



**(A Component Unit of the State of New Jersey)**

Financial Statements and Supplementary Information

December 31, 2016 and 2015

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

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## **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, 2016 and 2015 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 basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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, 2016 and 2015, 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.

***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 June 26, 2017 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*

June 26, 2017  
Livingston, New Jersey



**New Jersey Redevelopment Authority**  
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Management's Discussion and Analysis  
December 31, 2016

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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, 2016 and 2015, 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, 2016 and 2015. 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.

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**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 2016, the NJRA issued loans approximately \$1,325,000 under the Working in Newark's Neighborhoods program and the Predevelopment Loan Fund established by the State of NJ CDBG program.

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:**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 454,025	\$ 1,582,494	\$ 6,471,129
Non-current assets	41,197,758	41,298,992	40,346,914
Capital assets	<u>55,477</u>	<u>74,471</u>	<u>12,940</u>
Total assets	<u>\$ 41,707,260</u>	<u>\$ 42,955,957</u>	<u>\$ 46,830,983</u>
Deferred outflows of resources	<u>\$ 2,461,120</u>	<u>\$ 242,820</u>	<u>\$ -</u>
Current liabilities	\$ 535,859	\$ 620,341	\$ 364,753
Non-current liabilities	<u>7,023,812</u>	<u>4,275,828</u>	<u>3,281,579</u>
Total liabilities	<u>\$ 7,559,671</u>	<u>\$ 4,896,169</u>	<u>\$ 3,646,332</u>
Deferred inflows of resources	<u>\$ 298,296</u>	<u>\$ 412,914</u>	<u>\$ -</u>
Net invested in capital assets	55,477	74,471	12,940
Assigned	18,251,852	15,838,355	17,002,201
Unassigned	<u>18,029,441</u>	<u>22,066,868</u>	<u>27,838,438</u>
Total net position	<u>\$ 36,336,770</u>	<u>\$ 37,979,694</u>	<u>\$ 44,853,579</u>

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Management's Discussion and Analysis  
December 31, 2015

**2016 – 2015**

The Authority's total net position is approximately at \$36.3 million and \$37.9 million as of December 31, 2016 and 2015, representing a decrease of \$1.6 million or .9% compared to 2015.

**2015 - 2014**

The Authority's total net position is approximately at \$37.9 million and \$44.9 million as of December 31, 2016 and 2015, 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%.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 914,419	\$ 1,708,798	\$ 1,178,319
Operating expenses	<u>2,620,081</u>	<u>6,560,766</u>	<u>2,667,826</u>
Loss from operations	(1,705,662)	(4,851,968)	(1,489,507)
Non-operating revenue	<u>62,738</u>	<u>32,622</u>	<u>39,563</u>
Change in net position	(1,642,924)	(4,819,346)	(1,449,944)
Implementation of GASB 68		(2,054,539)	-
Net position, beginning of year	<u>37,979,694</u>	<u>44,853,579</u>	<u>46,303,523</u>
Net position, end of year	<u>\$ 36,336,770</u>	<u>\$ 37,979,694</u>	<u>\$ 44,853,579</u>

**2016 - 2015**

For the years ended December 31, 2016 and 2015, total operating revenues approximated \$914,419 and \$1.7 million, an decrease of approximately \$794,379 of 53% and operating expenses were \$2.6 million and \$6.5 million, an decrease of \$3.9 million. Decrease in operating revenue for 2016 is the result of \$738,456 reductions in sponsor fees. Operating expenses decreased \$4.2 million as a result the authority not writing off any active loan for fiscal 2016.

**2015 - 2014**

For the years ended December 31, 2016 and 2015, 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.

**New Jersey Redevelopment Authority  
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Management's Discussion and Analysis  
December 31, 2015

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**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, 2<sup>nd</sup> Floor West, PO Box 790, Trenton, NJ 08625-790 or visit our web site at [www.njra.us](http://www.njra.us).



**New Jersey Redevelopment Authority**  
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Statements of Net Position  
December 31, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 115,865	\$ 1,268,407
Notes receivable	312,015	282,427
Prepaid expenses and other current assets	26,145	31,660
Total Current Assets	<u>454,025</u>	<u>1,582,494</u>
Restricted cash	27,843,133	25,556,323
Notes receivable, net of current portion	10,218,187	12,656,905
Interest receivable	2,624,936	3,083,764
Investment in CDE-New Market Tax Credit	2,000	2,000
Capital assets	55,477	74,471
Total Assets	<u>41,197,758</u>	<u>42,955,957</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,461,120</u>	<u>242,820</u>
 <b>LIABILITIES AND NET POSITION</b>		
Current Liabilities:		
Accounts payable and accrued expenses	238,499	198,612
Due to subrecipients	297,360	297,360
Total Current Liabilities	<u>535,859</u>	<u>495,972</u>
Long Term Liabilities:		
Compensated absences	61,168	34,369
Due to Department of Community Affairs	1,838,490	2,425,745
Net pension liability	4,588,296	1,850,083
Total Long Term Liabilities	<u>6,487,954</u>	<u>4,310,197</u>
Total Liabilities	<u>7,023,812</u>	<u>4,806,169</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>298,296</u>	<u>412,914</u>
 Net Position:		
Net investment in capital assets	55,477	74,471
Restricted	18,251,852	15,838,355
Unrestricted	18,029,441	22,066,868
Total Net Position	<u>\$ 36,336,770</u>	<u>\$ 37,979,694</u>

See notes to financial statements

**New Jersey Redevelopment Authority**  
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Statements of Revenues, Expenses and Changes in Net Position  
Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Interest income on notes receivable	\$ 637,823	\$ 670,756
Sponsor fee	44,351	782,807
Fee income	149,820	47,079
Other	<u>82,425</u>	<u>208,156</u>
Total Operating Revenues	<u>914,419</u>	<u>1,708,798</u>
<b>EXPENSES</b>		
Salaries and benefits	2,092,753	1,357,959
General and administrative	338,715	417,068
Rent	166,619	178,082
Depreciation	18,994	22,502
Tax lien payments - property acquisition		200,048
CDE transaction fee	3,000	180,000
Provision for losses on loans		<u>4,205,107</u>
Total Expenses	<u>2,620,080</u>	<u>6,560,766</u>
Loss from Operations	(1,705,661)	(4,851,968)
<b>NON-OPERATING INCOME</b>		
Investment income	<u>62,738</u>	<u>32,622</u>
Change in Net Position	(1,642,924)	(4,819,346)
<b>NET POSITION</b>		
Beginning of year	37,979,694	44,853,579
Adjustment for GASB 68 implementation		<u>(2,054,539)</u>
End of year	<u>\$ 36,336,770</u>	<u>\$ 37,979,694</u>

See notes to financial statements

**New Jersey Redevelopment Authority**  
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Statements of Cash Flows  
Years Ended December 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash disbursed to borrowers	\$ (1,426,301)	\$ (1,934,783)
Cash received from borrowers	4,210,040	1,506,869
Cash received from other sources	276,596	1,038,042
Cash disbursed for goods and services	(484,284)	(824,118)
Cash disbursed for personnel costs	(1,504,520)	(1,320,909)
Net Cash From Operating Activities	1,071,531	(1,534,899)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Change in due to subrecipients		(19,854)
Proceeds from Department of Community Affairs		832,948
Net Cash From Non-Capital Financing Activities		813,094
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment in CDE		(2,000)
Purchase of capital assets		(84,033)
Investment income	62,739	32,622
Net Cash From Investing Activities	62,739	(53,411)
Net Change in Cash and Cash Equivalents	1,134,270	(775,216)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	26,824,730	27,599,946
End of year	<u>\$ 27,959,000</u>	<u>\$ 26,824,730</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Current assets	\$ 115,865	\$ 1,268,407
Restricted cash	27,843,133	25,556,323
	<u>\$ 27,958,998</u>	<u>\$ 26,824,730</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Loss from operations	\$ (1,705,661)	\$ (4,851,968)
Adjustments to reconcile loss from operations to net cash from operating activities:		
Depreciation	18,994	22,502
Provision for losses on loans		4,205,107
Changes in operating assets and liabilities:		
Due to Department of Community Affairs	(587,255)	55,583
Notes receivable	2,409,130	(1,378,849)
Prepaid expenses and other current assets	5,515	(12,783)
Deferred outflows of resources	(2,218,300)	(190,340)
Interest receivable	458,828	294,283
Accounts payable and compensated absences	66,686	185,442
Due to subrecipients		(19,854)
Net pension liability	2,738,213	181,155
Deferred inflows of resources	(114,618)	(25,177)
Net Cash From Operating Activities	<u>\$ 1,071,531</u>	<u>\$ (1,534,899)</u>

See notes to financial statements

**New Jersey Redevelopment Authority  
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements  
December 31, 2016 and 2015

**1. Organization and Purpose**

The New Jersey Redevelopment Authority (the "Authority" or "NJRA") 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 the Governmental Accounting Standards Board, 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 as a blended component unit.

**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.



**New Jersey Redevelopment Authority  
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Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**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 in accordance with accounting principals generally accepted in the United States of America ("US GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standards setting body for establishing governmental accounting and reporting principles.

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.

**New Jersey Redevelopment Authority  
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Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**2. Significant Accounting Policies (*continued*)**

**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 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 amount per loan agreement and bear interest in accordance with that agreement less an allowance. 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, 2016 and 2015, the allowance for doubtful notes and guarantee losses approximated \$515,000 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.

**Concentration of Custodial Risks**

Cash and cash equivalents as of December 31, 2016 and 2015, are as follows:

	2016		2015	
	Book Balance	Bank Balance	Book Balance	Bank Balance
NJRA	\$ 22,288,737	\$ 22,297,305	\$ 20,101,364	\$ 20,115,735
WINN	5,670,261	5,675,956	6,723,366	6,723,366
	<u>\$ 27,958,998</u>	<u>\$ 27,973,261</u>	<u>\$ 26,824,730</u>	<u>\$ 26,839,101</u>

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. Cash exposed to risk is \$27,723,261 and \$26,589,101 for 2016 and 2015, respectively. Investments consist of certificates of deposits.

Custodial Credit Risk, with respect to deposits, is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority believes that due to the dollar amounts of each cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

Concentration of Risk – There is no limit on the amount the Authority may invest in any one issuer.

**New Jersey Redevelopment Authority  
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**2. Significant Accounting Policies (*continued*)**

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

Restricted cash at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Urban Site Acquisition	\$ 11,241,861	\$ 8,387,070
Redevelopment Investment Fund	10,052,076	10,368,619
Predevelopment Loan Fund - CDBG	-	257,761
Guarantee account	592,886	591,539
WFNJ Entrepreneur Development	198,755	198,374
WFBD	99,625	99,487
Working in Newark's Neighborhoods	5,657,930	5,653,473
	<u>\$ 27,843,133</u>	<u>\$ 25,556,323</u>

**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, 2016 and 2015 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.

**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.

**New Jersey Redevelopment Authority  
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**2. Significant Accounting Policies (*continued*)**

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

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.

**Net Position**

Net position represents the difference between assets and liabilities in the financial statements of the Authority. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations on their use through external restrictions imposed by laws and regulation of other governments.

**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.

**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 June 26, 2017.



**New Jersey Redevelopment Authority**  
**(A Component Unit of the State of New Jersey)**

Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**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, 2016 and 2015, notes receivable, net of allowances or participations, were as follows:

	<u>2016</u>	<u>2015</u>
Notes Receivable:		
Urban Site Acquisition ("USA")	\$ 2,362,635	\$ 15,040,078
Redevelopment Investment Fund ("RIF")	6,019,185	7,656,187
New Jersey Pre-Development Fund	-	329,097
Predevelopment Loan Fund - CDBG	1,838,450	1,620,953
Working in Newark's Neighborhoods	<u>825,000</u>	<u>779,142</u>
	11,045,270	25,425,457
Less allowances and reserves	<u>515,068</u>	<u>9,659,867</u>
	<u>\$ 10,530,202</u>	<u>\$ 15,765,590</u>

The maturity dates for notes receivable for future years subsequent to December 31, 2016 are as follows:

Current	\$ 312,015
2-5 years	3,042,490
6-10 years	3,530,060
11-15 years	1,856,210
16-20 years	1,752,814
Thereafter	<u>551,681</u>
	11,045,270
Less allowances	<u>515,068</u>
	10,530,202
Less current portion	<u>312,015</u>
Noncurrent portion	<u>\$ 10,218,187</u>

*Concentration*

At December 31, 2016 and 2015, there are 3 borrowers' loans that represent approximately 61% and 60% of outstanding loans.

**New Jersey Redevelopment Authority**  
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Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**4. Capital Assets**

Capital assets at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Automobiles	\$ 102,302	\$ 102,302
Computers and equipment	591,876	591,876
	694,178	694,178
Less accumulated depreciation	638,701	619,707
	<u>\$ 55,477</u>	<u>\$ 74,471</u>

For the years ended December 31, 2016 and 2015, depreciation expense was \$18,994 and \$22,502, respectively. There were no acquisitions or retirements.

**5. Long Term Liabilities**

During 2016 the following changes in in the components of long term liabilities were:

	Balance 12/31/2015	Issued	Retired	Balance 12/31/2016
Compensated Absences	\$ 34,369	\$ 26,799	\$	\$ 61,168
Due to DCA	2,425,745		587,255	1,838,490
Net Pension Liability	1,850,083	2,738,213		4,588,296
	<u>\$ 4,310,197</u>	<u>\$2,765,012</u>	<u>\$ 587,255</u>	<u>\$6,487,954</u>

  

	Balance 12/31/2014	Issued	Retired	Balance 12/31/2015
Compensated Absences	\$ 15,844	\$ 18,525	\$	\$ 34,369
Due to DCA	1,612,651	813,094		2,425,745
Net Pension Liability		1,850,083		1,850,083
	<u>\$ 1,628,495</u>	<u>\$2,681,702</u>	<u>\$</u>	<u>\$4,310,197</u>

No liabilities are considered due within one year.

**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, 2016 and 2015, the unexpended balance for WFNJ and BDA was \$297,360 and \$297,360.

**New Jersey Redevelopment Authority  
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**7. Due to Subrecipients (continued)**

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, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
WFNJ	\$ 198,000	\$ 202,192
BDA	<u>99,360</u>	<u>101,442</u>
	<u>\$ 297,360</u>	<u>\$ 303,634</u>

**8. Commitments and Contingencies**

**Loan Commitments**

The following loan commitments are outstanding as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Urban Site Acquisition	\$	\$ 1,500,000
WINN	3,674,500	
Redevelopment Investment Fund	<u>500,000</u>	<u>2,970,000</u>
	<u>\$ 4,174,500</u>	<u>\$ 4,470,000</u>

**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 \$592,886 and \$590,624 of cash and cash equivalents in a separate bank account to cover their potential exposure at December 31, 2016 and 2015.

**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. At December 31 2016 and 2015, the outstanding balances on these bonds was \$11.76 million and \$13.84 million.

**New Jersey Redevelopment Authority**  
**(A Component Unit of the State of New Jersey)**

Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**8. Commitments and Contingencies (continued)**

**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, 2016 are as follows:

2017	\$ 176,500
2018	180,000
2019	105,000
	<u>\$ 461,500</u>

**9. Net Position**

The Authority's restricted net position as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Urban Site Acquisition ("USA")	\$ 13,585,618	\$ 12,662,202
Redevelopment Investment Fund ("RIF")	2,817,504	780,566
New Jersey Pre-Development Fund	1,070,223	1,672,710
Working in Newark's Neighborhoods	<u>778,507</u>	<u>722,877</u>
	<u>\$ 18,251,852</u>	<u>\$ 15,838,355</u>

**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, 2016 and 2015, there were no outstanding loans under this program.



**New Jersey Redevelopment Authority**  
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Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**10. PERS Retirement System**

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

*Plan Membership and Contributing Employers-* Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Inactive plan members or beneficiaries currently receiving benefits	170,685	166,637
Inactive plan members entitled to but not yet receiving benefits	650	703
Active plan members	<u>254,685</u>	<u>259,161</u>
Total	<u>425,559</u>	<u>426,501</u>

Contributing Employers – 1,710

*Significant Legislation* – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2016, the State was required to make a minimum contribution representing 5/7<sup>th</sup> of the actuarially determined contribution amount based on the July 1, 2014 actuarial valuation.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2016 and 2015 the Authority's total payroll for all employees was \$1,115,703 and \$1,032,317, which approximates covered PERS payroll.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015 and increased to 7.20 for State fiscal

**New Jersey Redevelopment Authority  
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**10. PERS Retirement System (continued)**

year 2016, commencing July 1, 2016. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Authority's cash basis contributions to the Plan for the years ended December 31, 2016 and 2015 were \$75,700 and \$78,000, respectively. Town contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

The Authority recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:15. 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:

<u>Tier</u>	<u>Definition</u>
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 8, 2008
3	Members who were eligible 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

A service retirement benefit of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members 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 retirement age of his/her respective tier. 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.

At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Non-State Employer Member Group. The Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$4,588,296 or 0.0154920336%. The pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. At June 30, 2015, the PERS reported a net pension liability of \$22,447,996,119 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$1,850,083 or 0.0858406071%

**New Jersey Redevelopment Authority  
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Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**10. PERS Retirement System (continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expended and actual experience	\$ 85,328	\$
Changes in assumptions	950,450	
Net difference between projected and actual earnings on pension plan investments	174,956	
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,181,571	298,296
Authority contributions subsequent to the measurement date	68,815	

The \$68,815 shown as deferred outflows of resources related to PERS is resulting from the Authority contributions subsequent to the measurement date.

<u>Year ended December 31,</u>	<u>Amount</u>
2017	\$ 396,459
2018	467,344
2019	467,344
2020	498,465
2021	<u>264,397</u>
Total	<u>\$ 2,094,009</u>

*Actuarial Assumptions-* The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Inflation	3.08%	3.04%
Salary Increases (2012-2026)	1.65-4.15% Based on age	2.15-4.40% Based on age
Thereafter	2.65-5.15% Based on age	3.15-5.40% Based on age
Investment rate of return	7.65%	7.90%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement 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

**New Jersey Redevelopment Authority  
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Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**10. PERS Retirement System (continued)**

on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 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).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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's target asset allocation as of June 30, 2016 are summarized in the following table:

**New Jersey Redevelopment Authority  
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**10. PERS Retirement System (continued)**

<u>Asset Class</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Target</u>	<u>Long-Term</u>	<u>Target</u>	<u>Long-Term</u>
	<u>Allocation</u>	<u>Expected Real</u>	<u>Allocation</u>	<u>Expected Real</u>
		<u>Rate of Return</u>		<u>Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Markets	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Returns	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
U.S. Treasuries	1.50%	1.64%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

*Discount Rate* – The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 30% 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**New Jersey Redevelopment Authority  
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Notes to Financial Statements (continued)  
December 31, 2016 and 2015

**10. PERS Retirement System (continued)**

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u>	<u>At current discount rate</u>	<u>At 1% increase</u>
PERS	\$5,622,421	\$4,588,296	\$3,734,536

*Plan Fiduciary Net Position* – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2016 and 2015 were \$26,762,070,610 and \$28,553,566,906, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2016 and 2015 was \$19,857,566,387 and \$20,661,583,919, respectively.

*Additional information*

Collective Local Group balances at June 30, 2016 are as follows:

Collective deferred outflows of resources	\$	8,693,338,380
Collective deferred inflows of resources		870,133,595
Collective net pension liability		29,617,131,759
Authority's Proportion		0.0154920320%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 and 2015 \$2,830,763,540 and \$1,481,308,816, respectively.

The average of the expected remaining service lives of all plan members is 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014, respectively.

**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 N0. 45 liability and associated costs will be included in the State of New Jersey Comprehensive Annual Financial Report on a 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: [www.state.nj.us/treasury/pensions/pdf/financials/gasb-43](http://www.state.nj.us/treasury/pensions/pdf/financials/gasb-43).



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Required Supplementary Information  
Schedule of the Authority's Proportionate Share of Net Pension Liability  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Authority's % proportionate share of net pension liability	<u>0.0154920320</u>	<u>0.0082416400</u>
Authority's proportionate share of net pension liability	<u>\$ 4,588,296</u>	<u>\$ 1,850,083</u>
Authority's covered employee payroll	<u>\$ 1,115,703</u>	<u>\$ 1,032,317</u>
Authority's proportionate share of net pension liability as a % of covered employee payroll	<u>411.2%</u>	<u>179.2%</u>
Plan fiduciary net position as a % of total pension liability	<u>45.35%</u>	<u>61.85%</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**New Jersey Redevelopment Authority**  
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Required Supplementary Information  
Schedule of Contributions  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Authority's required contribution	<u>\$ 75,700</u>	<u>\$ 75,719</u>
Authority's contributions in relation to the contractually required contribution	<u>\$ 75,700</u>	<u>\$ 75,719</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's covered employee payroll	<u>\$ 1,115,703</u>	<u>\$ 1,032,317</u>
Contributions as a % of covered employee payroll	<u>6.78%</u>	<u>7.33%</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information**

*Public Employees Retirement System*

Change in benefit terms	There were none.	
Change in Assumptions:	<u>6/30/2016</u>	<u>6/30/2015</u>
Discount Rate	3.98%	4.90%
Inflation Rate	3.08%	3.04%
Long-term Rate of Return	7.65%	7.90%

See independent auditors' report

**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"), a component unit of the State of New Jersey as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 26, 2017.

**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.

**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*.

**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*

June 26, 2017  
Livingston, New Jersey