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

REPORT OF AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

JERSEY CITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Jersey City)
HUDSON COUNTY, NEW JERSEY

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(A Component Unit of the City of Jersey City)
HUDSON COUNTY, NEW JERSEY

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Introductory Section

ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS

The following officials were in office at December 31, 2017:

Name	Office
Hon. Rolando R. Lavarro, Jr.	Chairman
Evelyn Farmer	Vice Chair
Donald R. Brown	Commissioner
Douglas Carlucci	Commissioner
Erma D. Greene	Commissioner
Darwin R. Ona	Commissioner
Daniel Rivera	Commissioner
Diana H. Jeffrey	Executive Director
Christopher Fiore	Assistant Executive Director
Benjamin Delisle	Director of Development

All members and employees are covered by insurance policies provided by Greenwich Insurance Company

Financial Section

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
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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 statement of net position of Jersey City Redevelopment Agency (A Component Unit of the City of Jersey City) as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents. The financial statements for the year ended December 31, 2016 were audited by other auditors whose report dated June 29, 2017 expressed an unmodified opinion in accordance with accounting principles generally accepted in the United States of America.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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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 that 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, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Prior Period Restatement and Adjustment

The Agency's financial statements for the year ending December 31, 2017 were previously issued with amounts not conforming to the most current generally accepted accounting principles. The Agency has restated certain prior year balances in order to conform to these updated accounting pronouncements, as discussed in Note 12 of the financial statements. These restatements have caused a prior period adjustment to unrestricted net assets, which was recognized during 2017. Our opinion is not modified with respect to these matters.

Application of GASB Statement No. 72

During 2017 the Agency has begun to apply GASB Statement No. 72, Fair Value Measurements and Application. The application of this pronouncement has caused a material unrealized gain on revaluation of capital assets as discussed in Note 13 of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, and Analysis and schedule of the Agency's proportionate share of the net pension liability and schedule of Agency contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 opinions on the financial statements that collectively comprises the Jersey City Redevelopment Agency's financial statements. The Supplemental Schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 supplemental schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2018 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.

Very truly yours,

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

August 15, 2018

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Management Discussion and Analysis

As management of the Jersey City Redevelopment Agency, we offer the Agency's financial statements this narrative overview and analysis of the Agency's financial performance during the fiscal year ended December 31, 2017. Please read this analysis in conjunction with the Agency's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The following data highlights the Agency's finances for the year ended December 31, 2017:

• The Agency's total net position increased $34,645,581	or	84%
• Cash and cash equivalents increased $3,352,222	or	15%
• Unrestricted assets increased $2,972,975	or	11%
• Restricted assets decreased $302,447	or	(4)%
• Current liabilities decreased $2,092,914	or	(9)%
• Noncurrent liabilities decreased $1,007,565	or	(18)%
• Operating revenues decreased $8,005,605	or	(51)%
• Operating expenses decreased $4,827,807	or	(45)%
• Operating income decreased $3,177,798	or	(64)%

Overview of the Financial Statements

The Agency is a corporate and politic body organized under the laws of the State of New Jersey. The Comprehensive Annual Financial Report is presented in two sections: Financial Statements and Notes, and Supplemental Schedules and Comments. The Financial section includes Management's Discussion and Analysis and Financial Statements with notes that explain in more detail some of the information in the financial statements. The Supplemental Schedules include detailed financial information along with general comments and recommendations.

<u>*Required Financial Statements*</u>

The financial statements of the Agency report information about the Agency using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statement of Net Position* includes all of the Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and provides information about the nature and amounts of investments in resources (assets) and the obligations to Agency creditors (liabilities). Its also provides the basis for evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency.

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* reports how the Agency's net position changed during the current fiscal year. All current revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Agency's distinct activities or functions on revenues provided by the Agency's customers and other funding sources.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Fund Net Position.* This statement measures the results of the Agency's operations over the past year and can be used to determine whether the Agency has recovered all its costs through user fees and other changes, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows.* This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

Financial Analysis of the Agency

One of the most important questions asked about the Agency's finances is "Is the Agency as a whole better able to fulfill its mission as a result of this years activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Fund Net Position* report information about the Agency's activities in a way that will help answer this question. These two statements report net position of the Agency and the changes in those assets. The reader can think of the Agency's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Agency's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in fund net position may be observed and used to discuss the changing financial position of the Agency as a whole.

Net Position, continued

The Agency's net position at fiscal year-end is $75,843,246. This is a $34,645,581 increase from last year's net position of $41,197,665. A summary of the Agency's statement of net position is presented in the following table:

Condensed Statement of Net Position

	2017	(Restated) 2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Unrestricted Assets	29,545,683	26,572,708	2,972,975	11.19%
Restricted Assets	6,628,544	6,930,991	(302,447)	(4.36)%
Capital Assets	65,714,434	35,800,897	29,913,537	83.56%
Total Assets	101,888,661	69,304,596	32,584,065	47.02%
Deferred Outflows of Resources	981,912	1,418,213	(436,301)	(30.76)%
Current Liabilities	21,520,159	23,613,073	(2,092,914)	(8.86)%
Non-current Liabilities	4,702,102	5,709,667	(1,007,565)	(17.65)%
Total Liabilities	26,222,261	29,322,740	(3,100,479)	(10.57)%
Deferred Inflows of Resources	805,066	202,204	602,862	298.15%
Net Position				
Investment in Capital Assets	65,714,434	35,800,897	29,913,537	83.56%
Unrestricted	10,128,812	5,396,768	4,732,044	87.68%
Total Net Position	75,843,246	41,197,665	34,645,581	84.10%

Net Position, continued

A summary of the Agency's prior year statement of net position is presented with comparative FY 2015 balances in the following table.

Condensed Statement of Net Position

	2016	2015	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Unrestricted Assets	23,329,754	14,950,215	8,379,539	56.05%
Restricted Assets	9,562,963	16,460,649	(6,897,686)	(41.90)%
Capital Assets	35,800,897	32,269,699	3,531,198	10.94%
Total Assets	68,693,614	63,680,563	5,013,051	7.87%
Deferred Outflows of Resources	1,418,213	232,578	1,185,635	509.78%
Current Liabilities	23,002,091	23,351,782	(349,691)	(1.50)%
Non-current Liabilities	5,709,667	4,221,122	1,488,545	35.26%
Total Liabilities	28,711,758	27,572,904	1,138,854	4.13%
Deferred Inflows of Resources	202,404	290,798	(88,394)	(30.40)%
Net Position				
Investment in Capital Assets	35,800,897	32,269,699	3,531,198	10.94%
Restricted	941,492	1,336,630	(395,138)	(29.56)%
Unrestricted	4,455,276	2,534,110	1,921,166	75.81%
Total Net Position	41,197,665	36,140,439	5,057,226	13.99%

Net Position, continued

While the *Statement of Net Position* shows the change in financial position, the *Statement of Revenues, Expenses and Changes in Fund Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by $34,645,581.

Condensed Statement of Revenues, Expenses And Changes in Fund Net Position

	2017	(Restated) 2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)	2015
Operating Revenue:					
Federal and State Grants	2,791,048	$6,493,051	(3,702,003)	-57.01%	6,218,456
Other:					
City and County Contributions	99,399	1,894,064	(1,794,665)	-94.75%	1,810,861
Redeveloper Fees	1,707,807	853,403	854,404	100.12%	742,200
Redeveloper Reimbursements	1,284,536	1,114,112	170,424	15.30%	2,006,156
Miscellaneous	1,034,739	388,347	646,392	166.45%	3,166,517
Gain on Sale of Property	691,795	2,993,237	(2,301,442)	-76.89%	
Contribution of Property Held for Reimbursement		1,878,715	(1,878,715)	-100.00%	
Total Operating Revenue	7,609,324	15,614,929	(8,005,605)	-51.27%	13,944,190
Operating Expenses:					
Grant Related					
Federal, State and Private	580,031	3,705,779	(3,125,748)	-84.35%	6,218,456
Nongrant Related					
City and County Contributions	99,399	1,894,064	(1,794,665)	-94.75%	1,810,861
Redeveloper Reimbursed Expenses	1,713,679	1,114,112	599,567	53.82%	4,703,914
Other	3,186,816	3,738,580	(551,764)	-14.76%	196,722
Depreciation	244,233	199,430	44,803	22.47%	112,138
Total Operating Expenses	5,824,158	10,651,965	(4,827,807)	-45.32%	13,042,091
Operating Income/(Loss)	1,785,166	4,962,964	(3,177,798)	-64.03%	902,099
Nonoperating Revenues (Expenses)					
Interest Revenue	161,486	94,262	67,224	71.32%	44,498
Bad Debt Expense					(250,000)
Total Nonoperating Revenues (Expenses)	161,486	94,262	67,224	71.32%	(205,502)
Unrealized Gain on Revaluation of Fixed Assets	32,085,341		32,085,341	100.00%	
Prior Period Adjustment	613,588		613,588	100.00%	850,000
Changes in Net Position	34,645,581	5,057,226	29,588,355	585.07%	1,546,597

The Agency's operating revenues decreased by $8,005,605 to $7,609,324 in fiscal year 2017 from $15,614,929 in 2016, as restated.

Budgetary Highlights

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

The following tables provides a budget comparison:

Budget vs. Actual - 2017

	Budget	Actual	Variance
Revenues:			
Operating	11,258,396	6,917,529	(4,340,867)
Non-Operating	110,000	161,486	51,486
	11,368,396	7,079,015	(4,289,381)
Expenses:			
Operating	11,368,396	5,347,897	(6,020,499)
Income	0	1,731,118	1,731,118

Capital Assets

The following table summarizes the capital assets as of December 31, 2017, 2016 and 2015:

CAPITAL ASSETS

	2017	2016	2015
Invested in Capital Assets:			
Buildings	23,047,400	9,676,058	9,676,058
Construction in Progress		3,003,676	
Property Held for Redevelopment	46,144,142	26,354,039	25,692,087
Vehicles and Equipment	80,717	80,718	15,718
	69,272,259	39,114,491	35,383,863
Less Accumulated Depreciation	(3,557,825)	(3,313,594)	(3,114,164)
	65,714,434	35,800,897	32,269,699

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City of Jersey City, New Jersey citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the appropriations and grants that it receives. If you have questions about this report or need additional financial information, you may contact the Agency's Executive Director at 66 York Street, Floor 2, Jersey City, New Jersey 07302.

Financial Statements

Exhibit A

JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENT OF NET POSITION
AS OF DECEMBER 30, 2017 AND 2016

Assets	2017	2016 (Restated)
Unrestricted Current Assets		
Cash and Cash Equivalents	$ 20,221,755	$ 16,044,038
Accounts Receivable	172,886	150,161
Intergovernmental Receivables	2,402,971	2,512,941
Less: Allowance for Doubtful Accounts	(250,000)	(250,000)
Mortgage Loans Receivable	525,034	528,125
Total Unrestricted Current Assets	23,072,646	18,985,265
Restricted Current Assets		
Cash and Cash Equivalents	5,494,514	6,320,009
Developers Escrow Receivable	1,134,030	610,982
Total Restricted Current Assets	6,628,544	6,930,991
Total Current Assets	29,701,190	25,916,256
Unrestricted Noncurrent Assets		
Mortgage Loan Receivable	4,712,824	4,085,981
Accrued Interest - Mortgage Loan Receivable	10,213	1,462
Accounts Receivable - Property Held for Redevelopment	1,750,000	3,500,000
Total Unrestricted Noncurrent Assets	6,473,037	7,587,443
Capital Assets		
Buildings (Net of Accumulated Depreciation of $3,528,566 and $3,393,528)	19,518,834	6,380,891
Construction in Progress		3,003,676
Property Held for Redevelopment	46,144,142	26,354,039
Vehicles and Equipment (Net of Accumulated Depreciation of $29,259 and $19,781)	51,458	62,291
Total Capital Assets (Net of Accumulated Depreciation)	65,714,434	35,800,897
Total Noncurrent Assets	72,187,471	43,388,340
Total Assets	101,888,661	69,304,596
Deferred Outflows of Resources		
Deferred Amounts on Net Pension Liability	981,912	1,418,213
Total Deferred Outflows of Resources	981,912	1,418,213
Total Assets and Deferred Outflows of Resources	102,870,573	70,722,809

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

Exhibit A

JERSEY CITY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENT OF NET POSITION
AS OF DECEMBER 30, 2017 AND 2016

Liabilities		
Current Liabilities Payable from Unrestricted Assets		
Accounts Payable and Other Liabilities	322,218	805,652
Unearned Revenue	6,965,430	5,772,463
Redeveloper Contracts Payable	115,055	115,055
Intergovernmental Payables	7,488,912	9,988,912
Total Current Liabilities Payable from Unrestricted Assets	14,891,615	16,682,082
Current Liabilities Payable from Restricted Assets		
Developers Escrow	3,940,544	4,898,528
Project Deposits	2,688,000	2,032,463
Total Current Liabilities Payable from Restricted Assets	6,628,544	6,930,991
Total Current Liabilities	21,520,159	23,613,073
Noncurrent Liabilities Payable from Unrestricted Assets		
Inter-Agency Loan Payable	317,204	317,204
Compensated Absences Payable	281,206	359,446
Judgement Payable	1,450,000	1,450,000
Net Pension Liability	2,653,692	3,583,017
Total Noncurrent Liabilities Payable from Unrestricted Assets	4,702,102	5,709,667
Total Noncurrent Liabilities	4,702,102	5,709,667
Total Liabilities	26,222,261	29,322,740
Deferred Inflows of Resources		
Deferred Amounts on Net Pension Liability	805,066	202,404
Total Deferred Inflows of Resources	805,066	202,404
Total Liabilities and Deferred Inflows of Resources	27,027,327	29,525,144
Net Position		
Investment in Capital Assets	65,714,434	35,800,897
Unrestricted	10,128,812	5,396,768
Total Net Position	$ 75,843,246	$ 41,197,665

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

Exhibit B

JERSEY CITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 30, 2017 AND 2016

Operating Revenues	2017	2016 (Restated)
Federal Grants:		
Department of Housing and Urban Development	$ 1,410,391	$ 4,331,115
Environmental Protection Agency	118,801	1,329,367
State Grants:		
Department of Environmental Protection	1,261,856	782,469
UEZA Passed Through JCEDC		50,100
Other:		
Redeveloper Fees	1,707,807	853,403
Redeveloper Reimbursements	1,284,536	1,114,112
City Contributions	99,399	1,894,064
Miscellaneous	1,034,739	388,347
Gain on Disposition of Property Held for Redevelopment	691,795	2,993,237
Contribution of Property Held for Redevelopment		1,878,715
Total Operating Revenue	7,609,324	15,614,929
Operating Expenses		
Grant Related:		
Federal	329,290	2,873,210
State	241,867	832,569
Private	8,874	
Nongrant Related:		
City Contributions	99,399	1,894,064
Redeveloper Reimbursed Expenses	1,713,679	1,114,112
Other	3,186,816	3,738,580
Depreciation	244,233	199,430
Total Operating Expenses	5,824,158	10,651,965
Operating Income	1,785,166	4,962,964
Nonoperating Revenues (Expenses)		
Interest Revenue	161,486	94,262
Total Nonoperating Revenues (Expenses)	161,486	94,262
Change in Net Position	1,946,652	5,057,226
Net Position, Beginning of Year	$ 41,197,665	$ 36,140,439
Unrealized Gain on Revaluation of Fixed Assets (Change in Accounting Policy - Note 14)	32,085,341	
Prior Period Adjustment (Change in Accounting Policy - Note 13)	613,588	
Net Position, End of Year	$ 75,843,246	$ 41,197,665

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

Exhibit C

JERSEY CITY REDEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 30, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Operating Cash Receipts	$ 7,590,906	$ 9,809,048
Operating Cash Payments	(7,692,865)	(9,486,155)
Receipts of Project Deposits	707,548	1,510,101
Payments from Project Deposits	(1,092,425)	(1,114,111)
Receipts from the Sale of Property Held for Redevelopment	3,817,766	710,000
Net Cash Provided (Used) by Operating Activities	3,330,930	1,428,883
Cash Flows from Capital and Related Financing Activities		
Receipts for the Disposition of Property on Behalf of the City of Jersey City		17,895,000
Payments to the City of Jersey City for Disposition of Property		(10,000,000)
Payments for the Acquisition of Equipment		(65,000)
Payments for Construction in Progress and Building Improvements	(140,194)	(3,003,676)
Net Cash Provided (Used) by Capital and Related Financing Activities	(140,194)	4,826,324
Cash Flows from Investing Activities		
Interest Received	161,486	94,262
Net Cash Provided (Used) by Investing Activities	161,486	94,262
Net Increase (Decrease) in Cash and Cash Equivalents	3,352,222	6,349,469
Cash and Cash Equivalents at the Beginning of the Year	$ 22,364,047	$ 16,014,578
Cash and Cash Equivalents at the End of the Period	$ 25,716,269	$ 22,364,047
Analysis of Balance at June 30, 2017		
Unrestricted - Cash and Cash Equivalents	20,221,755	16,044,038
Restricted - Cash and Cash Equivalents	5,494,514	6,320,009
	$ 25,716,269	$ 22,364,047

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

JERSEY CITY REDEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 30, 2017 AND 2016

	2017	2016
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income	$ 1,785,166	$ 4,962,964
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	244,233	199,430
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	(22,724)	(95,289)
(Increase)/Decrease in Developers Escrow Receivable	(523,048)	
(Increase)/Decrease in Intergovernmental Receivables	109,970	108,378
(Increase)/Decrease in Mortgage Loans Receivable	(623,752)	605,989
(Increase)/Decrease in Accounts Receivable - Property Held for Redevelopment	1,750,000	(3,500,000)
(Increase)/Decrease in Accrued Interest - Mortgage Loans Receivable	(8,750)	(1,462)
(Increase)/Decrease in Property Held for Redevelopment	3,117,652	(661,952)
Increase/(Decrease) in Accounts Payable and Other Liabilities	(483,434)	660,864
Increase/(Decrease) in Unearned Revenue	1,192,967	(1,952,462)
Increase/(Decrease) in Redeveloper Contracts Payable	-	465
Increase/(Decrease) in Compensated Absences Payable	(78,240)	19,301
Increase/(Decrease) in Developers Escrow	(957,984)	-
Increase/(Decrease) in Project Deposits	655,537	395,990
Increase/(Decrease) in Intergovernmental Payable	(2,500,000)	400,452
Increase/(Decrease) in New Pension Liability	(929,325)	1,469,244
(Increase)/Decrease in Deferred Amounts on Net Pension Liability	602,662	(1,183,029)
Total Adjustments	1,545,764	(3,534,081)
Net Cash Provided (Used) by Operating Activities	$ 3,330,930	$ 1,428,883

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

Notes to Financial Statements

JERSEY CITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Jersey City)
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

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 Authority 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. Reporting Entity, (continued)

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. Basis of Presentation – Financial Statements

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

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

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

Reclassifications

Certain reclassifications may have been made to the 2016 amounts to conform with the 2017 financial presentation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. 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.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Management currently uses estimates to determine the fair market value of property held for redevelopment and the useful life of depreciable assets.

E. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

F. 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.

G. 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.

H. Restricted Assets

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

I. Capital Assets

Buildings and vehicles and equipment are recorded at cost.

Property held for redevelopment is recorded at acquisition cost or, if donated or contributed, are stated at their estimated fair market value on the date of receipt by the Agency. For properties held for redevelopment where this information is not available, properties are stated at their assessed value as of December 31, 2017.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. Capital Assets, (continued)

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

Asset	Year
Buildings	50
Vehicles	5
Equipment	3-6

J. 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

K. 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.

L. Unearned Revenue

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

M. 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.

N. 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.

O. Net Position

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

- **Net investment in capital assets** — consists of capital assets less accumulated depreciation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

O. Net Position, (continued)

- **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.

P. 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.

Q. 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 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

R. Recent Accounting Pronouncements

The Government Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for fiscal years beginning after June 15, 2017. The Agency believes this Statement will have no effect on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The Agency believes this Statement will have no effect on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* which establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition for pension liabilities, expense and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contributions items; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. The Agency believes this Statement will have no impact future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

R. Recent Accounting Pronouncements, (continued)

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. The Agency does not believe this Statement will have any effect on future financial statements.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Agency does not believe this Statement will have any effect on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The Agency is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Agency is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

R. Recent Accounting Pronouncements, (continued)

statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Agency is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The Agency is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement.* The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018. The Agency is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2018, the Government Accounting Standards Board issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for reporting periods beginning after December 15, 2019. The Agency is currently reviewing what effect, if any, this Statement might have on future financial statements.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 Authority 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.

NOTE 3. DEPOSITS AND INVESTMENTS

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

Deposits

The Agency's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Agency is required to deposit their funds in a depository

NOTE 3. DEPOSITS AND INVESTMENTS, (continued)

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 FDIC.

Bank balances are insured up to $250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of $250,000 for each failed brokerage firm. At December 31, 2017 and 2016, the book value of the Agency's deposits were $25,716,269 and $22,364,047, respectively, and bank balances of the Agency's cash and deposits amounted to $25,836,335 and $22,648,317, respectively. The Agency's deposits which are displayed on the statement of net position as "cash and cash equivalents" are categorized as:

Depository Account	Book Balance 2017	Book Balance (Restated) 2016
Restricted	$5,494,514	$6,320,009
Unrestricted	20,221,755	16,044,038
	$25,716,269	$22,364,047

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, 2017 and 2016, the Agency's bank balances of $7,838,270 and $7,772,238, respectively, were exposed to custodial credit risk.

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, 2017, the Agency had no outstanding investments.

NOTE 4. MORTGAGE LOANS RECEIVABLE

The mortgage loan receivable balances at December 31, 2017 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 to 30 years, maturing on June 10, 2021.
• Grove Street 2	Issued to Majestic U.R. LLC on October 15, 2015 for $183,344, with an interest rate of 4.25% per annum. The note provides for monthly payment of principal and interest of $1,135 based on a twenty year payout. All sums owed on the note are due no later than November 15, 2025.
• 1 Edward Hart Road	Issued to 1 Edward Hart Road LLC in October 2015 for $250,000 with an interest rate of 3.5%. The note requires monthly payments of interest only up to the earlier of the mortgagee securing permanent financing or October 2017 at which time a lump sum payment of the entire unpaid principal balance will be due.
• Journal Square	Issued to Kennedy, LLC on June 2, 2003 for $700,000 as a balloon mortgage payable on June 2, 2033 at interest rates of 1% for years one through five, 3% for years six through fifteen, and 5% for years fifteen through thirty.
• Liberty Harbor	Issued to Liberty Harbor North II Urban Renewal Company, LLC on October 29, 2004. The mortgage provides an amount equal to any excess condemnation award determined by the court related to the property for which the mortgage is secured. On February 6, 2009, the Superior Court of New Jersey determined the excess condemnation award to be $17,350,000, plus interest. In July 2012, a settlement was entered into whereby the developer agreed to pay the Agency the sum of $21,000,000 plus a deferred interest

NOTE 4. MORTGAGE LOANS RECEIVABLE, (continued)

Location Description	Loan Terms
	payment of $1,450,000. Payments are to 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 unity sold by the borrower, whether or not such sale provided proceeds to be applied to the repayment of the mortgage note.
• Liberty Manor	Issued to 28 Liberty Manor Development, LLC on December 23, 2014 for $678,125. Payments shall be made in thirty one (31) equal installments as each residential condominium unit is sold. Interest at a yearly rate of 2% will be charged on that part of the principal which has not been paid from the issuance date until all principal has been paid. Final payment shall be due on or before the maturity date of November 5, 2016. During 2017, the Agency and the redeveloper agreed to a lump-sum payment of $100,000 on or before January 8, 2018 with the remaining principal and interest accrued thereon to be paid in full no later than September 30, 2018.
• 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.
• Ash Street 2	Issued to Ash Urban Renewal Development, LLC on April 3, 2017 for $630,000 with an interest rate of 2% per annum. The payment of principal and accrued interest shall be due and payable on or before September 3, 2019.

NOTE 4. MORTGAGE LOANS RECEIVABLE, (continued)

The Agency's mortgage loans receivable balances at December 31, 2017 and 2016 are:

	2017	2016
Ocean/Bayview	$274,000	$274,000
Grove Street 2	170,133	176,381
1 Edward Hart Road	250,000	250,000
Journal Square	700,000	700,000
Ash Street 1	850,000	850,000
Liberty Harbor	1,450,000	1,450,000
MLK Drive	435,600	435,600
Liberty Manor	478,125	478,125
Ash Street 2	630,000	
	$5,237,858	$4,614,106

NOTE 5. EMPLOYEE RETIREMENT SYSTEM

The State of New Jersey sponsors and administers the following contributory defined 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)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

NOTE 5. EMPLOYEE RETIREMENT SYSTEM, (continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of $1/55^{th}$ of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{th}$ of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

NOTE 5. EMPLOYEE RETIREMENT SYSTEM, (continued)

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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

The Agency's contribution to the various plans, equal to the required contributions for each year, were as follows:

Year	PERS	DCRP
2017	$107,475	$3,414
2016	80,955	3,229
2015	90,955	3,560

NOTE 5. EMPLOYEE RETIREMENT SYSTEM, (continued)

Contribution Requirements, (continued)

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

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, 2017 and 2016, the Agency reported a liability of $2,653,692 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion 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 governments, actuarially determined. At June 30, 2017, the Agency's proportion was .0113998 percent, which was a decrease of .000698 percent from its proportion measured as of June 30, 2016.

For the years ended December 31, 2017 and 2016, the Agency recognized pension expense of $215,244 and $393,690, respectively. At December 31, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$62,485	$
Changes of assumptions	534,627	532,667
Net difference between projected and actual earnings on pension plan investments	18,070	
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	366,730	272,399
Total	$981,912	$805,066

NOTE 5. 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)

The $981,912 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2017, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended December 31:	
2018	$62,470
2019	94,269
2020	57,122
2021	(75,973)
2022	(55,374)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at December 31, 2017 and 2016 are as follows:

	Dec. 31, 2017	Dec. 31, 2016
Collective deferred outflows of resources	$6,424,455,842	$8,685,338,380
Collective deferred inflows of resources	5,700,625,981	870,133,595
Collective net pension liability	23,278,401,588	29,617,131,759
Agency's Proportion	.0113998030%	.0120977857%

NOTE 5. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

NOTE 5. 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 Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

NOTE 5. 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

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2016, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease 4.00%	At Current Discount Rate 5.00%	1% Increase 6.00%
Agency's proportionate share of the pension liability	$3,292,085	$2,653,692	$2,121,831

NOTE 5. 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)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

NOTE 6. CAPITAL ASSETS

The following is a summary of the Agency's capital assets activity for the years ended December 31, 2017 and 2016:

	Balance Jan. 1, 2017	Increases	Decreases	Balance Dec. 31, 2017
Capital Assets, Not Being Depreciated:				
Property Held for Redevelopment	$26,354,039	$21,857,869	$2,067,766	$46,144,142
Construction in Progress	3,003,676	140,194	3,143,870	0
Total Capital Assets, Not Being Depreciated	29,357,715	21,998,063	5,211,636	46,144,142
Capital Assets, Being Depreciated:				
Buildings	9,676,058	13,371,342		23,047,400
Vehicles and Equipment	80,718			80,718
Total Capital Assets Being Depreciated	9,756,776	13,371,342		23,128,118
Less Accumulated Depreciation for:				
Buildings	(3,295,167)	(233,400)		(3,528,567)
Vehicles and Equipment	(18,427)	(10,832)		(29,259)
Total Accumulated Depreciation	(3,313,594)	(244,232)		(3,557,826)
Total Capital Assets, Being Depreciated, Net	6,443,182	13,127,110		19,570,292
Capital Assets, Net	$35,800,897	$35,125,173	$5,211,636	$65,714,434

NOTE 6. CAPITAL ASSETS, (continued)

	Balance Jan. 1, 2016	Increases	Decreases	Balance Dec. 31, 2016
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	25,692,087	4,882,391	(1,216,763)	29,357,715
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	9,691,776	65,000		9,756,776
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	(3,114,164)	(199,430)		(3,313,594)
Total Capital Assets, Being Depreciated, Net	6,577,612	(134,430)		6,443,182
Capital Assets, Net	$32,269,699	$4,747,961	($1,216,763)	$35,800,897

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, 2017. Although the City has refinanced the original bonds, the Agency continues to reimburse 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 7. OTHER LONG-TERM LIABILITIES

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 $281,206 at December 31, 2017. These amounts are accrued as a noncurrent liability at December 31, 2017.

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, 2017 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, 2017.

NOTE 8. 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).

NOTE 8. <u>ACCOUNTS RECEIVABLE - PROPERTY HOLD FOR REDEVELOPMENT</u>, (continued)

As of December 31, 2017, 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, 2017 is $1,750,000.

NOTE 9. <u>COMMITMENTS AND CONTINGENCIES</u>

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. These liabilities, if any, not covered by insurance, should not be material in amount.

<u>Jersey City Redevelopment Agency v Kerrigan</u>

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.

NOTE 9. COMMITMENTS AND CONTINGENCIES, (continued)

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

As of December 31, 2017, the redeveloper has made all payments required by the settlement agreement. The balance of the mortgage receivable and related judgment payable at December 31, 2017 is $1,450,000. The Agency still has significant exposure to liability with respect to the JCRA v. Kerrigan case in that the redevelopers resources and security for payment of the final award may be insufficient.

One Journal Square Partners Urban Renewal Company, LLC et als. V. Jersey City Redevelopment Agency et als., Case No. 2:18-cv-11148 (the "One Journal Litigation"). The One Journal Litigation, which was filed in the United States District Court for the District of New Jersey on June 27, 2018, alleges four contract claims and five claims on connection with 42 U.S.C. § 1983 against the Agency, the City of Jersey City, and the Mayor of Jersey City, all in connection with a proposed redevelopment project located within Journal Square. The plaintiffs are seeking compensatory damages that they estimate in excess of $300 million, punitive damages, and equitable relief. The first responsive pleadings are due from the Agency and the other defendants on September 5, 2018. The Agency believes that the allegations against it set forth in the complaint are unfounded and intends to vigorously defend this matter.

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-parties 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 the accompanying financial statements.

The Agency's conduit debt activity for the six months ended December 31, 2017 is as follow:

- **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, 2017, 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.

NOTE 11. CONDUIT DEBT OBLIGATIONS, (continued)

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. RESTATEMENT AND PRIOR PERIOD ADJUSTMENT

The Agency has restated its December 31, 2016 statement of net position to include amounts designated as developers escrow receivable, $620,982, which were not explicitly displayed in the prior year's audit. This amount, in addition to other immaterial adjustments, make up the prior period adjustment to net assets, $613,558, noted on the statement of revenues, expenses and changes in net assets.

Additionally, the Agency has reclassified its December 31, 2016 statements of revenues, expenses and changes in net position to enhance the comparability of the results of operations to the approved budget.

NOTE 13. APPLICATION OF GASB STATEMENT NO. 72

The Agency has begun to apply the provisions of GASB Statement No. 72, Fair Value Measurements and Application, as of December 31, 2017. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Agency has decided to apply this pronouncement in a way which is both accurate and practical.

NOTE 13. APPLICATION OF GASB STATEMENT NO. 72, (continued)

With over one-hundred individual properties held for redevelopment, it would be impractical for the Agency to obtain valuations for each property held at each measurement date. As such, the Agency has updated the value of its individual properties with their most current assessed value as of December 31, 2017. The Agency believes that this is the most practical application of the fair value measurement for its assets.

As the application of fair value has not been updated historically, the Agency has recognized an unrealized gain on revaluation of fixed assets of $32,085,341 for the year ended December 31, 2017.

NOTE 14. SUBSEQUENT EVENT

The Agency has evaluated subsequent events through August 15, 2018, the date which the financial statements were available to be issued and no items were noted for disclosure.

Required Supplementary Information

Schedule 1

JERSEY CITY REDEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIRMENET SYSTEM
Last Five Fiscal Years*

	2017	2016	2015	2014	2013
Agency's Proportion of the Net Position Liability (Asset)	0.01140%	0.01210%	0.00941%	0.01103%	0.01068%
Agency's Proportionate Share of the Net Pension Liability (Asset)	$ 2,653,692	$ 3,583,017	$ 2,113,773	$ 2,065,692	$ 2,041,703
Agency's Covered -Employee Payroll	$ 976,916	$ 720,778	$ 649,719	$ 763,045	$ 737,115
Agency's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	271.64%	497.10%	325.34%	270.72%	276.99%

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

The 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.

Change of Benefit Terms

None

Changes of Assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date to the current measurement date resulting in a change in the discount rate from 3.98% to 5.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No.68.

Schedule 2

JERSEY CITY REDEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AGENCY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIRMENET SYSTEM
Last Five Fiscal Years*

	2017	2016	2015	2014	2013
Statutorily Required Employer Contributions	$ 105,607	$ 107,475	$ 80,955	$ 90,955	$ 80,493
Contributions in Relation to the Statutorily Required Contributions	105,607	107,475	80,955	90,955	80,493
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Agency's Covered - Employee Payroll	$ 976,916	$ 720,778	$ 649,719	$ 763,045	$ 737,115
Contributions as a Percentage of Covered-Employee Payroll	10.81%	14.91%	12.46%	11.92%	10.92%

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

The 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 3

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND APPROPRIATIONS
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 30, 2017

	2017 Adopted Budget	2017 Budget as Amended	2017 Actual	Variance Excess (Deficit)	2016 Actual
REVENUES					
Operating Revenues					
Other - Rents and Facility Charges	$ 275,000	$ 275,000	$ 436,532	$ 161,532	$ 76,658
Other - Redeveloper Fees/Reimbursements	675,000	675,000	2,992,343	2,317,343	1,967,515
Federal Grants					
Community Development Block Grant	1,800,000	1,800,000	1,410,391	(389,609)	2,940,779
Other	3,385,656	3,385,656	118,801	(3,266,855)	1,266,891
State Grants	2,446,540	2,446,540	1,261,856	(1,184,684)	2,285,381
Private Grants	375,000	375,000		(375,000)	
City of Jersey City - Capital Funds			99,399	99,399	1,894,064
Hudson County Open Space	725,000	725,000		(725,000)	
Property Sales	1,500,000	1,500,000		(1,500,000)	
Miscellaneous	76,200	76,200	598,207	522,007	311,689
Non-Operating Revenues					
Other - JPMorgan Chase Grant	60,000	60,000		(60,000)	
Other - Interest on Investments and Deposits	50,000	50,000	161,486	111,486	94,262
Total Revenues	11,368,396	11,368,396	7,079,015	(4,289,381)	10,837,239
APPROPRIATIONS					
Operating Appropriations					
Administration:					
Salaries, Wages and Fringe Benefits	1,649,600	1,649,600	1,467,218	(182,382)	1,359,144
Other Expenses	711,600	711,600	435,664	(275,936)	517,620
Cost of Providing Services:					
Other Expenses	9,007,196	9,007,196	3,445,015	(5,562,181)	8,263,036
Total Appropriations	11,368,396	11,368,396	5,347,897	(6,020,499)	10,139,800
Budgetary Income (Loss)	$ -	$ -	1,731,118	$ 1,731,118	697,439
Reconciliation to GAAP Basis:					
Gain on Disposition of Property Held for Redevelopment			691,795		3,443,180
Contribution of Property Held for Redevelopment					1,878,715
Disposition of Property Held for Redevelopment					(449,943)
Unrealized Gain on Revaluation of Fixed Assets			32,085,341		
Depreciation Expense			(244,233)		(199,430)
Pension Expense - GASB 68			(232,028)		(312,735)
Change in Net Position GAAP Basis			$ 34,031,993		$ 5,057,226

Schedule 4

JERSEY CITY REDEVELOPMENT AGENCY
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 30, 2017

	Restricted for Developers Escrow and Project Deposits	Net Investment in Capital Assets	General Operating Accounts	Total
Operating Revenue:				
Federal Grants			1,998,850	1,998,850
State Grants			1,822,046	1,822,046
Redeveloper Fees			1,707,807	1,707,807
Redeveloper Reimbursements	1,284,536			1,284,536
City Contributions			99,399	99,399
Gain on Property Held for Redevelopment			691,795	691,795
Miscellaneous			4,891	4,891
Total Operating Revenue	1,284,536		6,324,788	7,609,324
Operating Expenses:				
Federal Grants			329,290	329,290
State Grants			241,867	241,867
Private Grants			8,874	8,874
Redeveloper Reimbursed Expenses	1,713,679			1,713,679
City Contributions			99,399	99,399
Other			3,186,816	3,186,816
Depreciation			244,233	244,233
Total Operating Expenses	1,713,679		4,110,479	5,824,158
Operating Income	(429,143)		2,214,309	1,785,166
Non-Operating Revenue (Expenses):				
Interest Revenue			161,486	161,486
Total Non-Operating Revenue (Expenses)	0		161,486	161,486
Net Income (Loss) Before Transfers	(429,143)		2,375,795	1,946,652
Transfers:				
Sale of Property Held for Redevelopment		(3,125,971)	3,125,971	
Capital Expenditures		954,167	(954,167)	
Increase in Developers Escrow Receivable	429,143		(429,143)	
Total Transfers	429,143	(2,171,804)	1,742,661	
Increase/(Decrease) in Net Position		(2,171,804)	4,118,456	1,946,652
Net Position - January 1, 2017, Restated		35,800,897	5,396,768	41,197,665
Unrealized Gain on Revaluation of Fixed Assets (Change in Accounting Policy - Note 14)		32,085,341		32,085,341
Prior Period Adjustment (Change in Accounting Policy - Note 13)			613,588	613,588
Net Position - December 31, 2017		65,714,434	10,128,812	75,843,246

JERSEY CITY REDEVELOPMENT AGENCY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Restricted for Developers Escrow and Project Deposits	General Operating Accounts	Total
Cash and Cash Equivalents January 1, 2017	6,320,009	16,044,038	22,364,047
Cash Receipts			
Operating Cash Receipts		7,590,906	7,590,906
Receipts of Project Deposits	266,930	440,618	707,548
Receipts from the Sale of Property Held for Redevelopment		3,817,766	3,817,766
Interest Received		161,486	161,486
Total Cash Receipts	266,930	12,010,776	12,277,706
Cash and Cash Equivalents Available	6,586,939	28,054,814	34,641,753
Cash Disbursements:			
Operating Cash Payments		7,692,865	7,692,865
Payments from Project Deposits	1,092,425		1,092,425
Payments for Construction in Progress and Building Improvements		140,194	140,194
Total Cash Disbursements	1,092,425	7,833,059	8,925,484
Cash and Cash Equivalents - December 31, 2017	5,494,514	20,221,755	25,716,269

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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 (A Component Unit of the City of Jersey City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit on 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 opinions 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.

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Honorable Chairman and Members of
the Board of Commissioners
Jersey City Redevelopment Agency
Page 2.

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

We did identify certain immaterial deficiencies in internal control that we have reported to management of the Jersey City Redevelopment Agency in the accompanying comments and recommendations section of this report.

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Jersey City Redevelopment Agency in the accompanying comments and recommendations section of this report.

Purpose of this Report

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

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

August 15, 2018

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JERSEY CITY REDEVELOPMENT AGENCY

(A Component Unit of the City of Jersey City)

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program Title/Cluster Title	CFDA number	Pass-Through Grantor's Number	Grant Receipts	Grant Expenditures	Cumulative Grant Expenditures
U.S Department of Housing and Urban Development					
(Passed Through City of Jersey City):					
Community Development Block Grant:					
663-665 Ocean Avenue	14.218	B-14-MC-41-0108	$ 65,735	6,776	3,415,674
474-480 Ocean Avenue	14.218	B-11-MC-38-0108	49,641		840,640
Berry Lane Park	14.218	B-09-MC-36-0108	1,425,000		3,972,783
292 - 284 Martin Luther King Drive	14.218	14-01-F01	11,350	27,335	27,335
			1,551,726	34,111	8,256,432
U.S Department of Housing and Urban Development					
(Passed Through New Jersey Economic Development Authority):					
Community Development Block Grant - Disaster Recovery					
Berry Lane Park - Hurricane Sandy Recovery	14.269	B-13-DS-34-0001	100,083		1,390,336
			100,083		1,390,336
U.S Department of Housing and Urban Development					
Economic Initiative Special Projects	14.251	B-10-SP-NJ-0112	176,378	176,378	400,000
			176,378	176,378	400,000
Total U.S. Department of Housing and Urban Development			1,828,187	210,489	10,046,768
U.S. Environmental Protection Agency					
Brownfield Revolving Loan - Ash Street	66.818	BF97207100	107,486	10,318	861,112
Hazardous Assessment	66.818	BF97207200	8,353	11,202	11,202
Petroleum Assessment	66.818	BF96274700	79	977	977
			115,918	22,497	873,291
Brownfields Cleanup Program					
441 Ocean Avenue	66.818	BP97207300	1,528	1,528	193,773
443 Ocean Avenue	66.818	BP97207400	2,094	2,094	196,074
441-457 Ocean Avenue	66.818	BP97203812			197,400
Grand Jersey BDA	66.818	BP97207200	31,914	68,654	115,463
City-Wide Hazardous Assessment	66.818	BP96294600	16,348	17,913	82,648
Petroleum Assessment	66.818	BP96294500	2,861	6,115	109,317
			54,745	96,304	894,675
Total Brownfield Grant Funding Cluster			170,663	118,801	1,767,966
Total U.S. Environmental Protection Agency			170,663	118,801	1,767,966
Total Federal Assistance			1,998,850	329,290	11,814,734

Note: This schedule was not subject to an audit in accordance with the Uniform Guidance.

JERSEY CITY REDEVELOPMENT AGENCY

(A Component Unit of the City of Jersey City)

Schedule of Expenditures of State Financial Assistance

For the Year Ended December 31, 2017

State Funding Department	Pass-Through Grantor's Number	Grant Receipts	Grant Expenditures	Cumulative Grant Expenditures
NJ Department of Environmental Protection				
(Passed Through New Jersey Economic Development Authority)				
Hazardous Discharge Site Remediation Grants				
100 Hoboken Avenue	P38741	$		174,685
441-457 Ocean Avenue - Investigative	P40589	275,044	614	22,801
441-457 Ocean Avenue - Clean Up	P40589	12,443		17,419
Mill Creek	P39535		68,149	205,661
Pittsburgh Metals	P39536			120,686
City Chemical	P42060		85,719	88,924
Grant Cleaner	P42679			7,556
Berry Lane Park	P42680	267,329	87,385	87,385
Berry Lane Park	P42787	1,093,052		
Jersey City MUA (Auto Pound)	P41694	150,178		
		1,798,046	241,867	725,117
NJ Department of Environmental Protection				
Trails Grant	13-0906-3	24,000		24,000
		24,000		24,000
Urban Enterprise Zone (UEZ)				
(Passed Through JCEDC)				
	09-172			50,100
				50,100
Total State Assistance		1,822,046	241,867	749,117

Note: This schedule was not subject to an audit in accordance with N.J. OMB circular 15-08.

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS DECEMBER 31, 2017

NOTE 1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards present the activity of all federal and state award programs of the Jersey City Redevelopment Agency. The Agency is defined in Note 1 to the Agency's basic financial statements. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the Schedule of Expenditures of State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Awards and Financial Assistance are presented on the accrual basis of accounting. These bases of accounting are described in Notes 2(A) to the Agency's basic financial statements. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations* and Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Awards and financial assistance are reported in the Agency's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
U.S., Department of Housing and Urban Development	$210,489	$	$210,489
U.S. Environmental Protection Agency	118,801		118,801
N.J. Department of Environmental Protection		241,867	241,867
Total Financial Awards	$329,290	$241,867	$571,157

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. INDIRECT COST RATE

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

General Comments

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

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors, formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the sum of $40,000, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months.

The bid thresholds in accordance with N.J.S.A. 40A:11-3 (as amended) is $40,000.

The governing body of the Agency has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Agency's attorney should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. No violations were discovered.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Comments and Recommendations

JERSEY CITY REDEVELOPMENT AGENCY
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2017

COMMENTS

Finance:

1. *The Agency has not formally approved the petty cash accounts and funds are not being maintained on an imprest basis.
2. *The Agency maintained a payroll account which was inactive for the entirety of the period under review.
3. Certain required financial disclosure forms here not submitted per by N.J.S.A. 40A:9-22.
4. Certain purchases and professional contracts were made/awarded without satisfying all necessary requirements of the State of New Jersey Local Public Contracts Law.
5. Bank reconciliations are not being reviewed on a timely basis.
6. Stale dated checks were not reviewed and cancelled on a timely basis.
7. Escrow balances are not being maintained in accordance with the applicable requirements of N.J.S.A. 40:55D, "Municipal Land Use Law."

RECOMMENDATIONS

Finance:

1. *The Agency formally approve the petty cash accounts and maintain them on an imprest basis.
2. *The inactive payroll bank account be closed.
3. All required persons should submit a financial disclosure form in accordance with N.J.S.A. 40A:9-22.
4. That all procurements follow the required procedures outlined in the State of New Jersey Local Public Contract Law.
5. That all bank reconciliations be reviewed on a timely basis.
6. Stale dated checks should be reviewed and cancelled if outstanding for greater than 180 days.
7. Escrow balances should be maintained in accordance with all applicable laws and statutes.

Problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

We wish to thank Jersey City Redevelopment Agency for their cooperation during the performance of our audit.

Respectfully submitted,

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants