NJRA®

New Jersey Redevelopment Authority
Annual Report

2015

Redeveloping Communities

Looking to Redevelop in New Jersey?

We are the Authority.

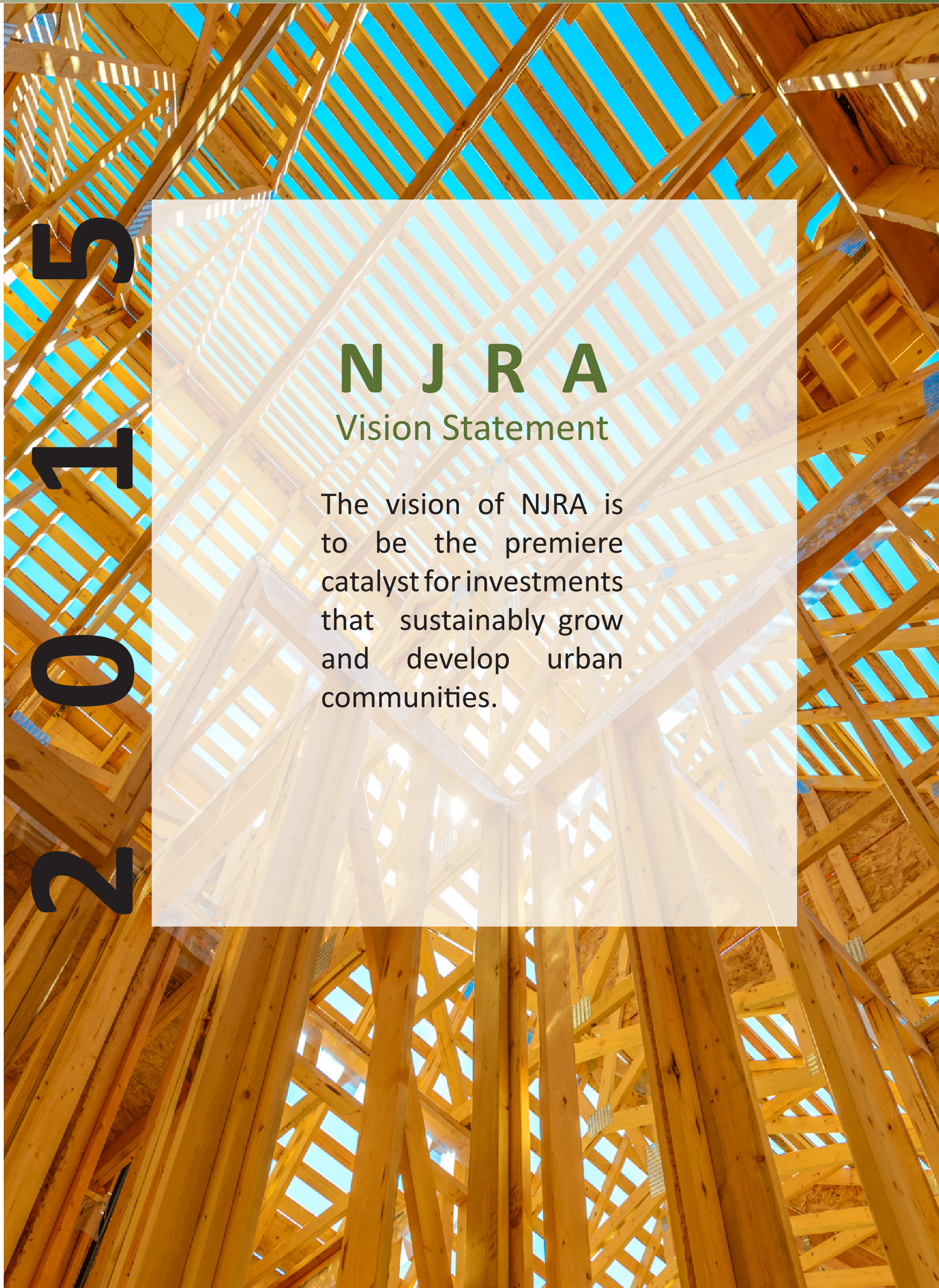
THE NJRA MISSION

To provide a unique approach to revitalization efforts in New Jersey's cities.

We develop programs and resources to improve the quality of life by creating value in urban communities.

Contents...

NEW JERSEY REDEVELOPMENT AUTHORITY



2015

N J R A
Vision Statement

The vision of NJRA is to be the premiere catalyst for investments that sustainably grow and develop urban communities.

Dear Friends,

As part of the Department of Community Affairs family, the New Jersey Redevelopment Authority (NJRA), serves as the catalyst for connecting urban communities with resources for redevelopment opportunities. NJRA has committed more than $418 million in project funds while leveraging over $3.9 billion in public/private funds for redevelopment projects within New Jersey's urban municipalities.

The NJRA has paved the way as New Jersey's urban-focused redevelopment authority by providing comprehensive resources and technical assistance to support successful real estate development projects throughout the State.

The value and improved quality of life resulting from the investments highlighted in the 2015 Annual Report will have a sustainable positive impact on the State of New Jersey.

We are a resource to developers, nonprofit organizations, government officials, and community development organizations who are looking for flexible financing, value added technical assistance and effective responsiveness. We directly touch the communities who benefit from the project once it comes to fruition.

The 2015 report highlights the continued mission and commitment the NJRA has shown New Jersey from partnerships with FOYA Foods to providing New Market Tax Credit funding for the Merritt Academy Charter School. We look forward to further investment and educating our partners in redevelopment.

Chairman

Executive Director

Redeveloping Neighborhoods

PROJECT HIGHLIGHT

Elmwood Gardens Revitalization Housing Project, City of Plainfield

- Creation of 65 newly-constructed affordable rentals for low-to-moderate income individuals and families
- Project addresses the need for comprehensive Sandy recovery efforts
- Site will create a vibrant walkable neighborhood
- Fits the scope of development plans for the West End Redevelopment Plan

The City of Plainfield has embarked on a plan to convert the former Elmwood Gardens housing project into a newly-constructed affordable rental housing development. A loan of $500,000 from the Predevelopment Loan Fund for Affordable Housing (PDLF) will allow the Plainfield Community Development Corporation, (PCDC) to develop the Elmwood Gardens Revitalization site. The total project cost is $1.9 million. For every NJRA dollar contributed $38 additional dollars was leveraged for the project.

The loan proceeds will be used for predevelopment costs associated with the project. Currently the site is a community eyesore and new development will foster a sense of community and be welcomed by the residents of Plainfield. PCDC plans to convert four three-story vacant structures with a total of 120 units into 65 townhouse-style rental properties. Once finished the project will create nine one-bedroom units and 56 two-bedroom units.

PROJECT HIGHLIGHT

The Salvation Army - Camden Kroc Corps Community Center, City of Camden

- Creation of a community food pantry
- Project addresses the needs of working parents by funding the fit-out of the child care center
- Provides a holistic approach to quality childcare, recreation, health and well-being services for distressed neighborhoods in Camden.
- Site created an environmentally-sustainable outcome from the remediation of a 24-acre brownfield site.

Ray & Joan Kroc bequeathed to the Salvation Army $1.6 billion to establish community centers throughout the country in distressed communities across the United States. The NJRA approved a $10 million allocation of New Market Tax Credits (NMTC) to the Salvation Army for the completion of the food pantry, childcare center and the community health care rooms at the Kroc Center, Camden. As a result of the NMTC funds every $1 contributed leveraged $2 in additional funds.

The Salvation Army worked with the Cramer Hill Community Development Corporation and the residents of the area to create the Cramer Hill NOW! Neighborhood Plan. With more than meetings and four years of planning, the Kroc Center, Camden was developed into a reality.

Once completed the Kroc center expects to serve 72 low-income children, 900 low-income residents at the health care center and 1,000 households at the food pantry.

Building Communities

PROJECT HIGHLIGHT

Merit Preparatory Charter School, City of Newark

- Potential opportunities to become a pipeline in generating college-ready students that can pursue higher education at local colleges and universities
- Expected to generate full-time permanent jobs for residents in the area
- Project will support 200 new high school students
- Aligned with the Broad Street Station District Redevelopment Plan

The RBH Group purchased the former site of the Broad National Bank building and undertook a $3.5 million gut renovation of 35,000 square feet of vacant office space into a 350-student charter school. In 2015, the RBH Group received a $10 million allocation of New Market Tax Credits to undertake a ground-floor expansion project at the school for an additional 200 students. Merit serves Newark students in grades 6 through 9. Merit is managed by a national nonprofit blended charter school management organization, Matchbook Learning. Merit's plan is to grow a grade a year until it becomes a full grade 6 through 12 college preparatory combined middle and high school. As a result of this project, an additional 32 new jobs will be available to residents in the Newark community. As Merit grows its school, RBH continues to work closely with all parties to accommodate the school's expansion within the footprint of 909 Broad Street.

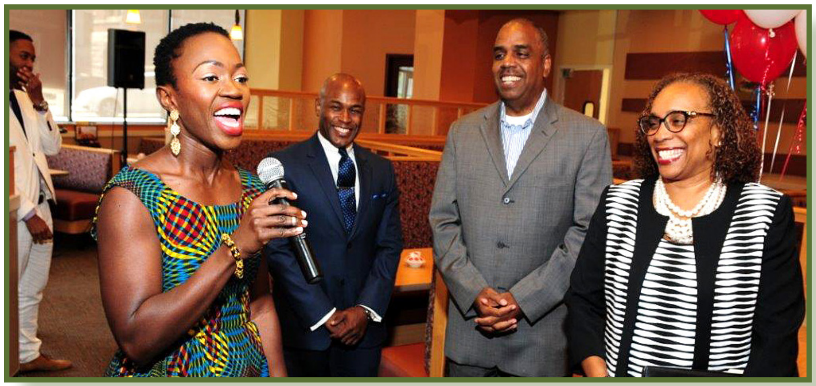
PROJECT HIGHLIGHT

FOYA Foods, City of Paterson

- Project creates several family sustaining full time/permanent jobs
- Located in the Main Street Redevelopment Area
- Provided more than 50 temporary construction jobs
- Minority-owned IHOP franchise located in an urban mall location

FOYA foods is an experienced franchise operator with the vision to bring IHOP restaurants to the urban redevelopment landscape. NJRA approved a $600,000 Redevelopment Investment Fund (RIF) loan to FOYA Foods to assist with the restaurant build out cost for an 8,000 square foot space in the Center City Mall in Paterson. For every $1 invested into the IHOP project an additional $2 was leveraged from public/private funds.

The IHOP restaurant is located in the Main Street Redevelopment Area of Paterson. This location has the capacity for 212 customers and a staff of 90 employees including Paterson residents.



FINANCING AND FOSTERING REDEVELOPMENT

The New Jersey Redevelopment Authority (NJRA) is commited to investing in the revitalization of urban municipalities throughout the State of New Jersey. NJRA through “Creative Community Investments” is the primary linkage between redevelopment projects and the financing required for urban-centered projects. The Authority works in partnership with our designated municipalities to address areas in need of revitalization and then provides the financial and technical assistance required to bring projects to fruition.

- The initial program created through the landmark legislation in 1996, the **Redevelopment Investment Fund**, **(RIF)**, provides flexible debt and equity financing for business and real estate ventures. Through the RIF Program, NJRA offers direct loans, real estate equity, loan guarantees and other forms of credit enhancements.

- The **NJRA Bond Program** issues both taxable and tax-exempt bonds to stimulate revitalization in New Jersey’s urban areas. Bonds are issued at attractive interest rates to a broad range of qualified business and nonprofit organizations.

- Through the uniqueness of the **Urban Site Acquisition Program (NJUSA)** revolving loan funds are provided to facilitate the acquisition, site preparation, and redevelopment of properties, which are components of an urban redevelopment plan. NJUSA also provides for-profit and nonprofit developers and municipalities with a form of bridge financing to acquire title to property and other acquisition-related costs.

- **Working in Newark’s Neighborhoods (WINN)**, a subsidiary of NJRA, is a revolving loan program focused on redevelopment efforts in the city of Newark. Funds from WINN can be used for commercial and mixed-use projects directly related to comprehensive development initiatives.

- The NJRA received $10 million in Community Development Block Grant Funds (CDBG-DR) to administer the **Predevelopment Loan Fund for Affordable Housing (PDLF)** in response to Superstorm Sandy. The PDLF was created to address the storm’s impact on New Jersey’s rental market. Projects are eligible for up to $500,000 in financing to help nonprofit housing developers cover predevelopment costs associated with properties that deemed unsafe, underutilized, or in foreclosure. The units are then rented as affordable housing.

- The NJRA is the recipient of a $20 million allocation of **New Market Tax Credits** from the U.S Department of Treasury’s Community Development Financial Institutions Fund. As the sole Community Development Entity (CDE) within the State of New Jersey to receive a 2013 allocation, the NJRA will invest capital in commercial and mixed-use development projects that will positively impact the quality of life in targeted communities in New Jersey.

NJRA REDEVELOPMENT TRAINING INSTITUTE

The NJRA Redevelopment Training Institute (NJRA RTI) provides opportunities for professional consultants, nonprofit and for-profit developers, entrepreneurs and government officials to learn about all aspects of redevelopment. Through NJRA RTI class participants gain knowledge on various topics including the redevelopment planning process, real estate feasibility, tax credits, and understanding the key to financing a project. The goal of NJRA RTI is to outline the nuances of the redevelopment planning process.

NJRA RTI staff also facilitates Municipal Consultations to further strengthen the relationship with our municipal partners, and to create an opportunity for municipalities to have first-hand access to the NJRA Board, state departments and nonprofit agencies, to present proposed redevelopment projects. Through consultation, each municipality has the opportunity to identify their needs for financial assistance, resources and/or additional technical assistance needed to proceed with a specific project or redevelopment plan. This opportunity provides municipalities with the technical resources needed to build a foundation to sustain profitable redevelopment projects.

NJRA Eligible Municipalities...

Asbury Park City
Bayonne City
Belleville Twp.
Bloomfield Twp.
Brick Twp.
Bridgeton City
Burlington City
Camden City
Carteret Borough
Clifton
East Orange City
Edgewater Boro
Elizabeth City
Ewing Twp.
Garfield City
Glassboro Boro
Guttenberg Town
Hackensack City
Hamilton Twp.
Harrison Town
Highlands Boro
Hillside Twp.
Hoboken City
Irvington Twp.
Jersey City
Keansburg Boro
Kearny Town
Lakewood Twp.
Lawnside Boro
Lindenwold Boro
Lodi Boro
Long Branch City
Manchester Township
Millville City
Monroe (Gloucester)
Montclair
Mount Holly
Neptune City Boro
Neptune Twp.
New Brunswick City
Newark City
North Bergen Twp.
Old Bridge Twp.
Passaic City
Paterson City
Pemberton Twp.
Penns Grove Boro
Pennsauken Twp.
Perth Amboy City
Phillipsburg Twp.
Plainfield City
Pleasantville City
Rahway City
Ridgefield Borough
Roselle Borough
Salem City
South Amboy City
Sussex Borough
Trenton City
Union City
Vineland City
Weehawken Twp.
West New York Town
Willingboro Twp.
Winslow Twp.
Woodbridge Twp.
Woodbury City

NJRA Building Blocks...

APPROVED INVESTMENTS
$418 million

NJRA LEVERAGE
$3.9 billion
In Public/Private Investments

OUR PARTNERS
- *Municipalities*
- *Government Agencies*
- *For-Profit & Nonprofit Groups*
- *Community-Based Organizations*
- *Private Lenders*
- *Developers*

NJRA Board of Directors...

EX-OFFICIO MEMBERS

Chairman Charles A. Richman, Commissioner	*Department of Community Affairs*
Christopher S. Porrino, Acting Attorney General	*Office of the Attorney General*
David C. Hespe, Commissioner	*Department of Education*
Bob Martin, Commissioner	*Department of Environmental Protection*
Cathleen Bennett, Commissioner	*Department of Health*
Elizabeth Connelly, Acting Commissioner	*Department of Human Services*
Harold J. Wirths, Commissioner	*Department of Labor & Workforce Development*
Richard T. Hammer, Acting Commissioner	*Department of Transportation*
Ford M. Scudder, Acting Treasurer	*Department of Treasury*
Melissa Orsen, Esq., Chief Executive Officer	*Economic Development Authority*

PUBLIC MEMBERS

Barry E. Vankat
William Sumas
B. Harold Smick, Jr.
Cosmo J. Iacavazzi
Harold Nafash

NJRA STAFF

Leslie A. Anderson	*Executive Director*
Kim Avant-Babb	*Director of Strategic Partnerships*
Darryl Godfrey	*Director of Business Development*
Sharon Lee-Williams	*Assistant Director of Lending Services*
Elly Gonzalez	*Manager of Operations*
Dawn Parreott	*Manager of Programs & Services*
Roy Southerland, Jr.	*Loan Officer*
Oscar Parham	*Program Coordinator*
Enid Taylor	*Executive Assistant*
Diana Albarran	*Program Technology Analyst*
Jackie Calderon	*Program Analyst*
Marge Creely	*Administrative Analyst*

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CREATIVE COMMUNITY INVESTMENTS

NJRA

NEW JERSEY REDEVELOPMENT AUTHORITY

(A Component Unit of the State of New Jersey)

Financial Statements and Supplementary Information

December 31, 2015 and 2014

New Jersey Redevelopment Authority
(a component unit of the State of New Jersey)

Table of Contents

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
New Jersey Redevelopment Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the New Jersey Redevelopment Authority (a component unit of the State of New Jersey) which comprise the statements of net position as of December 31, 2015 and 2014 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 New Jersey Redevelopment Authority as of December 31, 2015 and 2014, and 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

We draw attention to Notes 2 and 10 in the notes to the financial statements which disclose the effects of the Authority's adoption of the provisions of GASB Statement Nos. 68 "*Accounting and Financial Reporting for Pensions*" and 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

In accordance with accounting principles generally accepted in the United States of America, management's discussion and analysis on pages 3-6 and schedules related to accounting and reporting for pensions on pages 26-27 (collectively, "RSI"), are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the RSI 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 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 18, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

May 18, 2016

Management of the New Jersey Redevelopment Authority (the "Authority") presents this narrative overview and financial analysis of the Authority's financial activities and performance for the years ended December 31, 2015 and 2014, which should be read in conjunction with the Authority's financial statements and accompanying notes.

Overview of the Financial Statements

This discussion and analysis is intended to present an overview of the Authority's financial performance for the years ended December 31, 2015 and 2014. The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). This section is intended to provide an assessment of how the Authority's financial position has improved or deteriorated and identify factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions or conclusions by the Authority's management that should not be considered a replacement for the financial statements included in this report.

The statement of net position provides information about the nature and amount of investments in resources (assets) and the obligations to Authority creditors (liabilities).

The statement of revenues, expenses and changes in net position, measures the Authority's operations for the periods presented.

The statement of cash flows provides information about the Authority's sources and uses of cash from operating, investing and financing activities.

The notes to financial statements provide information that is essential to understanding the Authority's basic financial statements, such as the Authority's accounting methods and policies, details of significant assets, liabilities, net position, contractual obligations, future commitments and contingencies, as well as other events or other matters that could impact the Authority's financial position.

The Authority's Business

The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business, such as real estate development, investment banking, commercial lending, and private consulting. While detailed sub-fund information is not presented, separate accounts are maintained for each program to control and manage money for particular purposes or to demonstrate that the Authority is properly using specific appropriations and grants.

Operating Activities:

The Authority charges financing fees that may include an application fee, commitment and/or acceptance fee, closing fee, extension fee, and document execution fee. Interest income accrues to the benefit of the program for which the underlying source of funds is utilized.

Non-Operating Activities:

The Authority receives interest income on funds invested. These funds are highly liquid debt instruments with a maturity of three months or less and are considered to be cash equivalents. Given the nature of the Authority as an enterprise fund, the interest income derived from these assets is considered outside of the Authority's primary operating activities. Also included in non-operating activities are the unrealized losses in the investment in a Limited Liability Company and Financial Assistance Awards expense.

Financial Analysis of the Authority

In 2014, the Authority issued loans approximating $1.6 million under the Predevelopment Loan Fund established by the State of New Jersey Community Disaster Block Grant program to address damages to New Jersey's housing sector resulting from Superstorm Sandy. There were no loans issued in 2013. In response to the inability to close loans, the Authority created a Loan Review Committee in 2012, which is representative of the Authority's Board Members to restructure troubled loans and to focus its attention on loan workout and loan repayment.

In 2015, the Authority was party to $20 million in New Markets Tax Credit allocation through the U.S. Department of Treasury for development of two eligible projects. See Note 1 to the consolidated notes to financial statements.

Condensed Summary of Net Position:

	2015	2014	2013
Current assets	$ 1,582,494	$ 6,471,129	$ 7,740,631
Non-current assets	41,298,992	40,346,914	38,951,958
Capital assets	74,471	12,940	35,565
Total assets	$ 42,955,957	$ 46,830,983	$ 46,728,154
Deferred outflows of resources	$ 242,820	$ -	$ -
Current liabilities	$ 620,341	$ 364,753	$ 414,631
Non-current liabilities	4,275,828	3,281,579	-
Total liabilities	$ 4,896,169	$ 3,646,332	$ 414,631
Deferred inflows of resources	$ 412,914	$ -	$ -
Net invested in capital assets	74,471	12,940	35,565
Assigned	15,838,355	17,002,201	13,603,674
Unassigned	22,066,868	27,838,438	32,664,284
Total net position	$ 37,979,694	$ 44,853,579	$ 46,303,523

2015 - 2014

The Authority's total net position is approximately at $37.9 million and $44.9 million as of December 31, 2015 and 2014, representing a decrease of $4.8 million or 15.3% compared to 2014. The significant factor causing this decrease were a result of additional provision for uncollectible notes and an increase of operating costs.

Current assets decreased approximately $4.9 million or 75.5%, noncurrent assets increased approximately $1.0 million or 2.5%, current liabilities increased approximately $.15 million or 42.1% and non-current liabilities increased approximately $2.7 million or 164.7%.

2014 - 2013

The Authority's total net position is approximated at $42.8 million (as restated) and $46.3 million as of December 31, 2014 and 2013, respectively, representing a decrease of $1.4 million or 3.1% compared to 2013. The significant factors causing this decrease were a result of a decrease in revenue, additional provision for uncollectible notes, with operating costs similar to prior year.

Current assets decreased approximately $.352 million or 4.55%, noncurrent assets increased approximately $2.7 million or 7.0% and current liabilities did not change from 2013.

Condensed Summary of Revenues, Expenses and Changes in Net Position:

	2015	2014	2013
Operating revenues	$ 1,708,798	$ 1,178,319	$ 1,230,606
Operating expenses	6,650,766	2,667,826	6,478,057
Loss from operations	(4,941,968)	(1,489,507)	(5,247,451)
Non-operating revenue	32,622	39,563	37,058
Change in net position	(4,909,346)	(1,449,944)	(5,210,393)
Implementation of GASB 68	(2,054,539)	-	-
Net position, beginning of year	44,853,579	46,303,523	51,513,916
Net position, end of year	$ 37,889,694	$ 44,853,579	$ 46,303,523

2015 - 2014

For the years ended December 31, 2015 and 2014, total operating revenues approximated $1.7 million and $1.2 million, an increase of approximately $.53 million or 45.0% and operating expenses were $6.7 million and $2.7 million, an increase of approximately $4.0 million or 149.3% compared to 2014. In 2015, the Authority, in conjunction with participation in two NMTC transactions, received approximately .8 million in fees, a reduction in interest income on loans as a result of decrease in principal on notes. Operating expenses increased primarily as a result of writing off inactive loans (provision for losses) in 2015.

2014 - 2013

For the years ended December 31, 2014 and 2013, total operating revenues approximated $1.18 million and $1.23 million, a decrease of approximately $.05 million or 4.25% and operating expenses were $2.7 million and $6.5 million, a decrease of approximately $3.8 million or 59% compared to 2013. In August 2014, the Authority, in conjunction with a participation loan agreement to the New Jersey Economic Development Authority ("NJEDA"), reached an agreement with the NJEDA to repay the Authority the original principal loan amount of $3 million. As part of the agreement, the Authority agreed to forgive accrued interest on the loan, which approximated $2.6 million. The Authority recorded a provision for loss for this amount in 2013.

Other Financial Information

As typical for a financial institution, the relationship between allowances for uncollectible accounts and the offsetting loss provision is an integral component of the relationship of the balance sheet to the Statement of Revenues, Expenses, and Changes in Net Position. Although not mandated to do so, allowances for doubtful notes and guarantee payments are determined in accordance with guidelines established by the Office of the Comptroller of the Currency. The Authority accounts for its potential loss exposure through the use of risk ratings. Each risk rating is assigned a specific loss factor in accordance with the severity of the classification. All loans and guarantees are assigned a specific risk rating. The assigned risk ratings are continuously updated to account for changes in the financial condition of the borrower or guarantor, payment history, loan covenant, violations and changing economic conditions.

Contacting the Authority's Financial Management

This financial report is designed to provide New Jersey citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the appropriations and grants that it receives. If you have questions about the report or need additional information, contact the New Jersey Redevelopment Authority's Executive Director, at 150 West State Street, 2nd Floor West, PO Box 790, Trenton, NJ 08625-790 or visit our web site at www.njra.us.

New Jersey Redevelopment Authority
(a component unit of the State of New Jersey)

Statements of Net Position
December 31,

	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,268,407	$ 4,146,669
Notes receivable	282,427	2,250,000
Due from Department of Community Affairs	-	55,583
Prepaid expenses and other current assets	31,660	18,877
Total Current Assets	1,582,494	6,471,129
Restricted cash	25,556,323	23,453,277
Notes receivable, net of current portion	12,656,905	13,515,590
Interest receivable	3,083,764	3,378,047
Investment in CDE-New Market Tax Credit	2,000	-
Capital assets	74,471	12,940
Total Assets	$ 42,955,957	$ 46,830,983
DEFERRED OUTFLOWS OF RESOURCES	$ 242,820	$ -
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable and accrued expenses	$ 198,612	$ 31,695
Due to subrecipients	297,360	317,214
Total Current Liabilities	495,972	348,909
Compensated absences	34,369	15,844
Due to Department of Community Affairs	2,425,745	1,612,651
Net pension liability	1,850,083	-
Total Liabilities	$ 4,806,169	$ 1,977,404
DEFERRED INFLOWS OF RESOURCES	$ 412,914	$ -
Net Position:		
Net investment in capital assets	74,471	12,940
Restricted	15,838,355	17,002,201
Unrestricted	22,066,868	27,838,438
Total Net Position	$ 37,979,694	$ 44,853,579

See notes to financial statements

New Jersey Redevelopment Authority
(a component unit of the State of New Jersey)

Statements of Revenues, Expenses and Changes in Net Position
Years ended December 31,

	2015	2014
OPERATING REVENUES		
Interest income on notes receivable	$ 670,756	$ 977,216
Sponsor fee	782,807	-
Fee income	47,079	35,249
Other	208,156	165,854
Total Operating Revenues	1,708,798	1,178,319
EXPENSES		
Salaries and benefits	1,357,959	904,576
General and administrative	417,068	287,894
Rent	178,082	217,921
Depreciation	22,502	22,625
Tax lien payments - property acquisition	200,048	264,812
CDE transaction fee	180,000	-
Provision for losses on loans	4,205,107	969,998
Total Expenses	6,560,766	2,667,826
Loss from Operations	(4,851,968)	(1,489,507)
NON-OPERATING INCOME		
Investment income	32,622	39,563
Change in Net Position	(4,819,346)	(1,449,944)
NET POSITION		
Beginning of year	44,853,579	46,303,523
Adjustment for GASB 68 implementation	(2,054,539)	-
End of year	$ 37,979,694	$ 44,853,579

See notes to financial statements

New Jersey Redevelopment Authority
(a component unit of the State of New Jersey)

Statements of Cash Flows
Years Ended December 31,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash disbursed to borrowers	$ (1,934,783)	$ (1,691,110)
Cash received from borrowers	1,506,869	4,798,955
Cash received from other sources	1,038,042	201,130
Cash disbursed for goods and services	(824,118)	(821,411)
Cash disbursed for personnel costs	(1,320,909)	(904,576)
Net Cash From Operating Activities	(1,534,899)	1,582,988
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Change in due to subrecipients	(19,854)	906
Proceeds from Department of Community Affairs	832,948	1,691,110
Net Cash From Non-Capital Financing Activities	813,094	1,692,016
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in CDE	(2,000)	-
Purchase of capital assets	(84,033)	-
Investment income	32,622	39,563
Net Cash From Investing Activities	(53,411)	39,563
Net Change in Cash and Cash Equivalents	(775,216)	3,314,567
CASH AND CASH EQUIVALENTS		
Beginning of year	27,599,946	24,285,379
End of year	$ 26,824,730	$ 27,599,946
CASH AND CASH EQUIVALENTS		
Current assets	$ 1,268,407	$ 5,054,361
Restricted cash	25,556,323	22,545,585
	$ 26,824,730	$ 27,599,946
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss from operations	$ (4,851,968)	$ (1,489,507)
Adjustments to reconcile loss from operations to net cash from operating activities:		
Depreciation	22,502	22,625
Provision for losses on loans	4,205,107	969,998
Changes in operating assets and liabilities:		
Due from Department of Community Affairs	55,583	(152)
Notes receivable	(1,378,849)	2,808,525
Prepaid expenses and other current assets	(12,783)	(4,203)
Deferred outflows of resources	(190,340)	-
Interest receivable	294,283	(674,420)
Accounts payable and accrued expenses	185,442	(50,784)
Due to subrecipients	(19,854)	906
Net pension liability	181,155	-
Deferred inflows of resources	(25,177)	-
	3,317,069	3,072,495
Net Cash From Operating Activities	$ (1,534,899)	$ 1,582,988

See notes to financial statements

1. Organization and Purpose

The New Jersey Redevelopment Authority (the "Authority") is a public body corporate and politic, constituting an instrumentality of the State of New Jersey ("State"). The Authority was established by Chapter 62, P.L. 1996 ("Act") on July 13, 1996 to provide assistance in the redevelopment and revitalization of New Jersey cities. Under the Act, the Authority is to provide financial, managerial, and technical assistance to persons, firms, or corporations who wish to undertake industrial, commercial, or civic projects within qualified municipalities. Pursuant to the Act, the Authority was appropriated $9,000,000 from the State of New Jersey for the purpose of funding eligible projects and the commencement of operations. Pursuant to the Act, the Authority also assumed the assets, liabilities and equity of the former New Jersey Urban Development Corporation (collectively, "Redevelopment Investment Fund"). The Authority became fully operational in April 1997.

In 1998, the Authority was appropriated an additional $25,000,000 to develop and implement the Urban Site Acquisition Program's revolving loan fund. The fund finances acquisition related expenses for projects designated to facilitate the redevelopment of underutilized parcels of real estate. On March 30, 1998, the Governor of the State of New Jersey filed an executive reorganization plan (the "Plan"), Executive Reorganization No. 002-1998, with the Legislature. The Plan was implemented to allow for more efficient use of resources targeted for urban development initiatives and provide for a more integrated and comprehensive approach to urban revitalization. The Plan transferred the Authority from an independent authority, in the Department of Commerce to the Department of Community Affairs. The Plan became effective May 31, 1998.

The Authority is focused on advancing the quality of life in New Jersey's urban municipalities by expanding economic opportunities. The Authority is a component unit of the State of New Jersey as defined by Governmental Accounting Standards Board Nos. 14, 39 and 61, and its financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report.

In April 2004, the Authority was directed to create a subsidiary corporation to manage a loan fund for projects directly related to redevelopment initiatives in Newark's neighborhoods. The Authority created Working in Newark's Neighborhoods (WINN), over which it exercises significant influence, as a result of WINN's board being comprised principally of NJRA representatives. In addition, the Authority is financially accountable for WINN; therefore the accompanying financial statements include WINN as part of the Authority.

New Markets Tax Credit Allocation

Legislated in 2000 as a catalyst to encourage the investment of private capital in designated low-income communities, the New Markets Tax Credit (NMTC) program through the U.S. Department of Treasury, fosters the construction and rehabilitation of real estate and the expansion of operating businesses in order to create jobs, generate economic activity and improve the quality of services in low-income communities and to low-income persons.

NMTCs are intended to support business growth, job creation and spur economic development in underserved communities across the country. Typical projects involve the acquisition, rehabilitation or construction of real estate or the expansion of operating businesses in low- income communities.

1. Organization and Purpose (*continued*)

New Markets Tax Credit Allocation (*continued*)

These can include commercial offices and retail services/products, mixed-use (commercial/residential) properties, community centers, educational facilities, entertainment/cultural facilities, health-related facilities, as well as businesses that buy, develop, build, rehabilitate or sell residential property and small business loan funds. Projects often focus on creating quality jobs in low-income communities, assisting minority, women-owned and low-income community businesses offering flexible lease rates to tenant businesses, providing goods and services and housing options in low-income communities, improving access to healthy and affordable food options, increasing environmental sustainability and pioneering developments that will catalyze additional private investments in the community.

In order to finance underlying businesses and developments, a for-profit organization partners with certified Community Development Entities ("CDE"s), which are organizations that have primary missions of providing investment capital for, and other financial services to, qualified businesses in the low-income communities that the CDE serves. CDEs apply to the Community Development Financial Institutions Fund ("CDFI Fund"), a division of the U.S. Department of the Treasury, in a competitive application process for NMTC Allocation Authority. This Authority allows successful CDEs to raise investment capital from private investors in exchange for the rights to claim tax credits over a seven year compliance period (5 percent of the aggregate qualified investment for three years and 6 percent for the remaining four years). Capital raised by the CDEs is then used to provide below-market financing to qualified businesses in low-income communities.

There were two $10 million projects that the Authority was involved in and to facilitate the NMTC transaction, the Authority is the managing member of a CDE in each of the transactions, which required $1,000 investments for a .01% interest.

2. Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America ("US GAAP").

The accompanying financial statements have been prepared in accordance with US GAAP, which requires management 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues and expenses are accounted for as an enterprise fund with revenues recorded when earned and expenses recorded at the time the liabilities are incurred.

2. Significant Accounting Policies (*continued*)

Basis of Presentation and Use of Estimates (*continued*)

The Authority follow the pronouncements of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in the Pre-November 30, 1989 FASB and AICPA Pronouncements,* which requires the Authority to follow the pronouncements of the GASB in its accounting and financial reporting. GASB Statement No. 62 superseded previous guidance contained in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Funds Accounting.* In addition, the Authority has elected to apply ASC 310-10, *Receivables*, previously known as SFAS No. 114, *Accounting by Creditors for Impairment of a Loan.*

Reclassification

Certain 2014 information has been reclassified to conform to current year presentation.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Allowance for Doubtful Notes and Guarantee Losses

Allowances for doubtful notes and guarantee losses are determined in accordance with ASC 310-10, *Receivables*, previously known as SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*, and guidelines established by the Office of Comptroller of Currency, which include classifications based on routine reviews of various factors such as loan documentation, repayment history, underlying collateral value, site visits and meetings with the borrowers and ability to repay, all of which impact collectability. Receivables are recorded at the net realizable value and do not bear interest. The allowance for doubtful accounts is the Authority's best estimate of the amount of probable credit losses in existing receivables. The Authority reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. As of December 31, 2015 and 2014, the allowance for doubtful notes and guarantee losses approximated $590,000 and $9,660,000.

Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Restricted cash represents amounts maintained by the Authority for specific programs and available for funding purposes.

2. Significant Accounting Policies (*continued*)

Concentration of Custodial Risks

The Authority adopted GASB Statement No. 40 "Deposit and Investment Risk Disclosures," which requires deposits exposed to custodial credit risk to be disclosed. Cash and cash equivalents as of December 31, 2015 and 2014, are as follows:

	2015		2014	
	Book Balance	Bank Balance	Book Balance	Bank Balance
NJRA	$ 20,101,364	$ 20,115,735	$ 20,591,098	$ 20,690,965
WINN	6,723,366	6,723,366	7,008,848	7,008,848
	$ 26,824,730	$ 26,839,101	$ 27,599,946	$ 27,699,813

The Authority maintains cash balances with financial institutions, which at times, exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Management monitors the soundness of these institutions and considers the Authority's risk negligible. Cash balances are insured by the FDIC up to $250,000 for each account. Investments consist of certificates of deposits.

Capital Assets

Capital assets are carried at cost. The Authority capitalizes assets costing $5,000 or more and uses the straight-line method of depreciation over a useful life of three years.

Taxes

The Authority is exempt from all Federal and State income taxes and real estate taxes.

Financial Instruments

The carrying values of the Authority's financial instruments as of December 31, 2015 and 2014 include cash and cash equivalents and notes receivable and approximate their fair value due to the relatively short maturity of these instruments.

Operating and Non-Operating Revenues and Expenses

Consistent with GASB 34, the Authority defines revenues and expense transactions that support the principle ongoing operations of the Authority as operating. Non-operating revenues include most revenues from other than exchange and exchange-like transactions.

Restricted/Unrestricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the nature of the expense (i.e. restricted) determines what resource is applied first.

2. Significant Accounting Policies (*continued*)

Deferred Outflows/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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority reports deferred outflows of resources and deferred inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the Authority's pension plans in Note 10.

Compensated Absences

Vested or accumulated vacation or compensatory time is recorded as an expense and liability of the Authority as the benefit accrues to employees.

Net Pension Liability

The net pension liability represents the Authority's proportionate share of the net pension liability of the State of New Jersey Public Employees' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*".

Net Position

Net position represents the equity generated from the operation of the Authority.

Revenue Recognition

The Authority charges various financing fees which include an application fee, commitment fee, and closing fee. Fees are recognized when earned. Interest and investment income are recognized as earned. Interest income on notes receivable are recognized when interest is due on outstanding balances, calculated at interest rates ranging from 4% to 8%. Interest is compounded annually and payable in accordance with provisions of the respective note agreement. Management periodically reviews collectability and will record a reserve based on an estimate of amounts deemed uncollectible.

2. Significant Accounting Policies (*continued*)

Cumulative Effect of Change in Accounting Principle

For the year ended December 31, 2015, the Authority implemented GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions"* and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date"*. These statements seek to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures. These statements also require the identification of the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. As a result of adopting these standards, the Authority's financial statements reflect a cumulative effect for the change in accounting principle approximating $2,055,000, as follows:

Net position - December 31, 2014, originally stated	$ 44,853,579
Deferred outflows of resources	52,480
Deferred inflows of resources	(438,091)
Net pension liability	(1,668,928)
	(2,054,539)
Net position - December 31, 2014, as restated	$ 42,799,040

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 18, 2016.

3. Notes Receivable

Notes receivable consist of loans and are generally collateralized by assets of the project, the assets of the borrowers, and/or personal assets and personal guarantees. The notes bear interest rates ranging from 4% to 8%, and mature at various times through 2034. At December 31, 2015 and 2014, notes receivable, net of allowances or participations, were as follows:

	2015	2014
Notes Receivable:		
Urban Site Acquisition ("USA")	$ 5,168,945	$ 15,040,078
Redevelopment Investment Fund ("RIF")	6,170,646	7,656,187
New Jersey Pre-Development Fund	-	329,097
Predevelopment Loan Fund - CDBG	2,189,883	1,620,953
Working in Newark's Neighborhoods	-	779,142
	13,529,474	25,425,457
Less allowances and reserves	590,142	9,659,867
	$ 12,939,332	$ 15,765,590

3. Notes Receivable (*continued)*

The maturity dates for notes receivable for future years subsequent to December 31, 2015 are as follows:

Current	$ 282,427
2-5 years	5,556,283
6-10 years	3,530,060
11-15 years	1,856,210
16-20 years	1,752,814
Thereafter	551,681
	13,529,475
Less allowances	590,143
	12,939,332
Less current portion	282,427
Noncurrent portion	$ 12,656,905

Concentration

At December 31, 2015 and 2014, there are 3 borrowers' loans that represent approximately 60% and 52% of outstanding loans.

4. Capital Assets

Capital assets at December 31, 2015 and 2014 consist of the following:

	2015	2014
Automobiles	$ 102,302	$ 64,566
Computers and equipment	591,876	565,159
	694,178	629,725
Less accumulated depreciation	619,707	616,785
	$ 74,471	$ 12,940

5. Restricted Cash

Restricted cash at December 31, 2015 and 2014 consists of the following:

	2015	2014
Urban Site Acquisition	$ 8,387,070	$ 8,291,237
Redevelopment Investment Fund	10,368,619	8,313,277
Predevelopment Loan Fund - CDBG	257,761	-
Guarantee account	591,539	590,624
WFNJ Entreprener Development	198,374	198,119
WFBD	99,487	99,398
Micro-Business	-	19,551
Working in Newark's Neighborhoods	5,653,473	5,941,071
	$ 25,556,323	$ 23,453,277

6. Investment in CDE

In conjunction with the NMTC transactions, the Authority made two $1,000 capital contributions in NJRA CDE 2, a limited liability company, as managing member.

7. Due to Subrecipients

The Authority has a custodial capacity agreement with the Department of Human Services (DHS) Division of Family Development (DFD), in which the Authority will serve as trustee of the Work First New Jersey Entrepreneur Development Pilot Program (WFNJ) and Business Development Account Program (BDA). There were no expenditures related to these programs since inception. As of December 31, 2015 and 2014, the unexpended balance for WFNJ and BDA was $202,192 and $101,442.

The New Jersey Women's Micro-Business Credit Program is a collaborative economic development program implemented during 2006 by DCA's Division on Women and NJRA, a DCA affiliate. The program helps women with minimal business experience become successful entrepreneurs. This program started with $712,500 from the State of New Jersey and has been totally expended.

A summary of the amounts due to subrecipients from the above funding resources at December 31, 2015 and 2014 consists of the following:

	2015	2014
Micro Credit	$ -	$ 19,854
WFNJ	202,192	202,192
BDA	101,442	101,442
	$ 303,634	$ 323,488

8. Commitments and Contingencies

Loan Commitments

The following loan commitments are outstanding as of December 31, 2015 and 2014:

	2015	2014
Urban Site Acquisition	$ 1,500,000	$ 1,500,000
Redevelopment Investment Fund	2,970,000	2,970,000
	$ 4,470,000	$ 4,470,000

Guarantee Program

The obligation of the Authority to make payments under the terms of any guarantee agreement is expressly limited to monies available to the Authority and will not constitute a charge against the general credit of the Authority or of the State. The Authority held $590,624 and $589,746 of cash and cash equivalents in a separate bank account to cover their potential exposure at December 31, 2015 and 2014.

8. Commitments and Contingencies (*continued*)

Bond Program

The Authority acts as a conduit by issuing its qualified bonds for the purpose of financing projects for qualifying borrowers. The bonds are obtained from a third party and are not guaranteed by the Authority, nor does the Authority have any obligation with respect to these bonds and the bonds have no financial impact on the Authority.

The Authority has the ability to issue $100 million in taxable and tax-exempt bonds annually. The Authority awarded $20.8 million in bonds to qualifying borrowers during 2012.

State of New Jersey Department of Community Affairs

In July 2013, the Authority and the DCA entered into a subrecipient agreement to fund programs through the U.S. Department of Housing and Urban Development Community Development Block Grant Program. The Authority's responsibilities under this program is to administer certain affordable housing predevelopment activities throughout the State of New Jersey.

The maximum amount allocated to the Authority is $10,000,000 and expired in July 2016. Seven loans totaling $3.42 million have been closed and approximately $2.4 million has been disbursed.

Operating Lease

The Authority entered into a lease for its administrative office space, which expires in August 2019. The term of the non-cancellable operating lease is six years, with two options to extend the lease term for two and one-half years each; on the same terms. The Authority is also required to pay a pro-rata share of the landlord's operating expenses as additional rent.

Future minimum lease payments subsequent to December 31, 2015 are as follows:

2016	$ 174,000
2017	176,500
2018	180,000
2019	105,000
	$ 635,000

9. Net Position

The Authority's restricted net position as of December 31, 2015 and 2014 is as follows:

	2015	2014
Urban Site Acquisition ("USA")	$ 12,662,202	$ 12,555,722
Redevelopment Investment Fund ("RIF")	780,566	1,484,369
New Jersey Pre-Development Fund	1,672,710	2,241,640
Working in Newark's Neighborhoods	722,877	720,470
	$ 15,838,355	$ 17,002,201

9. Pre-Development Loan Fund

In June 2005, the Pre-Development Loan Fund was reconstituted and renamed the New Jersey Pre-Development Fund. The maximum loan amount to be disbursed is $250,000, for a maximum term of two year. As of December 31, 2015 and 2014, there was $0 and $329,097 in outstanding loans under this program.

10. Retirement System

All Authority employees participate in the Public Employees' Retirement System ("PERS") of New Jersey. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges the Authority annually for its respective contributions.

Covered employees are required by State statute to contribute a certain percentage of their salary to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, PERS bill the Authority annually at an actuarially determined rate for the Authority's required contribution.

The contribution requirement of plan members and the Authority are established and may be amended by the Board of Trustees of the PERS.

For the years ended December 31, 2015 and 2014, the Authority's required annual contribution approximated $78,000 and $88,000, respectively.

At December 31, 2015, the Authority reported a liability of $1,850,083 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of the contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Authority's proportion was .0082416400%. For this first year of implementation, there was a decrease of .0006722714% in the allocation percentage measured as of June 30, 2014.

For the year ended December 31, 2015, the Authority recognized pension expense approximated $45,000. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to the PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 44,136	$ -
Changes in assumptions	198,684	-
Net differences between projected and actual investment earnings on pension plan investments	-	29,746
Changes in proportion	-	383,168
	$ 242,820	$ 412,914

10. Retirement System (*continued*)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods subsequent to December 31, 2015, as follows:

2016	$ (22,299)
2017	(22,299)
2018	(22,299)
2019	(22,299)
2020	(14,861)
2021	(66,037)
	$ (170,094)

Actuarial Assumptions

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

Inflation rate	3.04%
Salary increase	
2012-2021	2.15-4.40% based on age
Thereafter	3.15-5.40% based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

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

10. Retirement System (*continued*)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) 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 rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 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 average of the last five years of contributions made in relation to the last five years of recommended 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 2033. Therefore, the long-term

10. Retirement System (*continued*)

Discount Rate (*continued*)

expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (3.90%)	**At 1% Decrease (4.90%)**	**At 1% Decrease (5.90%)**
Authority's proportionate share of net pension liability	$ 2,299,427	$ 1,850,083	$ 1,473,356

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.

Additional Information

Collective balances at June 30, 2015 are as follows:

Collective deferred outflows of resources	$ 5,823,297,595
Collective deferred inflows of resources	$ 1,215,190,347
Collective net pension liability - Local Group	$ 22,447,996,119
Authority's Proportion	0.0082416400%

Collective pension expense for the Local Group for the measurement period ended June 30, 2015 is $3,112,254,148.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2014 (the beginning of the measurement period ended June 30, 2015) is 5.72 years.

10. Retirement System (*continued*)

The components of the current year net pension liability of the PERS as of June 30, 2015, were as follows:

Total pension liability	$ 74,723,698,562
Fiduciary net position	28,553,566,906
Employers' net pension liability	$ 46,170,131,656

11. Post Retirement Benefits Other Than Pension

The Authority is a member of the State of New Jersey's cost sharing multiple-employer plan for health and other post retirement medical benefits. The Authority's GASB No. 45 liability and associated costs will be included in the State of New Jersey's Comprehensive Annual Financial Report on an annual basis.

The liability for the Authority's employees' is covered under the State plan. Additional information can be found on the State's website.

* * * * *

New Jersey Redevelopment Authority
(a component unit of the State of New Jersey)

Required Supplementary Information
Schedule of the Authority's Proportionate Share of Net Pension Liability
December 31, 2015

Authority's % proportionate share of net pension liability	0.0082416400
Authority's proportionate share of net pension liability	$ 1,850,083
Authority's covered employee payroll	$ 1,032,317
Authority's proportionate share of net pension liability as a % of covered employee payroll	179.2%
Plan fiduciary net position as a % of total pension liability	92.04%

Amounts presented were determined as of June 30, 2015 measurement date and no information is available prior to implementation of GASB 68.

See independent auditors' report

New Jersey Redevelopment Authority
(a component unit of the State of New Jersey)

Required Supplementary Information
Schedule of Contributions
December 31, 2015

Authority's required contribution	$ 70,856
Authority's contributions in relation to the contractually required contribution	$ 70,856
Contribution deficiency (excess)	$ -
Authority's covered employee payroll	$ 1,032,317
Contributions as a % of covered employee payroll	6.86%

Amounts presented were determined as of June 30, 2015 measurement date and no information is available prior to implementation of GASB 68.

See independent auditors' report

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Board of Directors
New Jersey Redevelopment Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the New Jersey Redevelopment Authority ("Authority") as of and for the years ended December 31, 2015 and 2014, and the related notes to the consolidated financial statements, which collectively comprise the Authority's consolidated financial statements, and have issued our report thereon dated May 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's consolidated 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*.

We noted certain matters that we reported to the management of the Authority in a separate letter.

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.

PKF O'Connor Davies, LLP
May 18, 2016