

GARFIELD REDEVELOPMENT AGENCY
(A Component Unit of the City of Garfield)
REPORT OF AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

GARFIELD REDEVELOPMENT AGENCY

(A Component Unit of the City of Garfield)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Garfield Redevelopment Agency, a component unit of the City of Garfield as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Garfield Redevelopment Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Garfield Redevelopment Agency as of December 31, 2018 and 2017, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

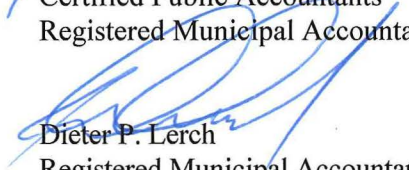
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Garfield Redevelopment Agency's basic financial statements as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 3, 2019 on our consideration of the Garfield Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Garfield Redevelopment Agency's internal control over financial reporting and compliance.


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


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
April 3, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

GARFIELD REDEVELOPMENT AGENCY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

This section of the Garfield Redevelopment Agency's ("Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year ended on December 31, 2018. Please read it in conjunction with the Agency's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Agency's assets exceeded its liabilities at December 31, 2018 by \$510,557.
- The Agency's total net position for 2018 increased \$74,259 from 2017.
- Operating revenues increased \$50,000 from 2017 to 2018.
- Operating expenses decreased \$36,317 from 2017 to 2018.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS OF THE AGENCY

Net Position – The following table summarizes the Statement of Net Position at December 31, 2018, 2017 and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 520,491	\$ 447,252	\$ 462,148
Total Assets	<u>520,491</u>	<u>447,252</u>	<u>462,148</u>
Current Liabilities	<u>9,934</u>	<u>10,954</u>	<u>11,206</u>
Total Liabilities	<u>9,934</u>	<u>10,954</u>	<u>11,206</u>
Net Position:			
Unrestricted	<u>510,557</u>	<u>436,298</u>	<u>450,942</u>
Total Net Position	<u>\$ 510,557</u>	<u>\$ 436,298</u>	<u>\$ 450,942</u>

GARFIELD REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2018

(Continued)

FINANCIAL ANALYSIS OF THE AGENCY (Continued)

The Agency's Net Position increased \$74,259 during 2018. Key elements of this increase are as follows:

- The Agency is operating revenues included \$45,000 from the City of Garfield as well as \$90,000 received from developers under various agreements with the Agency.
- The Agency's operating expenses for administration and various redevelopment projects in 2018 totaled \$68,814.

OPERATING ACTIVITIES

The following table summarizes the changes in Net Position between fiscal years 2018, 2017 and 2016.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
OPERATING REVENUES			
City Contribution	\$ 45,000	\$ 45,000	\$ 45,000
Developer Fees	<u>90,000</u>	<u>40,000</u>	<u>116,500</u>
Total Operating Revenues	<u>135,000</u>	<u>85,000</u>	<u>161,500</u>
OPERATING EXPENSES			
Administration	37,433	38,500	40,028
Cost of Providing Services	<u>31,381</u>	<u>66,631</u>	<u>37,105</u>
Total Operating Expenses	<u>68,814</u>	<u>105,131</u>	<u>77,133</u>
OPERATING INCOME	66,186	(20,131)	84,367
NON-OPERATING REVENUES			
Interest Revenue	<u>8,073</u>	<u>5,487</u>	<u>3,237</u>
	-	-	-
CHANGE IN NET POSITION	74,259	(14,644)	87,604
NET POSITION, BEGINNING OF YEAR	<u>436,298</u>	<u>450,942</u>	<u>363,338</u>
NET POSITION, END OF YEAR	<u>\$ 510,557</u>	<u>\$ 436,298</u>	<u>\$ 450,942</u>

GARFIELD REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018
(Continued)

OPERATING ACTIVITIES (Continued)

Operating revenues for 2018, 2017 and 2016 were \$135,000, \$85,000 and \$161,500, respectively.

Operating expenses decreased \$36,317 or 35% from 2017. The major operating expenses of the Agency consist of payroll and professional fees for the various redevelopment projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Agency had no capital assets at December 31, 2018, 2017 and 2016.

Capital Debt

The Agency had no outstanding capital debt as of December 31, 2018, 2017 and 2016.

OTHER FINANCIAL INFORMATION

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2019 budget was adopted by the Agency and submitted to the Division of Local Government Services in December of 2018. Operating expenses of \$135,000 remained the same when compared to the previous year.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of Garfield, investors and creditors, with a general overview of the Agency's finances to demonstrate the Agency's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the office of the Chief Financial Officer at 111 Outwater Lane, Garfield, New Jersey 07026.

BASIC FINANCIAL STATEMENTS

**GARFIELD REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 520,491	\$ 447,252
Total Current Assets	<u>520,491</u>	<u>447,252</u>
Total Assets	<u>520,491</u>	<u>447,252</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	<u>9,934</u>	<u>10,954</u>
Total Current Liabilities	<u>9,934</u>	<u>10,954</u>
Total Liabilities	<u>9,934</u>	<u>10,954</u>
NET POSITION		
Unrestricted	<u>510,557</u>	<u>436,298</u>
Total Net Position	<u>\$ 510,557</u>	<u>\$ 436,298</u>

**GARFIELD REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
City of Garfield Budget Appropriation	\$ 45,000	\$ 45,000
Developer Fees	<u>90,000</u>	<u>40,000</u>
Total Operating Revenues	<u>135,000</u>	<u>85,000</u>
OPERATING EXPENSES		
Administration:		
Salaries and Wages	33,000	33,000
Fringe Benefits	2,780	2,780
Other Expenses	1,653	2,720
Costs of Providing Services		
Other Expenses	<u>31,381</u>	<u>66,631</u>
Total Operating Expenses	<u>68,814</u>	<u>105,131</u>
OPERATING INCOME (LOSS)	<u>66,186</u>	<u>(20,131)</u>
NON-OPERATING REVENUES		
Interest Income	<u>8,073</u>	<u>5,487</u>
Total Non-Operating Revenues	<u>8,073</u>	<u>5,487</u>
CHANGE IN NET POSITION	74,259	(14,644)
Total Net Position, Beginning of Year	<u>436,298</u>	<u>450,942</u>
Total Net Position, End of Year	<u>\$ 510,557</u>	<u>\$ 436,298</u>

The Accompanying Notes are an Integral Part of the Basic Financial Statements

**GARFIELD REDEVELOPMENT AGENCY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Intergovernmental - City of Garfield	\$ 45,000	\$ 45,000
Developer Fees	90,000	40,000
Payments for Employees Salaries and Wages	(35,780)	(35,780)
Payments to Suppliers	<u>(34,054)</u>	<u>(69,603)</u>
Net Cash Provided by (Used for) Operating Activities	<u>65,166</u>	<u>(20,383)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	<u>8,073</u>	<u>5,487</u>
Net Cash Provided by Investing Activities	<u>8,073</u>	<u>5,487</u>
Net Increase (Decrease) in Cash and Cash Equivalents	73,239	(14,896)
Cash and Cash Equivalents, Beginning of Year	<u>447,252</u>	<u>462,148</u>
Cash and Cash Equivalents, End of Year	<u>\$ 520,491</u>	<u>\$ 447,252</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating Income (Loss)	\$ 66,186	\$ (20,131)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase/(Decrease) in Accounts Payable	<u>(1,020)</u>	<u>(252)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 65,166</u>	<u>\$ (20,383)</u>

The Accompanying Notes are an Integral Part of the Basic Financial Statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARFIELD REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Garfield Redevelopment Agency (the "Agency") is a public body corporate and politic of the State of New Jersey. The Agency was created by municipal ordinance on July 22, 2002 pursuant to the provisions of N.J.S.A. 40A:12A-1, et seq., for the purpose of carrying out the redevelopment plan for the City of Garfield. The Agency is empowered to exercise public and essential government functions, including acquisition, condemnation, clearance, renovation and redevelopment of property in designated blighted areas and to carry out redevelopment plans for the City of Garfield.

The agency is governed by a Board of Commissioners consisting of seven members, who are appointed by the Mayor with the advice and consent of the Council. The Board of Commissioners determines policy actions, approves resolutions and selects an executive director to be responsible for the overall operation of the Agency. Based upon this criteria and the possibility of the Agency providing a financial benefit to the City, the Agency is considered a component unit of the City.

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

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

B. New Accounting Standards

The Authority adopted the following GASB statements:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 77, *Tax Abatement Disclosures*. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

**GARFIELD REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. *The Financial Reporting Entity, as amended*.
- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

**GARFIELD REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Agency are organized and operated on the basis of funds. The operations of the Agency are accounted for with a separate set of self-balancing accounting records that comprise its assets, liabilities, net position, revenues and expenses. Government resources are allocated and accounted for based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various activities are grouped into one fund type and one broad fund category, as follows:

Proprietary Fund Types

Enterprise Fund – The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises or where the intent of the governing body is that the periodic determination of revenues earned, costs incurred and/or net income is appropriate for management accountability purposes.

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

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Agency has elected not to follow FASB guidance issued subsequent to December 1, 1989.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency are charges to redevelopers for financing and administrative fees. Operating expenses include administrative expenses and costs of providing services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Position

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, cash in banks, certificates of deposits and all short-term investments with original maturities of three months or less from the date of purchase.

**GARFIELD REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

2. *Net Position* - In the statement of net position, there are three classes of net position:

- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

E. Other

1. *Reclassifications* – Certain reclassifications have been made to the December 31, 2017 balances to conform to the December 31, 2018 presentation.
2. *Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Accounting

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

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

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

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

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

**GARFIELD REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

2. Revenues

City budget appropriations are recognized as revenue when they become available as appropriations in the City budget. Revenues from development fees are recognized on an accrual basis when earned. Grants received are recognized as revenue when the resources are expended for the purpose specified on the grant agreement. Grant funds received and the related program income not yet expended are reported as unearned revenue.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

The Agency's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge plus collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2018 and 2017 the book value of the Agency's deposits were \$520,491 and \$447,252, respectively, and bank balances of the Agency's cash and deposits amounted to \$521,891 and \$449,452, respectively.

The Agency's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2018</u>	<u>2017</u>
Insured	<u>\$521,891</u>	<u>\$449,452</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Agency does not have a formal policy for custodial credit risk. As of December 31, 2018 and 2017 the Agency's bank balances were not exposed to custodial credit risk.

Investments

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

As of December 31, 2018 and 2017, the Agency had no outstanding investments.

**GARFIELD REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 4 AGENCY DEBT

The Agency had no outstanding debt as of December 31, 2018 and 2017.

NOTE 5 CAPITAL ASSETS

The Agency has no capital assets as of December 31, 2018 and 2017.

NOTE 6 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the cost-sharing contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees. Employees of the Garfield Redevelopment Agency who are eligible for pension coverage are enrolled in the Public Employees Retirement System (PERS). PERS is a cost sharing multi-employer defined benefit pension plan.

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost sharing multi-employer defined benefit pension plan.

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

Other Pension Funds

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

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

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

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

**GARFIELD REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 6 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Basis of Accounting

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

Investment Valuation

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

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

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included: (a) an investment rate of return for the retirement system of 7.00 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS.

**GARFIELD REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 6 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 5.50% for DCRP and 7.34% for PERS of the employees' annual compensation.

Annual Pension Cost

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended June 30, 2018, for PERS, which is a cost sharing multi-employer defined benefit pension plan, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2018, 2017 and 2016, the Agency was not required to reimburse the City of Garfield for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums.

NOTE 7 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to general liability, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is covered by an insurance policy to guard against these events should they occur.

NOTE 8 OTHER MATTERS

The Agency has entered into a Memorandum of Agreement ("MOA") dated November 8, 2004 with Vornado Realty, LP ("Vornado") for the redevelopment of property identified as Block 6, Lot 1; Block 7.02, Lot 1.02; and Block 18, Lot 25. As part of this MOA, Vornado has agreed to provide reimbursement to the Agency for administrative costs incurred by the Agency in connection with this project in an amount not to exceed \$300,000. The Agency has received the \$300,000 due under this agreement and will reimburse itself for administrative costs as they are incurred. A formal Redevelopment Agreement between the Agency and New Bridgeland Warehouses, LLC which is owned by Vornado has been signed.

The Agency has entered into Amendment No. 1 to the Redevelopment Agreement with New Bridgeland Warehouses, LLC ("Vornado") dated May, 2008 for the redevelopment of property identified as Block 6, Lot 1; Block 7.02, Lot 1.02; and Block 18, Lot 25. As part of this Agreement, Vornado has agreed to pay the sum of \$500,000 to be utilized for certain infrastructure improvements, \$150,000 is to be paid to the Garfield Redevelopment Agency and \$350,000 is to be paid to the City of Garfield. The Agency has received the \$150,000 due under this agreement.

**GARFIELD REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 8 OTHER MATTERS (Continued)

The Agency has entered into a Memorandum of Agreement (“MOA”) dated June 6, 2005 with Paragon River Road, LLC (“Paragon”) for the redevelopment of property identified as Block 6, Lot 1; Block 7.02, Lot 1.02; and Block 18, Lot 25 (the “Kalama Property”). The MOA states the Agency’s desire to enter into negotiations with Paragon with the intent that Paragon be selected as the redeveloper for the Redevelopment Property. A formal Redevelopment Agreement was to be signed by both parties. As part of this MOA, Kalama has agreed to provide reimbursement to the Agency for administrative costs incurred by the Agency in connection with this project in an amount not to exceed \$300,000. As of December 31, 2018, the Agency has received \$110,000 as part of this administrative fee to be paid by Paragon.

The Agency entered into negotiations with Jewell Street Realty with the intent that Jewell Street Realty be selected as the redeveloper for the property identified as Block 133, Lot 1 (the “Jewell Street/C-Mor Redevelopment Area”). The Agency has received \$15,000 from Jewell Street Realty as an administrative fee for this project. The Agency subsequently entered into a Memorandum of Agreement in 2012 with Coremark Garfield, LLC and received \$100,000 as an administrative fee for this project. The Agreement also calls for Coremark to pay the Agency an Impact Fee of \$500,000 upon the receipt of final development approvals or issuance of a building permit, whichever occurs earlier. As such, the Agency received \$100,000 in 2013, \$50,000 in 2014, and \$233,500 in 2015. During 2016, the final payment of \$116,500 was received by the Agency.

The Agency has entered into a Redeveloper Agreement with H.P. Garfield Investment, LLC as the redeveloper for the Redevelopment Property formerly known as Garden State Paper. The Agency has received \$50,000 from H.P. Garfield Investment, LLC as an administrative fee for this project. The Agreement also calls for an “in-kind contribution” whereby the redeveloper will contribute the building for a new “police facility”.

The Agency has entered into a Memorandum of Agreement (“MOA”) dated March 15, 2007 with Schley Crossing, LLC (“Schley”) for the redevelopment of property identified as Block 119.03, Lot 52 (the “Sketchley Property”). The MOA states the Agency’s desire to enter into negotiations with Schley with the intent that Sketchley Textile Retail Sellers will be the title owner to the Sketchley Property. As part of this MOA, Schley has agreed to provide reimbursement to the Agency for administrative costs incurred by the Agency an amount not to exceed \$300,000. As of December 31, 2018, the Agency has received \$210,300 of this amount. In the October 15, 2018 Agency meeting a Certificate of Completion for the Sketchley Site redevelopment project was issued and executed.

A recap of the developer’s contributions are as follows:

<u>Developer</u>	<u>Contribution</u>	<u>2018</u>	<u>Prior</u>
Vornado	\$ 450,000		\$ 450,000
Paragon (Kalama)	110,000		110,000
Schley (Capadagli)	210,300	\$ 90,000	120,300
Demetrakis (Garden State)	50,000		50,000
Rappaport (C-Mor)	15,000		15,000
Cormark (Dunkin Donuts Relocation)	15,000		15,000
Cormark Garfield, LLC (C-Mor)	600,000	\$ -	600,000
	<u>\$ 1,450,300</u>	<u>\$ 90,000</u>	<u>\$ 1,360,300</u>

SUPPLEMENTARY SCHEDULES

GARFIELD REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND APPROPRIATIONS COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2018
BUDGETARY BASIS
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017)

	<u>2018 Budget</u>	<u>2018 Actual</u>	<u>Variance</u>	<u>2017 Actual</u>
REVENUES				
Operating Revenues:				
City of Garfield Appropriation	\$ 45,000	\$ 45,000		\$ 45,000
Developer Fees	<u>90,000</u>	<u>90,000</u>	<u>\$ -</u>	<u>40,000</u>
Total Operating Revenues	<u>135,000</u>	<u>135,000</u>	<u>-</u>	<u>85,000</u>
Non-Operating Revenues:				
Interest Revenue	<u>-</u>	<u>8,073</u>	<u>8,073</u>	<u>5,487</u>
Total Non-Operating Revenues	<u>-</u>	<u>8,073</u>	<u>8,073</u>	<u>5,487</u>
Total Revenues	<u>135,000</u>	<u>143,073</u>	<u>8,073</u>	<u>90,487</u>
APPROPRIATIONS				
Operating Appropriations:				
Administration:				
Salaries and Wages	36,000	33,000	3,000	33,000
Fringe Benefits		2,780	(2,780)	2,780
Other Expenses	11,500	1,653	9,847	2,720
Costs of Providing Services:				
Other Expenses	<u>87,500</u>	<u>31,381</u>	<u>56,119</u>	<u>66,631</u>
Total Operating Appropriations	<u>135,000</u>	<u>68,814</u>	<u>66,186</u>	<u>105,131</u>
Total Appropriations	<u>135,000</u>	<u>68,814</u>	<u>66,186</u>	<u>105,131</u>
Total Budgetary Income	<u>\$ -</u>	<u>\$ 74,259</u>	<u>\$ 74,259</u>	<u>\$ (14,644)</u>
Changes in Net Position - GAAP		<u>\$ 74,259</u>		<u>\$ (14,644)</u>

GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
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DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Garfield Redevelopment Agency, as of and for the year ended December 31, 2018, and the related notes to the financial statements, as listed in the table of contents which collectively comprise the Garfield Redevelopment Agency's basic financial statements, as listed in the table of contents, and have issued our report thereon dated April 3, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

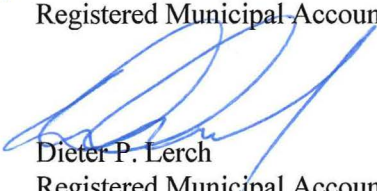
However, we noted a matter that is not required to be reported under Government Auditing Standards that we have reported to management of the Garfield Redevelopment Agency in the section of this report entitled "General Comments and Recommendations".

Purpose of this Report

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



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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
April 3, 2019

ROSTER OF OFFICIALS
AND
GENERAL COMMENTS AND RECOMMENDATIONS

ROSTER OF OFFICIALS

DECEMBER 31, 2018

<u>Name</u>	<u>Title</u>
Arthur Andreano	Chairman
Peter Amadio	Vice-Chairman
Joseph Delaney	Commissioner
Anna Sciacca	Commissioner
John Eason	Commissioner
Raymond Simone	Commissioner
Daniel Rigoglioso	Commissioner
Thomas Duch, Esq.	Executive Director/Secretary
Roy Riggitano	Chief Financial Officer
Santo Alampi, Esq.	Attorney
Francis X. Regan, Esq.	Special Counsel

Findings and Recommendations

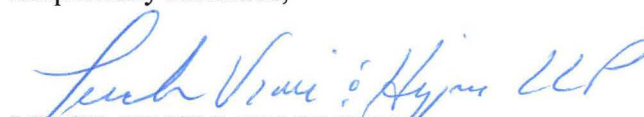
Finding – Numerous vouchers did not contain the claimants signature.

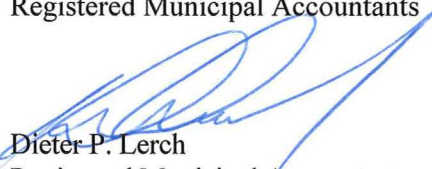
Recommendation – The Agency consider adopting a revised policy which modifies the requirement regarding claimants signatures.

Appreciation

We desire to express our appreciation of the assistance of the Executive Director and Chief Financial Officer during the course of our audit.

Respectfully submitted,


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


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398