

**GARFIELD REDEVELOPMENT AGENCY**  
**(A Component Unit of the City of Garfield)**  
**REPORT OF AUDIT**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2019 AND 2018**

**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, 2019 and 2018, 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, 2019 and 2018, 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 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*

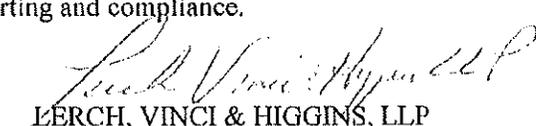
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Garfield Redevelopment Agency's basic financial statements as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis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

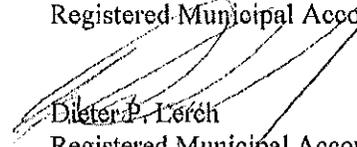
The supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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 June 17, 2020 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.

Fair Lawn, New Jersey  
June 17, 2020

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

  
Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398

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

**GARFIELD REDEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

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, 2019. 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, 2019 by \$601,263.
- The Agency's total net position for 2019 increased \$90,706 from 2018.
- Operating revenues increased \$9,500 from 2018 to 2019.
- Operating expenses decreased \$5,099 from 2018 to 2019.

**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, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 611,981	\$ 520,491	\$ 447,252
Total Assets	<u>611,981</u>	<u>520,491</u>	<u>447,252</u>
Current Liabilities	<u>10,718</u>	<u>9,934</u>	<u>10,954</u>
Total Liabilities	<u>10,718</u>	<u>9,934</u>	<u>10,954</u>
Net Position:			
Unrestricted	<u>601,263</u>	<u>510,557</u>	<u>436,298</u>
Total Net Position	<u>\$ 601,263</u>	<u>\$ 510,557</u>	<u>\$ 436,298</u>

**GARFIELD REDEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

*(Continued)*

**FINANCIAL ANALYSIS OF THE AGENCY (Continued)**

The Agency's Net Position increased \$90,706 during 2019. Key elements of this increase are as follows:

- The Agency's operating revenues included \$45,000 from the City of Garfield, \$98,500 received from developers under various agreements with the Agency, as well as \$1,000 from a cancelled check recorded as Miscellaneous Revenue.
  
- The Agency's operating expenses for administration and various redevelopment projects in 2019 totaled \$63,715.

**OPERATING ACTIVITIES**

The following table summarizes the changes in Net Position between fiscal years 2019, 2018 and 2017.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
OPERATING REVENUES			
City Contribution	\$ 45,000	\$ 45,000	\$ 45,000
Developer Fees	98,500	90,000	40,000
Miscellaneous	<u>1,000</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>144,500</u>	<u>135,000</u>	<u>85,000</u>
OPERATING EXPENSES			
Administration	36,153	37,433	38,500
Cost of Providing Services	<u>27,562</u>	<u>31,381</u>	<u>66,631</u>
Total Operating Expenses	<u>63,715</u>	<u>68,814</u>	<u>105,131</u>
OPERATING INCOME (LOSS)	80,785	66,186	(20,131)
NON-OPERATING REVENUES			
Interest Revenue	<u>9,921</u>	<u>8,073</u>	<u>5,487</u>
CHANGE IN NET POSITION	90,706	74,259	(14,644)
NET POSITION, BEGINNING OF YEAR	<u>510,557</u>	<u>436,298</u>	<u>450,942</u>
NET POSITION, END OF YEAR	<u>\$ 601,263</u>	<u>\$ 510,557</u>	<u>\$ 436,298</u>

**GARFIELD REDEVELOPMENT AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2019**  
*(Continued)*

**OPERATING ACTIVITIES (Continued)**

Operating revenues for 2019, 2018 and 2017 were \$144,500, \$135,000 and \$85,000, respectively.

Operating expenses decreased \$5,099 or 7.4% from 2018. 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, 2019, 2018 and 2017.

*Capital Debt*

The Agency had no outstanding capital debt as of December 31, 2019, 2018 and 2017.

**OTHER FINANCIAL INFORMATION**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The fiscal year 2020 budget was adopted by the Agency and submitted to the Division of Local Government Services in December of 2019. 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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ <u>611,981</u>	\$ <u>520,491</u>
Total Current Assets	<u>611,981</u>	<u>520,491</u>
Total Assets	<u>611,981</u>	<u>520,491</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	<u>10,718</u>	<u>9,934</u>
Total Current Liabilities	<u>10,718</u>	<u>9,934</u>
Total Liabilities	<u>10,718</u>	<u>9,934</u>
<b>NET POSITION</b>		
Unrestricted	<u>601,263</u>	<u>510,557</u>
Total Net Position	<u>\$ 601,263</u>	<u>\$ 510,557</u>

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

**GARFIELD REDEVELOPMENT AGENCY  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
City of Garfield Budget Appropriation	\$ 45,000	\$ 45,000
Developer Fees	98,500	90,000
Miscellaneous	<u>1,000</u>	<u>-</u>
 Total Operating Revenues	 <u>144,500</u>	 <u>135,000</u>
 <b>OPERATING EXPENSES</b>		
Administration:		
Salaries and Wages	33,000	33,000
Fringe Benefits	2,780	2,780
Other Expenses	373	1,653
Costs of Providing Services		
Other Expenses	<u>27,562</u>	<u>31,381</u>
 Total Operating Expenses	 <u>63,715</u>	 <u>68,814</u>
 OPERATING INCOME	 <u>80,785</u>	 <u>66,186</u>
 <b>NON-OPERATING REVENUES</b>		
Interest Income	<u>9,921</u>	<u>8,073</u>
 Total Non-Operating Revenues	 <u>9,921</u>	 <u>8,073</u>
 CHANGE IN NET POSITION	 90,706	 74,259
Total Net Position, Beginning of Year	<u>510,557</u>	<u>436,298</u>
Total Net Position, End of Year	<u>\$ 601,263</u>	<u>\$ 510,557</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Intergovernmental - City of Garfield	\$ 45,000	\$ 45,000
Developer Fees	98,500	90,000
Miscellaneous Revenues	1,000	-
Payments for Employees Salaries and Wages	(35,780)	(35,780)
Payments to Suppliers	<u>(27,151)</u>	<u>(34,054)</u>
Net Cash Provided by Operating Activities	<u>81,569</u>	<u>65,166</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Received	<u>9,921</u>	<u>8,073</u>
Net Cash Provided by Investing Activities	<u>9,921</u>	<u>8,073</u>
Net Increase in Cash and Cash Equivalents	91,490	73,239
Cash and Cash Equivalents, Beginning of Year	<u>520,491</u>	<u>447,252</u>
Cash and Cash Equivalents, End of Year	<u>\$ 611,981</u>	<u>\$ 520,491</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	\$ 80,785	\$ 66,186
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase/(Decrease) in Accounts Payable	<u>784</u>	<u>(1,020)</u>
Net Cash Provided by Operating Activities	<u>\$ 81,569</u>	<u>\$ 65,166</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, 2019 AND 2018**

**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**

During fiscal years 2019 and 2018, the Agency implemented the following GASB statements:

- GASB No. 84, *Fiduciary Activities*. 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. 85, *Omnibus 2017*. 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)).

**GARFIELD REDEVELOPMENT AGENCY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

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

- GASB No. 86, *Certain Debt Extinguishment Issues*. 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.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently.

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

- GASB No. 87, *Leases*, will be effective with the year ending December 31, 2020. 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.
- GASB No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will be effective beginning with the year ending December 31, 2020. The objectives of this Statement are: i) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and ii) to simplify accounting for interest cost incurred before the end of a construction period. This Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period.
- GASB No. 91, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, will be effective beginning with the year ending December 31, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice.

**GARFIELD REDEVELOPMENT AGENCY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

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

GASB No. 92, *Omnibus 2020*, will be effective beginning with the year ending December 31, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including: i) the effective date of GASB No. 87 and Implementation Guide No. 2019-3; ii) reporting of intraentity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit plan; iii) the applicability of GASB No. 73 and 74; iv) the applicability of certain requirements of GASB No. 84; v) measurement of liability and assets related to asset retirement obligations in a government acquisition; vi) reporting by public entity risk pools for amounts that are recoverable from reinsurance or excess insurers; vii) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and viii) terminology used to refer to derivative instruments. This Statement will enhance comparability in the application of accounting and financial reporting requirements. Comparable reporting will improve the usefulness of information for users of state and local government financial statements.

**C. Basis of Presentation – Financial Statements**

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.

**Reclassifications**

Certain reclassifications have been made to the December 31, 2018 balances to conform to the December 31, 2019 presentation.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**GARFIELD REDEVELOPMENT AGENCY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

**D. Measurement Focus and Basis of Accounting (Continued)**

The Agency's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the Agency's 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.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**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 Authority to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

**D. Assets, Liabilities and Net Position**

***1. Cash, Cash Equivalents and Investments***

Cash and cash equivalents are considered to be cash on hand, cash in banks, certificates of deposit, deposits with the New Jersey Cash Management Fund and all short-term investments with original maturities of six months or less from the date of purchase. Investments are reported at fair value and except for the operating accounts are limited by the 1997 Bond Resolution as amended and supplemented thereto. Operating account investments are limited by NJSA 40A:5-15.1 et seq.

***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.

***3. Net Position Flow Assumption***

Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**GARFIELD REDEVELOPMENT AGENCY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

**F. Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Authority are charges to customers for sewer and solid waste services. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. State and federal grants for the operation of the sewer or solid waste system are considered nonoperating revenues. Significant transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items. Significant transactions or other events that are within the control of management that are either unusual in nature or infrequent in occurrence are reported as special items.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***A. 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.

***B. 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.

**GARFIELD REDEVELOPMENT AGENCY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

**Cash 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, 2019 and 2018 the book value of the Agency's deposits were \$611,981 and \$520,491, respectively, and bank balances of the Agency's cash and deposits amounted to \$612,181 and \$521,891, 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>2019</u>	<u>2018</u>
Insured	<u>\$612,181</u>	<u>\$521,891</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, 2019 and 2018 the Agency's bank balances were not exposed to custodial credit risk.

**Investments**

The Authority is permitted to invest unrestricted operating funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the City or bonds or other obligations of the school districts which are part of the City or the school district located within the City; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law," (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 40A:5-15.1.

As of December 31, 2019 and 2018, the Agency had no outstanding investments.

**GARFIELD REDEVELOPMENT AGENCY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 4 LONG TERM LIABILITIES**

The Agency had no outstanding debt as of December 31, 2019 and 2018.

**NOTE 5 CAPITAL ASSETS**

The Agency has no capital assets as of December 31, 2019 and 2018.

**NOTE 6 EMPLOYEE RETIREMENT SYSTEMS**

The State of New Jersey sponsors and administers the cost-sharing contributory defined benefit public employee retirement system (retirement system) covering substantially all state and local government employees which include those Agency employees who are eligible for pension coverage.

**Public Employees' Retirement System (PERS)** – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage 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 multiemployer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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](http://www.state.nj.us/treasury/pensions).

During the years ended December 31, 2019, 2018 and 2017, 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.

**GARFIELD REDEVELOPMENT AGENCY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**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.

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, 2019, 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, 2019, the Agency has received \$300,000.

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

<u>Developer</u>	<u>Contribution</u>	<u>2019</u>	<u>Prior</u>
Vornado	\$ 450,000		\$ 450,000
Paragon (Kalama)	110,000		110,000
Schley (Capadagli)	300,000	\$ 90,000	210,000
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>\$ 1,540,000</u>	<u>\$ 90,000</u>	<u>\$ 1,450,000</u>

**SUPPLEMENTARY SCHEDULES**

**GARFIELD REDEVELOPMENT AGENCY**  
**SCHEDULE OF REVENUES AND APPROPRIATIONS COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**BUDGETARY BASIS**  
**(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018)**

	2019 <u>Budget</u>	2019 <u>Actual</u>	<u>Variance</u>	2018 <u>Actual</u>
<b>REVENUES</b>				
Operating Revenues:				
City of Garfield Appropriation	\$ 45,000	\$ 45,000		\$ 45,000
Developer Fees	<u>90,000</u>	<u>98,500</u>	<u>\$ 8,500</u>	<u>90,000</u>
Total Operating Revenues	<u>135,000</u>	<u>143,500</u>	<u>8,500</u>	<u>135,000</u>
Non-Operating Revenues:				
Interest Revenue	<u>-</u>	<u>9,921</u>	<u>9,921</u>	<u>8,073</u>
Total Non-Operating Revenues	<u>-</u>	<u>9,921</u>	<u>9,921</u>	<u>8,073</u>
Total Revenues	<u>135,000</u>	<u>153,421</u>	<u>18,421</u>	<u>143,073</u>
<b>APPROPRIATIONS</b>				
Operating Appropriations:				
Administration:				
Salaries and Wages	36,000	33,000	3,000	33,000
Fringe Benefits		2,780	(2,780)	2,780
Other Expenses	12,000	373	11,627	1,653
Costs of Providing Services:				
Other Expenses	<u>87,000</u>	<u>27,562</u>	<u>59,438</u>	<u>31,381</u>
Total Operating Appropriations	<u>135,000</u>	<u>63,715</u>	<u>71,285</u>	<u>68,814</u>
Total Appropriations	<u>135,000</u>	<u>63,715</u>	<u>71,285</u>	<u>68,814</u>
Total Budgetary Income	<u>\$ -</u>	<u>89,706</u>	<u>\$ 89,706</u>	<u>74,259</u>
Reconciliation				
Miscellaneous Income		<u>1,000</u>		<u>-</u>
Changes in Net Position - GAAP		<u>\$ 90,706</u>		<u>\$ 74,259</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  
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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, 2019, 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 June 17, 2020.

#### **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.

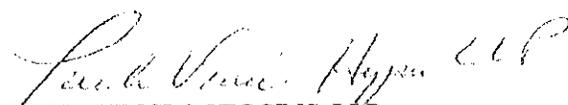
### **Compliance and Other Matters**

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.

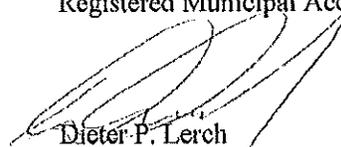
However, we noted a matter that is not required to be reported under Government Auditing Standards that we have reported to management of the Garfield Redevelopment Agency in the section of this report entitled "General Comments and Recommendations".

### **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  
June 17, 2020

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

**ROSTER OF OFFICIALS**

**DECEMBER 31, 2019**

<u>Name</u>	<u>Title</u>
Arthur Andreano	Chairman
Peter Amadio	Vice-Chairman
Joseph Delaney	Commissioner
John Easom	Commissioner
Daniel Rigoglioso	Commissioner
Anna Sciacca	Commissioner
Raymond Simione	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**

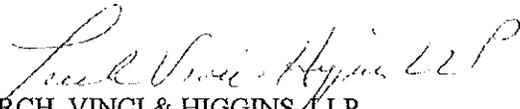
**Finding** – Numerous vouchers did not contain the claimant’s signature.

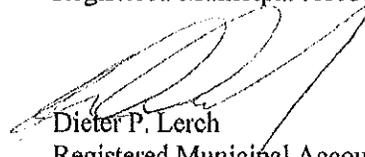
**Recommendation** – The Agency consider adopting a revised policy which modifies the requirement regarding claimants signatures.

**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