorily required employer contribution are presented in Note 7.

SUPPLEMENTARY SCHEDULES

**JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND APPROPRIATIONS
BUDGET TO ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2015

(With Comparative Actual Amounts for the Year Ended December 31, 2014)

REVENUES	2015 Budget	2015 Actual	Variance Excess (Deficit)	2014 Actual
<u>Operating Revenues</u>				
Other - Rents and Facility Charge	\$ 75,000	\$ 77,426	\$ 2,426	\$ 60,000
Other - Redeveloper Fees/Reimbursements	550,000	2,748,356	2,198,356	2,056,072
Federal Grants				
Community Development Block Grant				
Development	7,287,906	5,645,055	(1,642,851)	1,288,831
Other		208,891	208,891	307,847
State Grants		317,510	317,510	
Private Grants		47,000	47,000	
City of Jersey City - Capital Funds		905,445	905,445	880,520
Hudson County Open Space		905,416	905,416	
Lease - Marbella Towers	1,593,094	2,500,000	906,906	2,520,000
Miscellaneous		589,091	589,091	731,833
Other Reimbursements				24,707
<u>Non-Operating Revenues</u>				
Other - Interest on Investments and Deposits	40,000	44,498	4,498	34,310
 Total Revenues	 <u>9,546,000</u>	 <u>13,988,688</u>	 <u>4,442,688</u>	 <u>7,904,120</u>
 APPROPRIATIONS				
<u>Operating Appropriations</u>				
Administration:				
Salaries, Wages and Fringe Benefits	1,329,900	1,066,646	263,254	892,373
Other Expenses	664,100	3,741,052	(3,076,952)	2,584,494
Cost of Providing Services:				
Other Expenses	7,552,000	7,921,838	(369,838)	2,761,214
 Total Appropriations	 <u>\$ 9,546,000</u>	 <u>\$ 12,729,536</u>	 <u>\$ (3,183,536)</u>	 <u>6,238,081</u>
 Budgetary Income (Loss)	 <u>\$ -</u>	 1,259,152	 <u>\$ 7,626,224</u>	 1,666,039
 Reconciliation to GAAP Basis:				
Gain on Sale of Property				1,106,250
Disposition of Property Held for Redevelopment		(112,138)		
Depreciation Expense		(196,722)		(196,721)
Pension Expense - GASB 68		(3,695)		(36,057)
Bad Debt Expense		(250,000)		-
 Change in Net Position - GAAP Basis		 <u>\$ 696,597</u>		 <u>\$ 2,539,511</u>

GOVERNMENT AUDITING STANDARDS

AND

SINGLE AUDIT



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
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ROBERT AMPONSAH, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Jersey City Redevelopment Agency, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Jersey City Redevelopment Agency's basic financial statements, as listed in the table of contents, and have issued our report thereon dated May 26, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we have reported to management of the Jersey City Redevelopment Agency in the section of this report of audit entitled, "General Comments and Recommendations"

Purpose of this Report

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

Leuch, Vinci & Higgins LLP

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

Gary W. Higgins

Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
May 26, 2016



LERCH, VINCI & HIGGINS, LLP

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
U.S. UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the Jersey City Redevelopment Agency's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Jersey City Redevelopment Agency's major federal programs for the year ended December 31, 2015. The Jersey City Redevelopment Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for the compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Jersey City Redevelopment Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and U.S. Uniform Guidance 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 program occurred. An audit includes examining, on a test basis, evidence about the Jersey City Redevelopment Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Jersey City Redevelopment Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Jersey City Redevelopment Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the Jersey City Redevelopment Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Jersey City Redevelopment Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with U.S. Uniform Guidance, 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 Jersey City Redevelopment 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 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 program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

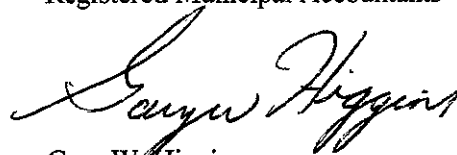
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by U.S. Uniform Guidance

We have audited the financial statements - regulatory basis of the Jersey City Redevelopment Agency as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Jersey City Redevelopment Agency's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 26, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Uniform Guidance is presented for purposes of additional analysis and is not a required part of the 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 audit 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
May 26, 2016

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Cumulative Expenditures</u>
U.S. Department of Housing and Urban Development -					
Passed Through City of Jersey City -	14.218	B-14-MC-41-0108	\$ 281,865	\$ 37,759	\$ 542,735
Community Development Block Grant Program	14.218	B-13-MC-40-0108	1,133	12,500	177,384
	14.218	B-12-MC-38-0108	46,650	35,261	891,968
	14.218	B-11-MC-38-0108	222,927	198,661	834,607
	14.218	B-09-MC-36-0108	998,916	1,342,851	2,704,200
Passed Through New Jersey Economic Development Authority					
Hurricane Sandy Disaster Recovery Program	14.269	Not Available	2,846,336	4,018,023	4,018,023
Total U.S. Department of Housing and Urban Development				5,645,055	
U.S. Environmental Protection Agency					
Passed Through City of Jersey City - Direct					
Hazardous Assessment	66.818	BF97207100	21,373	21,611	29,774
American Recovery and Reinvestment Act (ARRA)					
Brownfields Cleanup Program					
441 Ocean Ave.	66.818	BP97207300	12,076	8,794	34,967
443 Ocean Ave.	66.818	BP97207400	12,963	9,654	35,621
441-457 Ocean Ave.	66.818	BP97203812	14,402	15,297	56,175
Grand Jersey BDA	66.818	BF97207200	13,998	14,156	19,587
City-Wide Hazardous Assessment	66.818	Not Available	45,829	49,665	49,665
Petroleum Assessment	66.818	Not Available	71,563	89,714	89,714
Total U.S. Environmental Protection Agency				208,891	
Total Federal Awards Expenditures				\$ 5,853,946	

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>State Department and Grant Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Cumulative Expenditures</u>
<u>NJ Department of Environmental Protection</u>				
Hazardous Discharge Site Remediation				
100 Hoboken Avenue	P38741		\$ 167,410	\$ 167,410
441-457 Ocean Avenue - Investigative	Not Available		43,883	43,883
441-457 Ocean Avenue - Clean Up	Not Available		1,525	1,525
Grand Jersey BDA	P39533	\$ 15,300	4,475	4,475
Grand Jersey Waterfront Urban Renewal	Not Available	201,455	<u>100,217</u>	100,217
Total NJ Department of Environmental Protection			<u>317,510</u>	
Total State Financial Assistance Expenditures			<u>\$ 317,510</u>	

Note: This schedule was not subject to an audit in accordance with New Jersey OMB Circular 15-08.

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**JERSEY CITY REDEVELOPMENT AGENCY
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance of the Jersey City Redevelopment Agency. The Agency is defined in Note 1 to the Agency's financial statements. All federal financial assistance received directly from federal agencies, as well as federal assistance passed through other government agencies is included on the schedule of expenditures of federal awards.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds for state and local governments.

These bases of accounting are described in Notes 1 to the Agency's financial statements. The information in these schedules are presented in accordance with requirements of U.S. Uniform Guidance and New Jersey OMB Circular 15-08.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Agency's financial statements. Financial assistance revenues are reported in the Agency's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
U.S. Department of Housing and Urban Development	\$ 5,645,055		\$ 5,645,055
U.S. Environmental Protection Agency	208,891		208,891
N.J. Department of Environmental Protection	<u>-</u>	<u>\$ 317,510</u>	<u>317,510</u>
Total Financial Awards	<u>\$ 5,853,946</u>	<u>\$ 317,510</u>	<u>\$ 6,171,456</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Agency's fiscal year and grant program years.

**JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

Part 1 – Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued on financial statements

Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified?

 yes X no

2) Significant Deficiency(ies) identified that are not
considered to be material weakness(es)?

 yes X none reported

Noncompliance material to basic financial
statements noted?

 yes X no

Federal Awards Section

Internal Control over major programs:

1) Material weakness(es) identified?

 yes X no

2) Significant Deficiency(ies) identified that are not
considered to be material weakness(es)?

 yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with U.S Uniform Guidance?

 Yes X No

Identification of major federal programs:

CFDA Number(s)

14.218

Name of Federal Program or Cluster

Community Development Block Grant

Program

Hurricane Sandy Community

Development Block Grant

Disaster Recovery Program

14.269

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 Yes X No

State Awards Section

Not Applicable

**JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

Part 2 - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There are none.

**JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

Part 3 - Schedule of Federal and State Awards Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and N.J. OMB Circular 15-08, respectively.

CURRENT YEAR FEDERAL AWARDS

There are none.

CURRENT YEAR STATE AWARDS

Not Applicable.

**JERSEY CITY REDEVELOPMENT AGENCY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.

ROSTER OF OFFICIALS
AND
GENERAL COMMENTS AND RECOMMENDATIONS

ROSTER OF OFFICIALS
AS OF DECEMBER 31, 2015

<u>Name</u>	<u>Title</u>
Rolando R. Lavarro, Jr.	Chairman
Evelyn Farmer	Vice-Chairman
Diane Coleman	Commissioner
Erma D. Greene	Commissioner
Timothy N. Mansour	Commissioner
John D. Petkanas	Commissioner
Russell J. Verducci	Commissioner
David P. Donnelly	Executive Director
Christopher Fiore	Assistant Executive Director

GENERAL COMMENTS AND RECOMMENDATIONS

Current Year

The audit of payroll indicated that the Agency's employees were paid in excess of the approved salary and wage amounts for 2015 as a result of 27 pays occurring during the calendar year. The periodic payroll amounts were determined based upon 26 pays, resulting in the final pay exceeding the approved amounts. It is recommended that the Agency modify its payroll procedures to ensure periodic payroll amounts are calculated based upon the number of pay periods in the calendar year.

SUGGESTIONS TO MANAGEMENT

- Petty cash be maintained on an imprest basis.
- Old outstanding checks be reviewed and cleared of record.

Recommendations

It is recommended that the Agency modify its payroll procedures to ensure periodic payroll amounts are calculated based upon the number of pay periods in the calendar year.

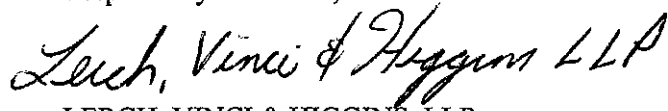
Status of Prior Year's Audit Comments and Recommendations

A review was performed on all prior year comments and recommendations. Corrective action has been taken on all prior year recommendations.

Appreciation

We desire to express our appreciation of the assistance of all Agency staff during the course of our audit.

Respectfully submitted,



LERCH, VINCI & HIGGINS, LLP
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Registered Municipal Accountants