

**JERSEY CITY REDEVELOPMENT AGENCY**

**(A Component Unit of the City of Jersey City)**

**REPORT OF AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**



**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, 2016 and 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.

### ***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, 2016 and 2015, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are presented for purposes of additional analysis and are not a required part of the basic financial statements.

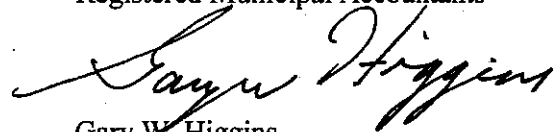
The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare 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 June 29, 2017 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.



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



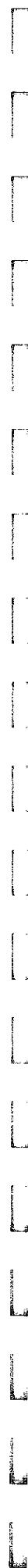
Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
June 29, 2017

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**



# ***JERSEY CITY REDEVELOPMENT AGENCY***

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2016***

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 year ended December 31, 2016. 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 \$5,057,226, or approximately 14 percent. The increase is the net result of increases in the investment in capital assets of \$3,531,198 and unrestricted net position of \$1,921,166 and a decrease in restricted net position of \$395,138.
- Cash and Cash Equivalents increased \$6,349,469 or approximately 40 percent. The majority of the increase is the result of proceeds from the sale of property which is due to the City.
- Operating revenues increased \$2,120,682. The increase is the net result of increases in Federal, State and private grant revenue realized of \$274,595, City and County contributions of \$83,203 and gains/contributions of property held for redevelopment of \$5,321,895 and decreases in redeveloper fees and reimbursements of \$780,841 and other miscellaneous revenues of \$2,778,170.
- Operating expenses decreased \$1,940,183. The decrease 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-term and long-term financial information about the activities and operations of the Agency. These statements are presented in the (Government Accounting Standards Board "GASB") prescribed manner.

# JERSEY CITY REDEVELOPMENT AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2016 (Continued)

### FINANCIAL ANALYSIS OF THE AGENCY

*Net Position* – The following table summarizes Net Position as of December 31, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u> (Restated)	<u>2014</u>
Net Position:			
Investment in Capital Assets	\$ 35,800,897	\$ 32,269,699	\$ 32,314,795
Restricted	941,492	1,336,630	1,540,702
Unrestricted	<u>4,455,276</u>	<u>2,534,110</u>	<u>738,345</u>
Total Net Position	<u>\$ 41,197,665</u>	<u>\$ 36,140,439</u>	<u>\$ 34,593,842</u>

The Agency's Net Position increased \$5,057,226, or 14% and \$1,546,597 or 4.4% in the years ended December 31, 2016 and 2015, respectively, as a result of the following:

*Net Investment in capital assets* increased \$3,531,198 and decreased \$45,096 during 2016 and 2015, respectively, mainly as a result of the acquisition and disposition of certain properties, in 2016 and 2015, respectively.

*Restricted net position* decreased \$395,138 and \$204,072 during 2016 and 2015, respectively, as a result of interest earnings and mortgage related restrictions.

*Unrestricted net position* increased \$1,921,166 and \$1,795,765 during 2016 and 2015, respectively, as a result of current year operating results.

The following table summarizes the capital assets as of December 31 2016, 2015 and 2014.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Invested in Capital Assets:</u>			
Buildings	\$ 9,676,058	\$ 9,676,058	\$ 9,676,058
Construction in Progress	3,003,676		
Property Held for Redevelopment	26,354,039	25,692,087	25,540,461
Vehicles and Equipment	<u>80,718</u>	<u>15,718</u>	<u>18,675</u>
	39,114,491	35,383,863	35,235,194
Less:			
Accumulated Depreciation	<u>(3,313,594)</u>	<u>(3,114,164)</u>	<u>(2,920,399)</u>
	<u>\$ 35,800,897</u>	<u>\$ 32,269,699</u>	<u>\$ 32,314,795</u>

# **JERSEY CITY REDEVELOPMENT AGENCY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2016 (Continued)**

### **OPERATING ACTIVITIES**

The following table summarizes the changes in revenues, expenses and net position for the years ended December 31, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u> (Restated)	<u>2014</u>
<b>OPERATING REVENUES:</b>			
Federal and State Grants	\$ 6,493,051	\$ 6,218,456	\$ 1,596,678
Other:			
City and County Contributions	1,894,064	1,810,861	880,520
Redeveloper Fees	853,403	742,200	544,448
Redeveloper Reimbursements	1,114,112	2,006,156	1,511,624
Miscellaneous	388,347	3,166,517	3,336,540
Contributions of Property Held for Redevelopment	1,878,715		
Gain on Sale of Property	3,443,180	-	1,106,250
<b>Total Operating Revenues</b>	<u>16,064,872</u>	<u>13,944,190</u>	<u>8,976,060</u>
<b>OPERATING EXPENSES</b>			
Grant Related			
Federal, State and Private	3,705,779	6,218,456	1,340,178
Nongrant Related			
City and County Contributions	1,894,064	1,810,861	880,520
Other	4,852,692	4,703,914	4,053,440
Depreciation	199,430	196,722	196,721
Disposition of Property Held for Redevelopment	449,943	112,138	-
<b>Total Operating Expenses</b>	<u>11,101,908</u>	<u>13,042,091</u>	<u>6,470,859</u>
<b>OPERATING INCOME</b>	<u>4,962,964</u>	<u>902,099</u>	<u>2,505,201</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest Revenue	94,262	44,498	34,310
Bad Debt Expense	-	(250,000)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>94,262</u>	<u>(205,502)</u>	<u>34,310</u>
<b>Prior Period Adjustment (See Note 12)</b>	<u>-</u>	<u>850,000</u>	<u>-</u>
<b>Change in Net Position</b>	<u>\$ 5,057,226</u>	<u>\$ 1,546,597</u>	<u>\$ 2,539,511</u>

**JERSEY CITY REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**DEBT ADMINISTRATION**

**Capital Debt**

The Agency has no debt outstanding at December 31, 2016, 2015 and 2014.

**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 2017 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, 2016 AND 2015**

<b>ASSETS</b>	<b>2016</b>	<b>2015 (Restated)</b>
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 15,102,546	\$ 9,153,929
Accounts Receivable	150,161	54,872
Intergovernmental Receivables	2,512,941	2,621,319
Less: Allowance for Doubtful Accounts	(250,000)	(250,000)
Mortgage Loans Receivable	528,125	428,125
Total Unrestricted Current Assets	<u>18,043,773</u>	<u>12,008,245</u>
Restricted Current Assets		
Cash and Cash Equivalents	7,261,501	6,860,649
Mortgage Loan Receivable	-	7,750,000
Total Restricted Current Assets	<u>7,261,501</u>	<u>14,610,649</u>
Total Current Assets	<u>25,305,274</u>	<u>26,618,894</u>
Unrestricted Noncurrent Assets		
Mortgage Loans Receivable	1,785,981	2,941,970
Accounts Receivable - Property Held for Redevelopment	3,500,000	-
Total Unrestricted Noncurrent Assets	<u>5,285,981</u>	<u>2,941,970</u>
Restricted Noncurrent Assets		
Mortgage Loans Receivable	2,300,000	1,850,000
Accrued Interest - Mortgage Loans Receivable	1,462	-
Total Restricted Noncurrent Assets	<u>2,301,462</u>	<u>1,850,000</u>
Capital Assets		
Buildings (Net of Accumulated Depreciation of \$3,295,167 and \$3,098,446)	6,380,891	6,577,612
Construction in Progress	3,003,676	-
Property Held for Redevelopment	26,354,039	25,692,087
Vehicles and Equipment (Net of Accumulated Depreciation of \$18,427 and \$15,718)	62,291	-
Total Capital Assets (Net of Accumulated Depreciation)	<u>35,800,897</u>	<u>32,269,699</u>
Total Noncurrent Assets	<u>43,388,340</u>	<u>37,061,669</u>
Total Assets	<u>68,693,614</u>	<u>63,680,563</u>
Deferred Outflows of Resources		
Deferred Amounts on Net Pension Liability	1,418,213	323,578
Total Deferred Outflows of Resources	<u>1,418,213</u>	<u>323,578</u>
Total Assets and Deferred Outflows of Resources	<u>70,111,827</u>	<u>64,004,141</u>

**JERSEY CITY REDEVELOPMENT AGENCY  
COMPARATIVE STATEMENTS OF NET POSITION  
AS OF DECEMBER 31, 2016 AND 2015**

**LIABILITIES**

	<u>2016</u>	<u>2015</u> (Restated)
Current Liabilities Payable from Unrestricted Assets		
Accounts Payable and Other Liabilities	\$ 805,652	\$ 144,788
Unearned Revenue	5,772,463	7,724,925
Redeveloper Contracts Payable	115,055	114,590
Intergovernmental Payables	9,988,912	1,693,460
Total Current Liabilities Payable from Unrestricted Assets	<u>16,682,082</u>	<u>9,677,763</u>
Current Liabilities Payable from Restricted Assets		
Project Deposits	6,320,009	5,924,019
Judgment Payable	-	7,750,000
Total Current Liabilities Payable from Restricted Assets	<u>6,320,009</u>	<u>13,674,019</u>
Total Current Liabilities	<u>23,002,091</u>	<u>23,351,782</u>
Noncurrent Liabilities Payable from Unrestricted Assets		
Inter-Agency Loan Payable	317,204	317,204
Compensated Absences Payable	359,446	340,145
Net Pension Liability	3,583,017	2,113,773
Total Noncurrent Liabilities Payable from Unrestricted Assets	<u>4,259,667</u>	<u>2,771,122</u>
Noncurrent Liabilities Payable from Restricted Assets		
Judgment Payable	<u>1,450,000</u>	<u>1,450,000</u>
Total Noncurrent Liabilities Payable from Restricted Assets	<u>1,450,000</u>	<u>1,450,000</u>
Total Noncurrent Liabilities	<u>5,709,667</u>	<u>4,221,122</u>
Total Liabilities	<u>28,711,758</u>	<u>27,572,904</u>
Deferred Inflows of Resources		
Deferred Amounts on Net Pension Liability	<u>202,404</u>	<u>290,798</u>
Total Deferred Inflows of Resources	<u>202,404</u>	<u>290,798</u>
Total Liabilities and Deferred Inflows of Resources	<u>28,914,162</u>	<u>27,863,702</u>
<b>NET POSITION</b>		
Investment in Capital Assets	35,800,897	32,269,699
Restricted for:		
Renewal and Replacement	941,492	936,630
Other Purposes		400,000
Unrestricted	<u>4,455,276</u>	<u>2,534,110</u>
Total Net Position	<u>\$ 41,197,665</u>	<u>\$ 36,140,439</u>

**JERSEY CITY REDEVELOPMENT AGENCY**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u> (Restated)
<b>OPERATING REVENUES</b>		
Federal Grants		
Department of Housing and Urban Development	\$ 4,331,115	\$ 5,645,055
Environmental Protection Agency	1,329,367	208,891
State Grants		
Department of Environmental Protection	782,469	317,510
UEZA Passed Through JCEDC	50,100	
Private Grants		
Major League Baseball		47,000
Other		
Redeveloper Fees	853,403	742,200
Redeveloper Reimbursements	1,114,112	2,006,156
City Contributions	1,894,064	905,445
Hudson County Open Space		905,416
Miscellaneous	388,347	666,517
Miscellaneous - Property Lease		2,500,000
Gain on Disposition of Property Held for Redevelopment	3,443,180	
Contribution of Property Held for Redevelopment	<u>1,878,715</u>	<u>-</u>
Total Operating Revenues	<u>16,064,872</u>	<u>13,944,190</u>
<b>OPERATING EXPENSES</b>		
Grant Related		
Federal	2,873,210	1,835,923
State	832,569	4,335,533
Private		47,000
Nongrant Related		
City Contributions	1,894,064	905,445
Hudson County Open Space		905,416
Redeveloper Reimbursed Expenses	1,114,112	2,053,619
Other	3,738,580	2,650,295
Depreciation	199,430	196,722
Disposition of Property Held for Redevelopment	<u>449,943</u>	<u>112,138</u>
Total Operating Expenses	<u>11,101,908</u>	<u>13,042,091</u>
Operating Income	<u>4,962,964</u>	<u>902,099</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest Revenue	94,262	44,498
Bad Debt Expense	<u>-</u>	<u>(250,000)</u>
Total Nonoperating Revenues (Expenses)	<u>94,262</u>	<u>(205,502)</u>
Change in Net Position	5,057,226	696,597
Net Position, Beginning of Year	36,140,439	34,593,842
Prior Period Adjustment (See Note 13)	<u>-</u>	<u>850,000</u>
Net Position, End of Year	<u>\$ 41,197,665</u>	<u>\$ 36,140,439</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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Cash Receipts	\$ 9,809,048	\$ 12,667,385
Operating Cash Payments	(9,486,155)	(13,411,355)
Receipts of Project Deposits	1,510,101	1,689,949
Payments from Project Deposits	(1,114,111)	(1,735,030)
Receipts from the Sale of Property Held for Redevelopment	710,000	87,862
Payments for the Acquisition of Property Held for Redevelopment	-	(351,626)
Net Cash Provided (Used) by Operating Activities	<u>1,428,883</u>	<u>(1,052,815)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipts for the Disposition of Property On Behalf of the City of Jersey City	17,895,000	
Payments to City of Jersey City for Disposition of Property	(10,000,000)	
Payments for the Acquisition of Equipment	(65,000)	
Payments for Construction in Progress	<u>(3,003,676)</u>	<u>-</u>
Net Cash Provided by Capital and Related Financing Activities	<u>4,826,324</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	<u>94,262</u>	<u>44,498</u>
Net Cash Provided by Investing Activities	<u>94,262</u>	<u>44,498</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,349,469	(1,008,317)
Cash and Cash Equivalents at Beginning of Year	<u>16,014,578</u>	<u>17,022,895</u>
Cash and Cash Equivalents at End of Year	<u>\$ 22,364,047</u>	<u>\$ 16,014,578</u>
Analysis of Balance at December 31,		
Unrestricted - Cash and Cash Equivalents	\$ 15,102,546	\$ 9,153,929
Restricted - Cash and Cash Equivalents	<u>7,261,501</u>	<u>6,860,649</u>
	<u>\$ 22,364,047</u>	<u>\$ 16,014,578</u>

**JERSEY CITY REDEVELOPMENT AGENCY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u> (Restated)
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 4,962,964	\$ 902,099
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	199,430	196,722
Change in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	(95,289)	62,568
(Increase)/Decrease in Intergovernmental Receivables	108,378	(1,642,775)
(Increase)/Decrease in Mortgage Loans Receivable	605,989	(235,403)
(Increase)/Decrease in Accounts Receivable - Property Held for Redevelopment	(3,500,000)	
(Increase)/Decrease in Accrued Interest - Mortgage Loans Receivable	(1,462)	204,825
(Increase)/Decrease in Property Held for Redevelopment	(661,952)	(151,626)
Increase/(Decrease) in Accounts Payable and Other Liabilities	660,864	(711,882)
Increase/(Decrease) in Unearned Revenue	(1,952,462)	645,293
Increase/(Decrease) in Redeveloper Contracts Payable	465	117
Increase/(Decrease) in Compensated Absences Payable	19,301	20,063
Increase/(Decrease) in Project Deposits	395,990	(356,511)
Increase/(Decrease) in Intergovernmental Payable	400,452	
Increase/(Decrease) in Net Pension Liability	1,469,244	48,081
(Increase)/Decrease in Deferred Amounts on Net Pension Liability	(1,183,029)	(34,386)
Total Adjustments	(3,534,081)	(1,954,914)
Net Cash Provided (Used) by Operating Activities	\$ 1,428,883	\$ (1,052,815)

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## **NOTES TO FINANCIAL STATEMENTS**





**JERSEY CITY REDEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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 2016 year, the Agency adopted the following GASB statements:

- **GASB No. 72, *Fair Value Measurement and Application*.** 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 applies to donated capital assets, donated works of art, donated historical treasures, and also to similar assets and capital assets received in a service concession arrangement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**JERSEY CITY REDEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. New Accounting Standards (Continued)**

- GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. 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.

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

- GASB No. 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 No. 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 No. 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 No. 77, *Tax Abatement Disclosures*, will be effective beginning with the fiscal year ending June 30, 2017. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition.
- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.
- GASB 85, *Omnibus 2017*, will be effective beginning with the year ending December 31, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

**JERSEY CITY REDEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, 2015 balances to conform to the December 31, 2016 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, deferred inflows/outflows 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, 2016 AND 2015**

**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, construction in progress, 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, 2016 AND 2015**

**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, 2016 AND 2015**

**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**

**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, 2016 and 2015 is \$6,822,484 and \$4,615,103 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, 2016 AND 2015**

**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), National Credit Union Share Insurance Fund (NCUSIF), 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. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2016 and 2015, the book value of the Agency's deposits were \$22,364,047 and \$16,014,578, respectively, and bank balances of the Agency's cash and deposits amounted to \$22,648,317 and \$16,474,128, 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>2016</u>	<u>2015</u>
Insured	\$ 14,876,079	\$ 8,733,277
Uninsured and Collateralized	<u>7,772,238</u>	<u>7,740,851</u>
	<u>\$ 22,648,317</u>	<u>\$ 16,474,128</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, 2016 and 2015, the Agency's bank balances of \$7,772,238 and \$7,740,851 were exposed to custodial credit risk as follows:

	<u>2016</u>	<u>2015</u>
Uninsured and collateral held by pledging bank's trust department, not in the Agency's name	<u>\$7,772,238</u>	<u>\$7,740,851</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, 2016 and 2015, the Agency had no outstanding investments.

**JERSEY CITY REDEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 4 MORTGAGE LOANS RECEIVABLE**

The mortgage loan receivable balances at December 31, 2016 and 2015 consists of mortgage loans on various properties in certain redevelopment areas.

Location Description

Loan Terms

- 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. The balance of this mortgage has been paid in full as of December 31, 2016.
- 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.
- Ash Street  
Issued to Ash Urban Development, LLC on October 19, 2015 for \$850,000 at a fixed rate of interest of 1.25% per annum. The borrower shall pay the principal and interest in monthly installments on the first day of each and every month following the completion of remediation. All outstanding principal and interest shall be due and payable fifteen (15) years from the date of issuance of a certificate of completion.
- 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. The original agreement provided that the final payment shall be due on or before the maturity date of November 5, 2016. During 2016, the Agency and the redeveloper agreed to a lump-sum payment of \$200,000 on or before December 31, 2016 with the remaining principal and interest accrued thereon to be paid in full no later than June 30, 2017.



**JERSEY CITY REDEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 4 MORTGAGE LOANS RECEIVABLE (Continued)**

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u> (Restated)
Ocean/Bayview	\$ 274,000	\$ 274,000
Salem-Lafayette		400,000
Grove Street 2	176,381	182,370
1 Edward Hart Road	250,000	250,000
Journal Square	700,000	700,000
Ash Street	850,000	850,000
Liberty Harbor	1,450,000	9,200,000
MLK Drive	435,600	435,600
Liberty Manor	<u>478,125</u>	<u>678,125</u>
	<u>\$ 4,614,106</u>	<u>\$ 12,970,095</u>
Restricted	\$ 2,300,000	\$ 9,600,000
Unrestricted	<u>2,314,106</u>	<u>3,370,095</u>
	<u>\$ 4,614,106</u>	<u>\$ 12,970,095</u>

**NOTE 5 CAPITAL ASSETS**

The following is a summary of the Agency's capital assets activity for the years ended at December 31, 2016 and 2015:

	<u>2016</u>			
	<u>Balance, January 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2016</u>
Capital Assets, Not Being Depreciated:				
Property Held for Redevelopment	\$ 25,692,087	\$ 1,878,715	\$ (1,216,763)	\$ 26,354,039
Construction in Progress	-	3,003,676	-	3,003,676
Total Capital Assets, Not Being Depreciated	<u>25,692,087</u>	<u>4,882,391</u>	<u>(1,216,763)</u>	<u>29,357,715</u>
Capital Assets, Being Depreciated:				
Buildings	9,676,058			9,676,058
Vehicles and Equipment	15,718	65,000	-	80,718
Total Capital Assets Being Depreciated	<u>9,691,776</u>	<u>65,000</u>	<u>-</u>	<u>9,756,776</u>
Less Accumulated Depreciation for:				
Buildings	(3,098,446)	(196,721)		(3,295,167)
Vehicles and Equipment	(15,718)	(2,709)	-	(18,427)
Total Accumulated Depreciation	<u>(3,114,164)</u>	<u>(199,430)</u>	<u>-</u>	<u>(3,313,594)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,577,612</u>	<u>(134,430)</u>	<u>-</u>	<u>6,443,182</u>
Capital Assets, Net	<u>\$ 32,269,699</u>	<u>\$ 4,747,961</u>	<u>\$ (1,216,763)</u>	<u>\$ 35,800,897</u>

**JERSEY CITY REDEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 5 CAPITAL ASSETS (Continued)**

	2015		
	Balance, January 1, 2015	Increases	Decreases
			Balance, December 31, 2015
Capital Assets, Not Being Depreciated:			
Property Held for Redevelopment	\$ 25,540,461	\$ 351,626	\$ (200,000)
Total Capital Assets, Not Being Depreciated	25,540,461	351,626	25,692,087
Capital Assets, Being Depreciated:			
Buildings	9,676,058		9,676,058
Vehicles and Equipment	18,675	-	(2,957)
Total Capital Assets Being Depreciated	9,694,733	-	9,691,776
Less Accumulated Depreciation for:			
Buildings	(2,901,724)	(196,722)	(3,098,446)
Vehicles and Equipment	(18,675)	-	2,957
Total Accumulated Depreciation	(2,920,399)	(196,722)	(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

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, 2016. 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 \$359,446 and \$340,145 at December 31, 2016 and 2015, respectively. These amounts are accrued as a noncurrent liability at December 31, 2016 and 2015.

**JERSEY CITY REDEVELOPMENT AGENCY**  
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**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, 2016 and 2015 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, 2016 and 2015.

**Changes in Other Long Term Liabilities**

	Balance, January 1 2016	Additions	Reductions	Balance, December 31, 2016	Due Within One Year
<b>2016</b>					
Compensated Absences	\$ 340,145	\$ 59,679	\$ 40,378	\$ 359,446	
Inter-Agency Loan Payable	317,204			317,204	
Judgment Payable (See Note 9)	9,200,000		7,750,000	1,450,000	
Net Pension Liability - PERS (See Note 7)	2,113,773	1,576,719	107,475	3,583,017	-
<b>Total Other Long-Term Liabilities</b>	<b>\$ 11,971,122</b>	<b>\$ 1,636,398</b>	<b>\$ 7,897,853</b>	<b>\$ 5,709,667</b>	<b>\$ -</b>

	Balance, January 1, 2015	Additions	Reductions	Balance, December 31, 2015	Due Within One Year
<b>2015</b>					
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)	2,065,692	129,036	80,955	2,113,773	-
<b>Total Other Long-Term Liabilities</b>	<b>\$ 13,652,978</b>	<b>\$ 165,069</b>	<b>\$ 1,846,925</b>	<b>\$ 11,971,122</b>	<b>\$ 7,750,000</b>

**JERSEY CITY REDEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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**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 Agency 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](http://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  
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**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](http://www.state.nj/treasury/doinvest).

**Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, which was rolled forward to June 30, 2016 the aggregate funded ratio for all the State administered retirement systems, including local PERS, is 45.7 percent with an unfunded actuarial accrued liability of \$50.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 40.14 percent and \$29.6 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, 2015 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) 7.65% for investment rate of return for PERS and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 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 7.06% for PERS and 5.50 percent for DCRP of employees' annual compensation for fiscal year 2016.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 16, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2016 and 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, 2016, 2015 and 2014, 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>
2016	\$ 80,955	\$ 3,229
2015	90,955	3,560
2014	80,493	825

**JERSEY CITY REDEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2016 and 2015, the Agency reported a liability of \$3,583,017 and \$2,113,773, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, 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. As of the measurement date of June 30, 2016, the Agency's proportionate share was .01210 percent, which was an increase of .00269 percent from its proportionate share measured as of June 30, 2015 of .00941 percent.

For the years ended December 31, 2016 and 2015, the pension system has determined the Agency's pension expense to be \$393,690 and \$94,650, respectively, for PERS based on the actuarial valuation which is more than the actual contribution made by the Agency of \$80,955 and \$90,955, respectively. At December 31, 2016 and 2015, the Agency's deferred outflows of resources and deferred inflows of resources related to PERS pension are from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 66,633		\$ 50,427	
Changes of Assumptions	742,210		227,002	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	136,624			\$ 33,985
Changes in Proportion and Differences Between Agency Contributions and Proportionate Share of Contributions	472,746	\$ 202,404	46,149	256,813
Total	<u>\$ 1,418,213</u>	<u>\$ 202,404</u>	<u>\$ 323,578</u>	<u>\$ 290,798</u>

At December 31, 2016, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending December 31,	Total
2017	\$ 262,806
2018	262,806
2019	293,582
2020	268,410
2021	128,205
Thereafter	-
	<u>\$ 1,215,809</u>

**JERSEY CITY REDEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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**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 Agency's total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.15-4.40%
		Based on Age
Through 2026	1.65-4.15%	
	Based on Age	
Thereafter	2.65-5.15%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial study for the period July 1, 2008 to June 30, 2011.

**JERSEY CITY REDEVELOPMENT AGENCY  
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**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, 2016 and 2015 as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</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%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	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>Measurement Date</u>	<u>Discount Rate</u>
2016	June 30, 2016	3.98%
2015	June 30, 2015	4.90%



**JERSEY CITY REDEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2034

Municipal Bond Rate \* From July 1, 2034  
and Thereafter

\* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, 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, 2016 and 2015 calculated using the discount rate of 3.98% and 4.90%, respectively, 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 (2.98 and 3.90 percent) or 1-percentage-point higher (4.98 and 5.90 percent) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
<b>2016</b>			
Agency's Proportionate Share of the PERS Net Pension Liability	\$ 4,390,569	\$ 3,583,017	\$ 2,916,313
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
<b>2015</b>			
Agency's Proportionate Share of the PERS Net Pension Liability	\$ 2,627,161	\$ 2,113,773	\$ 1,683,352

The sensitivity analysis was based on the proportionate share of the Agency's net pension liability at December 31, 2016 and 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](http://www.state.nj.us/treasury/pensions).

**JERSEY CITY REDEVELOPMENT AGENCY  
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**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 restricted a portion of net position in 2015 for a mortgage receivable and related accrued interest.

As of December 31, 2016 and 2015 the restricted net position is comprised of the following:

	<u>2016</u>	<u>2015</u>
Restricted for:		
Renewal and Replacement	\$ 941,492	\$ 936,630
Other Purposes	-	400,000
	<u>\$ 941,492</u>	<u>\$ 1,336,630</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.

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.

**JERSEY CITY REDEVELOPMENT AGENCY  
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**NOTE 9 COMMITMENTS AND CONTINGENCIES (Continued)**

**Jersey City Redevelopment Agency v. Kerrigan (Continued)**

As of December 31, 2016, the redeveloper has made all payments required by the settlement agreement. The balance of the mortgage receivable and related judgment payable at December 31, 2016 is \$1,450,000. 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, 2016 is as follows:

<b>PAYMENT DATE</b>	<b>PAYMENT AMOUNT</b>
Deferred Interest Payment on or before June 30, 2018	\$1,450,000
<b>TOTAL</b>	<b>\$1,450,000</b>

**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 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 years ending December 31, 2016 and 2015 is as follows:

	Balance, January 1, <u>2016</u>	<u>Increase</u>	<u>Decrease</u>	Balance, December 31, <u>2016</u>
Series 2015 Redevelopment Area Bonds	\$ 10,000,000		-	\$ 10,000,000
Series 2016 Redevelopment Area Bonds	-	\$ 10,000,000	-	10,000,000
	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ 20,000,000</u>
	Balance, January 1, <u>2015</u>	<u>Increase</u>	<u>Decrease</u>	Balance, December 31, <u>2015</u>
Series 2015 Redevelopment Area Bonds	\$ -	\$ 10,000,000	-	\$ 10,000,000
	<u>\$ -</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>

**JERSEY CITY REDEVELOPMENT AGENCY  
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**NOTE 11 CONDUIT DEBT OBLIGATIONS (Continued)**

• **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, 2016, the remaining authorization of \$10,000,000 has not been issued.

• **Series 2016 Redevelopment Area Bonds – Journal Square 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.

**NOTE 12 ACCOUNTS RECEIVABLE – PROPERTY HOLD FOR REDEVELOPMENT**

The Agency sold a Property Held For Redevelopment during 2016 for \$4,160,000, including \$160,000 for 8 units in excess of the original approval of 300 units. The base purchase price of \$4,000,000 will be paid to the Agency as follows:

(a) \$500,000 upon the Closing of Title, (b) \$1,000,000 upon the commencement of construction of Phase I, (c) \$750,000 upon the commencement of construction of Phase II (provided however, if the Project is not phased, \$750,000 shall be paid upon commencement of construction of the Project, in addition to the \$1,000,000 set forth in (a) above) and (d) \$1,750,000 on the earlier to occur of (i) nine (9) months after the issuance of a permanent certificate of occupancy for the Project (or Phase I, if the Project is phased) and (ii) the permanent financing of the Project (or Phase I of the Project, if the Project is phased).

As of December 31, 2016 the Agency has closed title on the property and received \$660,000 representing the 8 units in excess of the original approval and the \$500,000 initial payment on the base purchase price. The balance owed as of December 31, 2016 is \$3,500,000.

**NOTE 13 RESTATEMENT**

The December 31, 2015 net position has been restated to reflect a previously unrecorded mortgage receivable in the amount of \$850,000.

**NOTE 14 SUBSEQUENT EVENTS**

On February 21, 2017 the Board of Commissioners authorized the Agency to issue not to exceed \$1,000,000 of redevelopment area taxable bonds (PH Urban Renewal LLC Project). The obligation to make payment of the principal and interest on the bonds shall be secured by the pledge of the City of Jersey City of annual service charges paid by the redeveloper in lieu of real estate taxes. As of the date of audit the \$1,000,000 of bonds has not been issued.

Additionally, on February 21, 2017 the Board of Commissioners cancelled prior period developer project deposits and performance guaranteed payables totaling \$798,307 to unrestricted net position. The Agency may take appropriate action pending future requests by developers who provide adequate supportive documentation relating to the cancelled balances.

**REQUIRED SUPPLEMENTARY INFORMATION – PENSION INFORMATION**

REPORT OF THE  
COMMISSIONER OF THE  
GENERAL LAND OFFICE  
OF THE UNITED STATES  
DEPARTMENT OF THE INTERIOR  
WASHINGTON, D. C.  
1900

**SCHEDULE 1**

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

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

Last Four Years \*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Agency's Proportion of the Net Position Liability (Asset)	0.01210%	0.00941%	0.01103%	0.01068%
Agency's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 3,583,017</u>	<u>\$ 2,113,773</u>	<u>\$ 2,065,692</u>	<u>\$ 2,041,703</u>
Agency's Covered-Employee Payroll	<u>\$ 720,778</u>	<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	497.10%	325.34%	270.72%	276.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	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.

**SCHEDULE 2**

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

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

Last Four Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily Required Employer Contribution	\$ 107,475	\$ 80,955	\$ 90,955	\$ 80,493
Contributions in Relation to the Statutorily Required Contributions	<u>107,475</u>	<u>80,955</u>	<u>90,955</u>	<u>80,493</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's Covered- Employee Payroll	<u>\$ 720,778</u>	<u>\$ 649,719</u>	<u>\$ 763,045</u>	<u>\$ 737,115</u>
Contributions as a Percentage of Covered-Employee Payroll	14.91%	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, 2016**

**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.

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## **SUPPLEMENTARY SCHEDULES**



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

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**(With Comparative Actual Amounts for the Year Ended December 31, 2015)**

<b>REVENUES</b>	<b>2016 Budget</b>	<b>2016 Actual</b>	<b>Variance Excess (Deficit)</b>	<b>2015 Actual</b>
<u>Operating Revenues</u>				
Other - Rents and Facility Charge	\$ 75,000	\$ 76,658	\$ 1,658	\$ 77,426
Other - Redeveloper Fees/Reimbursements	625,000	1,967,515	1,342,515	2,748,356
Federal Grants				
Community Development Block Grant				
Development	8,840,000	2,940,779	(5,899,221)	5,645,055
Other		1,266,891	1,266,891	208,891
State Grants		2,285,381	2,285,381	317,510
Private Grants				47,000
City of Jersey City - Capital Funds		1,894,064	1,894,064	905,445
Hudson County Open Space				905,416
Lease - Marbella Towers				2,500,000
Miscellaneous		311,689	311,689	589,091
<u>Non-Operating Revenues</u>				
Other - Interest on Investments and Deposits	40,000	94,262	54,262	44,498
<b>Total Revenues</b>	<b>9,580,000</b>	<b>10,837,239</b>	<b>1,257,239</b>	<b>13,988,688</b>
 <b>APPROPRIATIONS</b>				
<u>Operating Appropriations</u>				
Administration:				
Salaries, Wages and Fringe Benefits	1,553,100	1,359,144	193,956	1,066,646
Other Expenses	676,200	517,620	158,580	3,741,052
Cost of Providing Services:				
Other Expenses	9,100,000	8,263,036	836,964	7,921,838
<b>Total Appropriations</b>	<b>11,329,300</b>	<b>10,139,800</b>	<b>1,189,500</b>	<b>12,729,536</b>
 Budgetary Income (Loss)	<b>\$ (1,749,300)</b>	<b>697,439</b>	<b>\$ 67,739</b>	<b>1,259,152</b>
 Reconciliation to GAAP Basis:				
Gain on Disposition of Property Held for Redevelopment		3,443,180		
Contribution of Property Held for Redevelopment		1,878,715		
Disposition of Property Held for Redevelopment		(449,943)		(112,138)
Depreciation Expense		(199,430)		(196,722)
Pension Expense - GASB 68		(312,735)		(3,695)
Bad Debt Expense		-		(250,000)
 Change in Net Position - GAAP Basis		<b>\$ 5,057,226</b>		<b>\$ 696,597</b>

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**GOVERNMENT AUDITING STANDARDS**

**AND**

**SINGLE AUDIT**







# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. NICOLosi, CPA, PSA

**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, 2016, 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 June 29, 2017.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a material weakness.

### **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.

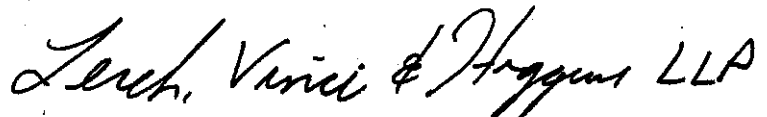
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we have reported to management of the Jersey City Redevelopment Agency in the section of this report of audit entitled, "General Comments and Recommendations".

### **Jersey City Redevelopment Agency's Response to Findings**

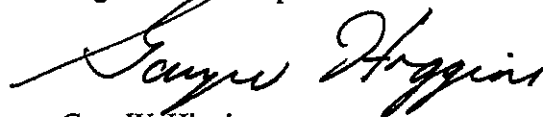
The JCRA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The JCRA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.



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



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
June 29, 2017



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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 AND SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

**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 and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Jersey City Redevelopment Agency's major federal and state programs for the year ended December 31, 2016. The Jersey City Redevelopment Agency's major federal and state 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 compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal and state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Jersey City Redevelopment Agency's major federal and state 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; 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) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the 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 and state 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 and state programs for the year ended December 31, 2016.

#### **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 and state 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 and state program and to test and report on internal control over compliance in accordance with U.S. Uniform Guidance and New Jersey OMB Circular 15-08, 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 or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. 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 or state 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 and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08**

We have audited the financial statements of the Jersey City Redevelopment Agency as of and for the year ended December 31, 2016, 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 June 29, 2017, 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 schedules of expenditures of federal awards and expenditures of state financial assistance as required by U.S. Uniform Guidance and New Jersey OMB Circular 15-08, respectively, are presented for purposes of additional analysis and are 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 schedules of expenditures of federal awards and expenditures of state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

*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  
June 29, 2017

**JERSEY CITY REDEVELOPMENT AGENCY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<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 - Community Development Block Grant Program -					
663-665 Ocean Ave	14.218	B-14-MC-41-0108	\$ 1,879,503	\$ 2,866,163	\$ 3,408,898
474-480 Ocean Ave	14.218	B-11-MC-38-0108		6,033	840,640
Berry Lane Park	14.218	B-09-MC-36-0108	231,474	<u>68,583</u>	2,772,783
Total Community Development Block Grant Program				<u>2,940,779</u>	
U.S. Department of Housing and Urban Development - Passed Through New Jersey Economic Development Authority- Community Development Block Grant Disaster Recovery -					
Berry Lane Park Sandy Recovery	14.269	B-13-DS-34-0001	2,057,743	<u>1,390,336</u>	1,390,336
Total U.S. Department of Housing and Urban Development				<u>4,331,115</u>	
U.S. Environmental Protection Agency Grand Jersey Site Specific Assessment Grant Hazardous Assessment Petroleum Assessment Grant					
		BF97207200			
		BF96294600			
		BF96294500			
Brownfields Revolving Loan - Ash Street	66.818	BF97207100	660,486	821,020	850,794
Hazardous Assessment	66.818	BF97207200			
Brownfields Cleanup Program					
441 Ocean Ave.	66.818	BP97207300	158,272	157,278	192,245
443 Ocean Ave.	66.818	BP97207400	159,707	158,539	193,980
441-457 Ocean Ave.	66.818	BP97203812	27,912	141,225	197,400
Grand Jersey BDA	66.818	BF97207200	12,993	22,747	46,809
City-Wide Hazardous Assessment	66.818	BF96294600	15,595	15,070	64,735
Petroleum Assessment	66.818	BF96294500	31,936	<u>13,488</u>	103,202
Total Brownfields Cleanup Program				<u>508,347</u>	
Total Brownfields Grant Funding Cluster				<u>1,329,367</u>	
Total U.S. Environmental Protection Agency				<u>1,329,367</u>	
Total Federal Awards Expenditures				<u>\$ 5,660,482</u>	

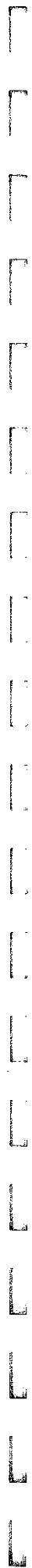
**JERSEY CITY REDEVELOPMENT AGENCY**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<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>				
<u>Passed-through New Jersey Economic Development Authority -</u>				
<u>Hazardous Discharge Site Remediation Grants</u>				
100 Hoboken Avenue	P38741		\$ 72,075	\$ 174,685
441-457 Ocean Avenue - Investigative	P40589	\$ 90,677	322,664	366,547
441-457 Ocean Avenue - Clean Up	P40589		15,894	17,419
Mill Creek	P39535		205,661	205,661
Pittsburgh Metals	P39536		120,686	120,686
City Chemical	P42060	74,270	3,205	3,205
Grant Cleaner	P42679	211,778	<u>7,556</u>	7,556
Total Hazardous Discharge Site Remediation Grant			<u>758,469</u>	
<u>NJ Department of Environmental Protection</u>				
Trails Grant	13-0906-3		<u>24,000</u>	24,000
Total NJ Department of Environmental Protection			<u>782,469</u>	
<u>UEZ (Passed Through JCEDC)</u>				
Powerhouse	09-172	46,500	<u>50,100</u>	50,100
Total State Financial Assistance Expenditures			<u>\$ 832,569</u>	

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**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, 2016**

**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	\$ 4,331,115		\$ 4,331,115
U.S. Environmental Protection Agency	1,329,367		1,329,367
N.J. Department of Environmental Protection	-	\$ 782,469	782,469
UEZ	-	50,100	50,100
	<u>          </u>	<u>          </u>	<u>          </u>
Total Financial Awards	<u>\$ 5,660,482</u>	<u>\$ 832,569</u>	<u>\$ 6,493,051</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.

**NOTE 5 DE MINIMIS INDIRECT COST RATE**

The Agency has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**JERSEY CITY REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

***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?

  X   yes             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

66.818

**Name of Federal Program or Cluster**

Community Development Block Grant

Brownfields Cleanup Program

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

\$       750,000      

Auditee qualified as low-risk auditee?

       Yes        X   No

**JERSEY CITY REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

*Part 1 – Summary of Auditors' Results*

**State 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 state programs:

**Identification Number(s)**

Various

**Name of State Program or Cluster**

Hazardous Discharge Site Remediation Grants

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

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes        X   No

**JERSEY CITY REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**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*.

**Finding 2016-001**

The Agency did not update the "Property Held For Redevelopment" subsidiary ledger for 2016 additions and deletions and the general ledger for related financial transactions.

**Criteria or specific requirement:**

N.J.A.C. 5:31-7.1 Accounting and Financial Reporting Systems

**Condition:**

See Finding 2016-001.

**Context:**

- Contributions of 13 properties held for redevelopment totaling \$1,878,715 were not added to the subsidiary and general ledgers.
- Two dispositions of property held for redevelopment totaling \$1,216,763 were not deleted from the subsidiary and general ledgers.
- An accounts receivable and revenue related to the sale of one of the dispositions of property totaling \$3,500,000 was not recorded.

**Effect**

The Agency's "Property Held for Redevelopment" account balance in the ledgers presented for audit was understated by \$661,952. Additionally, accounts receivable and unrestricted net position was understated by \$3,500,000. The Agency's financial statements have been adjusted to include the unrecorded 2016 financial transactions pertaining to "Property Held for Redevelopment".

**Cause:**

This accounting function was not properly reassigned to an Agency employee upon the retirement of the Agency's property manager.

**Recommendation:**

The "Property Held for Redevelopment" subsidiary ledger be maintained on a current basis to reflect all additions and deletions and be reconciled to the general ledger on a periodic basis.

**Management's Response:**

Management will develop procedures which will be included in a formal "Policies and Procedures Manual" relating to reporting "Property Held for Redevelopment" transactions.

**JERSEY CITY REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

***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**

There are none.

**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, 2016**

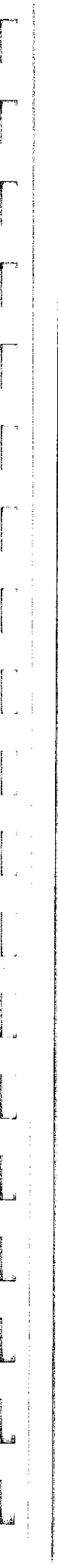
This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB Circular 15-08.

**STATUS OF PRIOR YEAR FINDINGS**

There were none.



**ROSTER OF OFFICIALS**  
**AND**  
**GENERAL COMMENTS AND RECOMMENDATIONS**



**ROSTER OF OFFICIALS**  
**AS OF DECEMBER 31, 2016**

<u>Name</u>	<u>Title</u>
Rolando R. Lavarro, Jr.	Chairman
Evelyn Farmer	Vice-Chairman
Samuel A. Berman	Commissioner
Donald R. Brown	Commissioner
Diane Coleman	Commissioner
Erma D. Greene	Commissioner
Russell J. Verducci	Commissioner
David P. Donnelly	Executive Director
Christopher Fiore	Assistant Executive Director

**GENERAL COMMENTS AND RECOMMENDATIONS**

**Current Year**

The audit disclosed that the Agency did not provide documentation to support the verification of payroll deductions remitted by the Agency's third party payroll provider. It is recommended that the Agency maintain documentation to support the verification of the payment of payroll deductions by its third party payroll provider.

A contract in excess of the bid threshold for HVAC improvements at the Ward E Community Center was not awarded by public bid in accordance with N.J.S.A. 40A:11, et seq. It is recommended that contracts in excess of the bid threshold be awarded in accordance with the Local Public Contracts Law.

**SUGGESTIONS TO MANAGEMENT**

- The Agency formally approve the petty cash accounts and maintain them on a imprest basis.
- Payroll deduction liabilities in the general ledger be reviewed and adjusted to actual liabilities outstanding.
- The inactive payroll bank account be closed of record.

## Recommendations

It is recommended that:

1. The Agency maintain documentation to support the verification of the payment of payroll deductions by its third party payroll provider.
2. Contracts in excess of the bid threshold be awarded in accordance with the Local Public Contracts Law.
3. The "Property Held For Redevelopment" subsidiary ledger be maintained on a current basis to reflect all additions and deletions and be reconciled to the general ledger on a periodic basis.

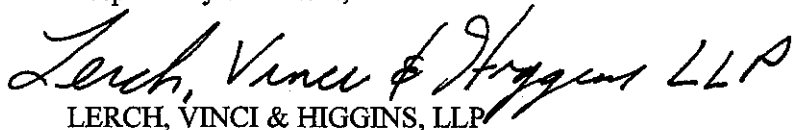
## Status of Prior Year's Audit Comments and Recommendations

A review was performed on the prior year recommendation. Corrective action has been taken on the prior year recommendation.

## 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  
Certified Public Accountants  
Registered Municipal Accountants

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**Jersey City Redevelopment Agency**  
66 York Street  
Jersey City, NJ 07302

Type of Insurance: Property – 665-667 Ocean /

Company & Policy #: General Star Indemnity C

**Thank you for the opportunity of servicing you.**

In the event of loss or if there is any change in the conditions of the policy, please notify us at once. We are in a position to protect your interests.

