

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2016**

***HODULIK & MORRISON, P.A.***  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
HIGHLAND PARK, N.J.

**CARTERET REDEVELOPMENT AGENCY**  
**BOROUGH OF CARTERET, MIDDLESEX COUNTY, NEW JERSEY**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
<b><u>PART I – INDEPENDENTS AUDITOR’S REPORT</u></b>	1
Independent Auditor's Report	2 - 4
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards	5 - 6
<b><u>PART II – REQUIRED SUPPLEMENTARY INFORMATION</u></b>	7
Management’s Discussion and Analysis	8 - 12
<b><u>FINANCIAL STATEMENTS</u></b>	13
<b><u>GOVERNMENTAL FUNDS/NET POSITION</u></b>	14
Exh. A Statement of Net Position and Governmental Funds Balance Sheet- December 31, 2016	15
Exh. B Statement of Activities and Governmental Fund Revenues, Expenses and Changes in Fund Balances - Year Ended December 31, 2016	16
<b><u>FIDUCIARY FUND</u></b>	17
Exh. C Statement of Fiduciary Net Position	18
Exh. D Statement of Changes in Fiduciary Net Position	19
Notes to Financial Statements	20 - 44
<b><u>PART III – REQUIRED SUPPLEMENTARY INFORMATION</u></b>	45
Sch. 1 Supplemental Schedule of Revenues and Expenses Compared To Budget and Actual Revenues (Budgetary Basis)	46
<b><u>PART IV – OTHER REQUIRED SUPPLEMENTARY INFORMATION</u></b>	47
Sch. 1 Schedule of the Agency’s Share of the Net Pension Liability	48
Sch. 2 Schedule of the Agency’s Contributions – Public Employees Retirement System	49
Notes to Required Supplementary Pension Information	50

**CARTERET REDEVELOPMENT AGENCY**  
**BOROUGH OF CARTERET, MIDDLESEX COUNTY, NEW JERSEY**

**TABLE OF CONTENTS**

	<b><u>PAGE(S)</u></b>
<b><u>PART V – SUPPLEMENTAL SCHEDULES AND DATA</u></b>	51
Sch. 2 Supplemental Schedule of Cash Receipts, Disbursements and Changes in Cash and Investments	52
Sch. 3 Schedule of Revenue Bonds Payable	53 - 55
Sch. 4 Schedule of Loans Payable	56
Sch. 5 Roster of Officials	57
<b><u>PART VI – GENERAL COMMENTS AND RECOMMENDATIONS</u></b>	58
General Comments	59 - 60
Recommendations	61

**CARTERET REDEVELOPMENT AGENCY  
MIDDLESEX COUNTY, NEW JERSEY**

---

**PART I**

**INDEPENDENT AUDITOR'S REPORT**

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)  
(E-MAIL) admin@hm-pa.net

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**INDEPENDENT AUDITOR'S REPORT**

Honorable Chairman and Members of the  
Carteret Redevelopment Agency  
Carteret, New Jersey

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carteret Redevelopment Agency, Carteret, New Jersey (the "Agency") as of December 31, 2016, and related notes to the financial statements, which collectively comprise the 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk 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 statement.

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

### **Basis for Qualified Opinion**

As more fully described in Note 3 to the financial statements, the Agency has excluded capital assets in the accompanying balance sheet certain property held for redevelopment acquired through the Borough of Carteret that, in our opinion, should be included to conform with accounting principles generally accepted in the United States of America Quantification of the effects on the financial statements of the preceding practice is not practicable.

### **Opinions**

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Carteret Redevelopment Agency, Carteret, New Jersey, as of December 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principals generally accepted in the United States of America require that the management's discussion and analysis and budget comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 – Part I, II and III 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.

#### **Supplementary Information**

The Other Supplementary Information, as listed in the table of contents, section has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In Accordance with Government Auditing Standards, we have also issued our report dated October 27, 2017, on our consideration of the Carteret Redevelopment Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance Government Auditing Standards in considering the Carteret Redevelopment Agency's internal control over financial reporting and compliance.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants



Andrew G. Hodulik  
Registered Municipal Account  
No. 406

Highland Park, New Jersey  
October 27, 2017

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)  
(E-MAIL) admin@hm-pa.net

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

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

**INDEPENDENT AUDITOR'S REPORT**

Honorable Chairman and Members of the  
Carteret Redevelopment Agency  
Carteret, New Jersey

We have audited, 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 and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the governmental activities of the Carteret Redevelopment Agency, Middlesex County, New Jersey, (the "Agency") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Carteret Redevelopment Agency basic financial statements, and have issued our report thereon dated October 27, 2017. Our report was modified on such financial statements because of the none recording of capital assets in the accompanying balance sheet of property held for redevelopment acquired through the Borough.

**Internal Control Over Financial Reporting**

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

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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying General Comments Section of this report.

We noted certain matters, including matters of control deficiencies, which we reported to the Agency in the General Comments section of this report.

### **Purpose of this Report**

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

This report is intended for the information and use of the members and management of the Carteret Redevelopment Agency and the Division of Local Government Services and is not intended to be, and should not be, used by anyone other than these specified parties.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants

Highland Park, New Jersey  
October 27, 2017

**CARTERET REDEVELOPMENT AGENCY  
MIDDLESEX COUNTY, NEW JERSEY**

---

**PART II**

**REQUIRED SUPPLEMENTARY INFORMATION**

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For Year Ended December 31, 2016  
(Unaudited)**

The Agency is a corporate and politic body organized under the laws of the State of New Jersey. The Carteret Redevelopment Agency (the "Agency") is a component-unit of the Borough of Carteret, County of Middlesex, New Jersey (the "Borough"). The following Management's Discussion and Analysis of the activities and financial performance of the Agency provide an introduction to the financial statements of the Agency for the year ended December 31, 2016. Please read it in conjunction with the Agency's financial statements and accompanying notes.

The Management's Discussion and Analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

**FINANCIAL HIGHLIGHTS**

**Entity - Wide**

Cash, cash equivalents decreased by \$22,634 (38.6%) to \$35,957 in 2016 from \$58,591 in 2015.

Total net position decreased by \$19,200 (5.11%) to \$(394,799) in 2016 from \$(359,599) in 2015.

Liabilities decreased by \$1,827,069 (5.61%) to \$30,740,915 in 2016 from \$32,567,984 in 2015.

Expenditures/Expenses decreased by \$146,226 to \$999,267 in 2016 from \$1,145,853 in 2015.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The Agency is a special-purpose government that engages in a single governmental activity program, and has elected to combine the government-wide and fund financial statements. The basic financial statements include the two kinds of combined statements that present different views of the Agency:

- **Government-wide financial statements** provide both short-term and long-term information about the Agency's overall financial status. The government-wide financial statements are designed to provide readers with a broad overview of the agency's finances, in a manner similar to a private sector business

- **Fund financial statements** that focus on individual parts of the Agency, reporting the Agency's operations in more detail than the district-wide statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Agency can be categorized into one category – governmental funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on current resources uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The *Statement of Net Position and Governmental Funds Balance Sheet* presents the Agency's fund financial statements adjusted to the government-wide financial statements.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* presents the Agency's fund financial statements adjusted to the government-wide financial statements.

**Fiduciary Funds** – Fiduciary Funds are used to account for assets held by the Agency in a Trustee capacity or as an agent for individuals, private organizations, or other governments and/or other funds.

**Notes to Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements can be found as listed in the table of contents,

#### **FINANCIAL ANALYSIS OF THE AUTHORITY**

**Financial Position.** The following table summarizes the Statement of Net Position between December 31, 2016 and 2015:

**Figure A - 3**  
**Net Position**

	<b>Governmental Activities 2016</b>	<b>Governmental Activities 2015</b>	<b>% Increase (Decrease)</b>
<b>Assets</b>			
Current and other assets	35,957	58,591	-38.63%
Receivables	30,287,265	32,152,477	-5.80%
Capital assets	903,746	903,746	0.00%
<b>Total assets</b>	<b>31,226,968</b>	<b>33,114,814</b>	<b>-5.70%</b>
<b>Deferred Outflows</b>	<b>43,516</b>	<b>14,692</b>	<b>100.00%</b>
<b>Liabilities</b>			
Current and other liabilities	728,918	2,591,544	-71.87%
Long-term liabilities	30,011,997	29,976,440	0.12%
<b>Total Liabilities</b>	<b>30,740,915</b>	<b>32,567,984</b>	<b>-5.61%</b>
<b>Deferred Inflows</b>	<b>127</b>	<b>1,937</b>	<b>100.00%</b>
<b>Net position</b>			
Net assets invested in			
Capital Assets (net of debt)	903,746	903,746	0.00%
Restricted	20,497	31,438	-34.80%
Unrestricted	(394,799)	(375,599)	5.11%
<b>Total net position</b>	<b>529,444</b>	<b>559,585</b>	<b>-5.39%</b>

The results of this year's operations for the Agency Governmental Activities as a whole are reported in the Statement of activities. Figure A - 4, below, takes the information from the Statement, rounds off the numbers, and rearranges them so slightly so you can see our total revenues and expenses for the year.

**Figure A - 4**  
**Change in Net Position**

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
<b>Revenues:</b>			
General revenue			
Local subsidy	25,000	355,314	(330,314)
Pledged Annual Service Charges	694,813	206,992	487,821
Interest and Miscellaneous	825	289	536
Total general revenues	<u>720,638</u>	<u>562,595</u>	<u>158,043</u>
<b>Total revenues</b>	<u>720,638</u>	<u>562,595</u>	<u>158,043</u>
<b>Function/program expense:</b>			
Redevelopment - Operations	66,402	69,463	(3,061)
Interest on Debt	933,225	909,325	23,900
Trustee Fees& Other Costs		167,065	(167,065)
<b>Total expenses</b>	<u>999,627</u>	<u>1,145,853</u>	<u>3,774</u>
<b>Transfers In</b>	<u>248,848</u>	<u>216,236</u>	
<b>Increase (Decrease) net position</b>	<u><u>(30,141)</u></u>	<u><u>(367,022)</u></u>	<u><u>336,881</u></u>

### **General Fund Budgetary Highlights**

The Agency maintained a budgetary positive variance position for the CY 2016 Budget, including Net Position - Restricted for Debt Service.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At December 31, 2016, the Agency reported \$903,746 in land within the Governmental Activities Funds. No depreciation was recorded during the year, as such assets were inexhaustible (such as land) or not placed in service.

At December 31, 2016, the Agency reported \$1,334,750 in land and other assets within the Fiduciary Fund. No depreciation was recorded during the year, as such assets were inexhaustible (such as land) or not placed in service.

#### **Long-Term Debt**

At the end of this year, the Agency had \$29,866,176 in Bonds and Loans outstanding versus \$32,152,477 last year – an decrease of \$2,286,300, representing 7.10%. The represents the net activity principal amounts redeemed The Long-term debt consisted of:

<u>Description</u>	<u>Amount</u>
Environmental Infrastructure Trust and Fund Loans	\$22,681,176
Revenue Bonds, Series 2008A	1,535,000
Revenue Bonds, Series 2012C	4,210,000
Revenue Bonds, Series 2014	<u>1,740,000</u>
<b>Total</b>	<b><u>\$29,866,176</u></b>

### **CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide the Borough residents and taxpayers, and the Agency's customers, investors and creditors, (where applicable) with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Executive Director, Eric F.M. Chubenko, Municipal Building, 61 Cooke Avenue, Carteret, New Jersey, 07008.

**FINANCIAL STATEMENTS**



**GOVERNMENTAL FUNDS/NET POSITION**

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>	<u>Adjustments (Note 10.)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 15,461	\$ 20,497	\$ 35,957	\$	\$ 35,957
Pledged annual service charges receivable		421,090	421,090	29,866,175	30,287,265
Capital assets (net of depreciation)				903,746	903,746
<b>Total Assets</b>	<b>\$ <u>15,461</u></b>	<b>\$ <u>441,586</u></b>	<b>\$ <u>457,047</u></b>	<b>\$ <u>30,769,921</u></b>	<b>\$ <u>31,226,969</u></b>
<b>Deferred Outflows of Resources</b>					
Deferred Amount on Pension Liability				43,516	43,516
				+	
<b>Total Deferred Outflows of Resources</b>				<b>43,516</b>	<b>43,516</b>
<b>LIABILITIES</b>					
Accrued interest payable	\$	\$	\$	303,151	\$ 303,151
Accounts payable		421,090	421,090	4,677	425,767
Long -term liabilities:					
Due within one year				2,346,763	2,346,763
Due after one year				27,519,413	27,519,413
Net Pension Liability				145,821	145,821
<b>Total Liabilities</b>		<b>421,090</b>	<b>421,090</b>	<b>30,319,824</b>	<b>30,740,914</b>
<b>Deferred Inflows of Resources</b>					
Deferred Amount on Pension Liability				127	127
<b>Total Deferred Inflows of Resources</b>				<b>127</b>	<b>127</b>
<b>FUND BALANCE/ NET POSITION</b>					
Fund balances:					
Restricted for:					
Debt service fund		20,497	20,497	(20,497)	
Unassigned	15,461		15,461	(15,461)	
<b>Total fund balance</b>	<b>15,461</b>	<b>20,497</b>	<b>35,957</b>	<b>(35,957)</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ <u>15,461</u></b>	<b>\$ <u>441,586</u></b>	<b>\$ <u>457,047</u></b>		
<b>Net Position:</b>					
Investment in capital assets, net of related debt				903,746	903,746
Restricted for:					
Debt service				20,497	20,497
Unrestricted				(394,799)	(394,799)
<b>Total net position</b>				<b>\$ <u>529,444</u></b>	<b>\$ <u>529,444</u></b>
<b>Total liabilities and net position</b>					

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2016**

	General Fund	Debt Service Fund	Total Governmental Funds	Adjustments (Note 10.)	Statement of Net Position
Expenditures/expenses:					
Redevelopment - operations	\$ 56,802	\$	\$ 56,802	\$ 9,600	\$ 66,402
Debt service:					
Principal		2,286,300	2,286,300	(2,286,300)	
Interest		935,317	935,317	(2,092)	933,225
	<u>56,802</u>	<u>3,221,617</u>	<u>3,278,419</u>	<u>(2,278,792)</u>	<u>999,627</u>
Total expenditures/expenses					
General revenues:					
Local subsidy	25,000		25,000		25,000
Pledged annual service charges	20,000	2,961,113	2,981,113	(2,286,300)	694,813
Investment/miscellaneous earnings	110	715	825		825
	<u>45,110</u>	<u>2,961,828</u>	<u>3,006,938</u>	<u>(2,286,300)</u>	<u>720,638</u>
Total general revenues					
Transfers In (Out):					
Fiduciary Fund		248,848	248,848		248,848
Total Transfers			248,848		248,848
Excess (deficiency) in revenues over expenditures	(11,692)	(10,941)	(22,633)	22,633	
Changes in net position				30,141	(30,141)
Beginning of year	27,153	31,438	58,591		559,585
<b>End of year</b>	<u>\$ 15,461</u>	<u>\$ 20,497</u>	<u>\$ 35,958</u>	<u>\$</u>	<u>\$ 529,444</u>

**Note: See Notes to Financial Statements.**

**FIDUCIARY FUND**

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2016**

		<b>Private- purpose <u>Trust</u></b>
<b>ASSETS</b>		
Cash and cash equivalents	\$	115,458
Small business loans receivable		35,000
Capital assets, net of depreciation		<u>1,334,750</u>
Total Assets	\$	<u><u>1,485,208</u></u>
<b>LIABILITIES</b>		
Other liabilities and payables		<u>6,593</u>
Total Liabilities		<u>6,593</u>
<b>NET POSITION</b>		
Investment in capital assets		1,334,750
Held in Trust for redevelopment costs and other related purposes	\$	<u>143,865</u>
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b><u><u>1,478,615</u></u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$</b>	<b><u><u>1,485,208</u></u></b>

**Note: See Notes to Financial Statements.**

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Private- purpose <u>Trusts</u></b>
<b>ADDITIONS</b>	
Contributions:	
Land Sale & Loan/Lease/Rental Proceeds	\$ <u>434,835</u>
Total Contributions	<u>434,835</u>
Other revenues:	
Interest on Deposits/Loans	<u>3,933</u>
Total Other Revenues	<u>3,933</u>
<b>Total Additions</b>	<b>\$ 438,768</b>
<b>DEDUCTIONS</b>	
Redevelopment Expenditures	389,479
Transfer - Debt Service Fund	<u>248,849</u>
<b>Total Deductions</b>	<u>638,328</u>
Change in Net Assets	(199,560)
Net Position - Beginning of Year (Restated)	<u>1,684,768</u>
<b>Net Position - End of Year</b>	<b>\$ <u><u>1,485,208</u></u></b>

**Note: See Notes to Financial Statements.**

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

The Carteret Redevelopment Agency "the Agency" is a public body corporate and politic body organized under the laws of the State of New Jersey and was created by an ordinance adopted by the governing body, effective in December 2000, of the Borough of Carteret ("the creating municipality"), a municipal corporation of the State of New Jersey located in the County of Middlesex.

The Agency was created for the purpose of fostering the economic development of the community, specifically the revitalizing of the designated District's within the boundaries of Carteret Borough.

The ordinance creating the Agency provides that the Authority shall consist of seven commissioners, each of whom shall be appointed by the Mayor with the advice and consent of the Borough Council.

New Jersey Statutes provide for the creation, dissolution and operations of separate bodies corporate and politic for the purpose of fostering the economic development of the community (Redevelopment Agency). These statutes were enacted pursuant to Chapter 79 of the Laws of New Jersey 1992, under N.J.S.A. 40A:12A-1 through 40A:12A-9. Additional statutory requirements relating to the financial operations of independent local authorities were established as the "Local Authorities Fiscal Control Law", which is codified as NJSA 40A:5A-1 et seq. The provisions of the Local Authorities Fiscal Control Law established the Local Finance Board and the Division of Local Government Services, in the Department of Community Affairs (DCA), State of New Jersey, as oversight agencies for the creation, project financing, budgeting and overall financial condition of local authorities.

The Local Finance Board adopted the approving resolution on January 10, 2001 approving the Borough's request for establishment of a redevelopment agency. The Borough adopted the enacting ordinance on February 1, 2001. The Carteret Redevelopment Agency began operation during the calendar year 2001, accordingly, the year ended December 31, 2001 represent the first year of operation.

The Agency has no stockholders or equity holders.

As a public body under existing statute, the Agency is exempt from both Federal and State income taxes.

The financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and reporting. GASB pronouncements constitute GAAP for governmental units.

The DCA has recognized the statements and interpretations of the Governmental Accounting Standards Board (GASB) as authoritative on application of generally accepted accounting principles (GAAP) for local authorities.

## NOTES TO FINANCIAL STATEMENTS

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **B. Reporting Entity**

The primary criterion for including activities within the Agency's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Agency holds the corporate powers of the organization
- the Agency appoints a voting majority of the organization's board
- the Agency is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Agency
- there is a fiscal dependency by the organization on the Agency

The Agency is considered to be a "Component Unit" of the Borough of Carteret under GAAP. This determination is based on the oversight responsibility of the Borough, which manifests itself primarily in the selection of Commissioners of the Agency, and on a financial benefit/burden relationship that exists between the Agency and the Borough.

The Borough of Carteret does not follow GAAP for accounting and financial reporting purposes. Rather, it follows a regulatory basis, utilizing accounting principles, which differ, in some cases significantly, from GAAP. Of particular note is the exclusion from the Borough's financial statements of potential component units, based on separate legal status of these units. Accordingly, the financial statements of the Borough do not include the agency as a component unit.

Based on the aforementioned criteria, the Agency has no component units.

#### **C. GASB STATEMENT NO. 34**

The Agency adopted the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments during the year ended December 31, 2003. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a Management's Discussion and Analysis section, a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position. It requires the classification of Net Assets into three components – Invested in Capital Assets, net of related debt; Restricted for Debt Service; and Unrestricted.

The adoption of Statement 34 had little effect on the basic financial statements except for the classification of net position, the reflection of capital contributions as a change in net position, and the inclusion of Management's Discussion and Analysis (MD&A) section providing an analysis of the Agency's overall financial position and results of operations.

#### **D. Basis of Presentation**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Agency.



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**D. Basis of Presentation (Cont'd)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Agency segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Governmental funds are those funds through which most governmental functions typically financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Agency reports the following governmental and fiduciary funds:

Governmental Funds

General Fund

The General Fund is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund. All revenues and receipts that are not restricted by law or contractual agreement are accounted for in this fund. General operating expenditures that are not paid through other funds are paid from the General Fund.

Pursuant to single-program government reporting, the Agency has elected to combine the following: 1. statement of net position and balance sheet for governmental funds; 2. statement of activities and revenues, expenditures, and changes in fund balance for governmental funds.

Fiduciary Funds

Private-purpose Trust is used to report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

**E. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**E. Measurement Focus/Basis of Accounting (Cont'd)**

**Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Other revenue is considered available if collected within one year.

**Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred.

**F. Cash and Cash Equivalents**

Cash and cash equivalents include money market funds and short-term investments, which may include Certificates of Deposit, with a maturity of three months or less carried at cost, which approximates market.

**G. Investments**

Investments consist of certificates of deposit and direct obligations of the U.S. Government, U.S. Government Agencies, repurchase agreements and investments in money market funds and are valued at cost or amortized cost, which approximates market.

**H. Local Subsidy Receivable**

Local subsidy receivable at December 31, 2016 consisted of the amount of \$0.00 due from the Borough of Carteret, County of Middlesex pursuant to the 2016 local subsidy agreement.

**I. Pledged Annual Services Charges**

Annual Service Charge represents the amount the Redeveloper Entity shall pay the Borough (directed to the Trustee in accordance with Financial Agreement) in order to make the requisite debt service payments.

**J. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

The fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**K. Short-Term Receivables/Payables:**

Short-term receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Agency and that are due within one year.

**L. Unamortized Debt Issue Costs**

Previously, deferred debt costs incurred with the various bond issues of the Agency were being amortized over the life of the respective issues. With the implementation of GASB 65, prior debt issue costs have been expensed and all current and future debt issue costs are and will also be expensed in the year in which the debt is issued.

**M. Capital Assets:**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Agency maintains a threshold level of \$5,000 or more for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the Agency-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the Agency, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress.

The Agency does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

The Agency capitalizes and records capital assets acquired through the CARA Development Account in the Private-purpose Trust as reported within the Fiduciary Funds. The Capital Assets recorded do not include assets acquired by the Redeveloper and transferred to the agency for holding until requisitioned for project construction and utilization.

**N. Fund Equity:**

Restricted represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Assigned fund balances represent plans for future use of financial resources.

**O. Restricted Assets**

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as capital requirements and proceeds from the issuing of the bonds related to the capital project.

NOTES TO FINANCIAL STATEMENTS

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**P. Net Position:**

Net position represents the difference between assets and liabilities in the Agency-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the Agency-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Q. Reconciliation of Adjustments**

The following adjustments/reclassifications were required for the combing of the government-wide and fund financial statements in accordance with GASB:

Statement of Net Position and Governmental Fund Balance Sheet:

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
Assets			
Annual Service Charges			
Receivable	\$421,090	\$29,866,175	\$30,287,265
Capital Assets	0	903,746	903,746
Deferred Outflows	0	43,516	43,516
Liabilities			
Accrued Interest Pay.	0	303,151	303,151
Accounts Payable	421,090	4,677	425,767
Long-term Liabilities			
Due within 1 yr.	0	2,346,763	2,346,763
Due after 1 yr.	0	27,519,413	27,519,413
Net Pension Liability	0	145,821	145,821
Deferred Outflows	0	127	127
Fund Balance			
Restricted for Debt Serv.	20,497	(20,497)	0
Unassigned	15,461	(14,561)	0
Net Position			
Net Assets			
Invest. in Capital Assets	0	903,476	903,476
Restricted For			
Debt Service	0	20,497	20,497
Unrestricted	0	(394,799)	(394,799)

NOTES TO FINANCIAL STATEMENTS

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Statement of Activities and Governmental Revenues, Expenditures, and Changes in Fund Balance:

**Q. Reconciliation of Adjustments (Cont'd)**

	<u>From</u>	<u>Adjustment</u>	<u>To</u>
Expenditures/Expenses			
Redevel. – Oper.	\$56,802	\$9,600	\$66,402
Debt Service			
Principal	2,286,300	(2,286,300)	0
Interest	935,317	(2,092)	933,225
General Revenues			
Pledged annual serv chrgs.	2,981,113	(2,286,300)	694,813
Excess of Revenues over Expenditures	(22,633)	22,633	0
Change in Net Position	0	30,141	30,141

**R. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**S. Disclosures about Fair Value of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments: The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term investments: The fair values of long-term investments are estimated based on quoted market prices for those or similar investments. Additional information pertinent to the value of these investments is provided in Note 3.

Long-term debt: The Authority's long-term debt is stated at face value, net of unamortized discounts and premiums. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Authority's long-term debt is provided in Note 4.

## NOTES TO FINANCIAL STATEMENTS

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **T. Recent Accounting Standards**

GASB issued Statement No. 72, “Fair Value Measurement and Application” in February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

GASB issued Statement 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” in June 2015. 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 issued Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” in June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

GASB issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” in June 2015. 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). This Statement is effective for fiscal years beginning after June 15, 2017.

GASB issued Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” in June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

GASB issued Statement No. 77, “Tax Abatement Disclosures” in August 2015. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability.

GASB issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans” in December 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

GASB issued Statement No. 79, “Certain External Investment Pools and Pool Participants” in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

## NOTES TO FINANCIAL STATEMENTS

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **T. Recent Accounting Standards (Cont'd)**

GASB issued Statement No. 80, "Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14" in January 2016. 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 issued Statement No. 81, "Irrevocable Split-Interest Agreements" in March 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB issued Statement No. 82, "Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73" in March 2016. 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 Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

GASB issued Statement No. 83, "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The Agency prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The Agency is required to adopt these new standards in connection with the organization's financial statements.

#### **U. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Jersey Public Employees Retirement System (PERS) and New Jersey Police & Firemen's Retirement System (PFRS) and additions to/deductions from PERS and PFRS fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **V. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recorded as an outflow of resources (expenditure/expense) until that time. The Authority is reporting one item in this category; Pension related items including the Difference between expected and actual experiences, the Change in Pension Assumptions, the Change in Pension Proportion and the amounts of pension payments made by the Authority subsequent to the pension measurement date.

## NOTES TO FINANCIAL STATEMENTS

### **V. Deferred Outflows/Inflows of Resources (Cont'd)**

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recorded as an inflow of resources (revenue) until that time. The District is reporting two items in this category, the Difference in Pension Earnings and the Change in Pension Proportion. The first represents the District's proportionate share of plan earnings in excess of assumed amounts, while the second represents the favorable impact of a decline in the District's proportionate share of system wide net pension liability.

### **Note 2: DEPOSITS, CASH AND CASH EQUIVALENTS AND INVESTMENTS**

#### Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature within one year. Collateralization of fund investments is generally not required.

#### **Cash and Cash Equivalents**

The Agency had the following depository accounts. All deposits are carried at cost plus accrued interest. The government does not have a deposit policy.



**NOTES TO FINANCIAL STATEMENTS**

**Note 2: DEPOSITS, CASH AND CASH EQUIVALENTS AND INVESTMENTS  
(CONT'D))**

As of December 31, 2016, cash and cash equivalents consisted of the following carrying amounts:

<u>Depository Account</u>	<u>Book Value</u>
Demand & Checking	\$130,919
Trustee – Money Market Funds	<u>20,497</u>
<b>Total</b>	<b><u>\$151,416</u></b>

During the period ended December 31, 2016, the Agency no held investments in the State of New Jersey Cash Management Fund. Under criteria established in Governmental Accounting Standards Board Statement No. 9, the year-end balances in State of New Jersey Cash Management Fund are considered to be cash equivalents under GAAP.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Agency’s deposits may not be returned. The government does not have a specific deposit policy for custodial risk other than those policies that adhere to the requirements of statute. As of December 31, 2016, based upon the insured balances provided by the FDIC and NJGUDPA coverage, \$20,497 of the Agency’s bank balance of \$151,4716 was considered exposed to custodial risk. As of December 31, 2016, based upon the insured balances provided by the FDIC and NJGUDPA coverage, the Agency’s bank balance of \$130,919 was considered exposed to custodial risk as follows.

<u>Depository Account</u>	<u>Deposit Amount</u>
Insured – FDIC	\$130,919
Insured – NJGUDPA (N.J.S.A. 17:941)	<u>0.00</u>
<b>Total</b>	<b><u>\$130,919</u></b>

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

**Investments**

New Jersey statutes permit the District to purchase the following types of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;

**Note 2: DEPOSITS, CASH AND CASH EQUIVALENTS AND INVESTMENTS  
(CONT'D))**

Investments (Cont'd)

3. 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 such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of the Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52: 18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

**New Jersey Cash Management Fund** – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2016, the Agency had no amounts on deposit with the New Jersey Cash Management Fund.

The Agency held no investments at December 31, 2016, and no investment activity related to purchase and redemption during the calendar year 2016.

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Fund:</b>					
Land	903,746				903,746
Governmental Fund - Totals at Historical Cost	903,746				903,746
<b>Fiduciary Fund:</b>					
Land	1,334,750				1,334,750
Fiduciary Fund - Totals at Historical Cost	1,334,750				1,334,750
<b>Total Capital Assets, Net</b>	<b>\$ 2,238,496</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 2,238,496</b>

The Agency acquired land and other assets through the CARA Development Account. The assets acquired are accounted for and reported in the Private-purpose Trust within the Fiduciary Fund of the Agency's financial statements.

No depreciation has been recorded as assets may not be subject to depreciation or have not been placed into operation.

The Agency has obtained title to assets acquired by the Redeveloper Entity for inventory and holding until requisitioned for project construction and utilization. The Agency has not capitalized the assets acquired by the Redeveloper subject to transfers upon request.

**NOTE 4: LONG TERM DEBT**

Long-term debt liability activity for the year ended December 31, 2016 was as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Revenue Bonds Payable	\$ 7,810,000		\$ (325,000)	\$ 7,485,000	\$ 335,000
Total Bonds Payable	7,810,000		(325,000)	7,485,000	335,000
Loans Payable	24,342,477		(1,961,301)	22,381,176	2,011,763
Total Loans Payable	24,342,477		(1,961,301)	22,381,176	2,011,763
Net Pension Liability	110,264	35,557		145,821	
<b>Total Long-Term Liabilities</b>	<b>\$ 32,262,741</b>	<b>\$ 35,557</b>	<b>\$ (2,286,301)</b>	<b>\$ 30,011,997</b>	<b>\$ 2,346,763</b>

NOTES TO FINANCIAL STATEMENTS

**Note 4: LONG-TERM DEBT (CONT'D)**

The following is disclosure of information about long-term liabilities. Long-term liability activity for the year ended December 31, 2016 was as follows:

A. Loans Payable (Conduit Debt) - The New Jersey Environmental Infrastructure Trust issued Series 2006B Bonds on behalf of the Carteret Redevelopment Agency, and pursuant to the issuance has established a Trust Loan Agreement in the amount of \$28,180,000 and a Fund Loan Agreement in the amount of \$18,292,833, of which totals \$38,472,833, dated November 9, 2006. The Bonds are guaranteed by the Borough of Carteret, County of Middlesex, and the Redeveloper Urban Renewal Entity, subject to the Panattoni Agency Guaranty Agreements. During 2011, the Panattoni Agency Guaranty Agreements have been assigned to KTR Partners. Additionally, the Borough of Carteret has executed a Financial Agreement with the Redeveloper Urban Renewal Entity.

B. Schedule of Annual Debt Service for Principal and Interest for Loan Debt Issued and Outstanding

New Jersey Environmental Infrastructure Trust 2006B – Fund Loan Agreement

Payment due dates are February 1 and August 1, respectively at 0% interest.

<u>Due Date</u>	<u>Principal Amount</u>
2017	\$976,762.66
2018	975,684.97
2019	976,670.29
2020	976,547.13
2021	978,394.60
2022	976,181.49
2023	975,700.37
2024	976,816.54
2025	975,246.21
2026	<u>978,171.56</u>
<b>Total</b>	<b><u>\$9,766,175.82</u></b>

NOTES TO FINANCIAL STATEMENTS

**Note 4: LONG-TERM DEBT (CONT'D)**

B. Schedule of Annual Debt Service for Principal and Interest for Loan Debt Issued and Outstanding (Cont'd)

New Jersey Environmental Infrastructure Trust 2006B – Trust Loan Agreement

Payment due dates are February 1 and August 1, respectively at a multiple interest rate between 4% and 5%.

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Principal and Interest Amount</u>
2017	\$1,035,000.00	\$551,112.50	\$1,586,112.50
2018	1,085,000.00	499,362.50	1,584,362.50
2019	1,130,000.00	455,962.50	1,585,962.50
2020	1,175,000.00	410,762.50	1,585,762.50
2021	1,225,000.00	363,762.50	1,588,762.50
2022	1,275,000.00	310,168.75	1,585,168.75
2023	1,330,000.00	254,387.50	1,584,387.50
2024	1,390,000.00	196,200.00	1,586,200.00
2025	1,450,000.00	133,650.00	1,583,650.00
2026	<u>1,520,000.00</u>	<u>68,400.00</u>	<u>1,588,400.00</u>
<b>Total</b>	<b><u>\$12,615,000.00</u></b>	<b><u>\$3,243,768.75</u></b>	<b><u>\$15,858,768.75</u></b>

C. Revenue Bonds Payable - The Agency issued \$1,750,000 Revenue Bonds, Series 2008A (Borough Guaranteed) related to the Lower Roosevelt Avenue Redevelopment Project. The Bonds consist of Term Bonds with principal requirements ranging from \$295,000 - \$675,000 and interest rates 4.250% - 5.375%, which subject to mandatory sinking fund requirements.

The Obligations constitute special limited obligations of the Agency payable from and secured by the assignment of Annual Service Charges due and payable under the Financial Agreement by and between the Borough of Carteret and Gateway, dated July 31, 2007, and the Financial Agreement by and between the Borough of Carteret and Camelot, dated July 31, 2007, the special assessment payments due and payable under the Special Assessments Agreement by and between the Borough of Carteret and Gateway, dated November 1, 2008, and the Special Assessments Agreement by and between the Borough of Carteret and Camelot, dated November 1, 2008, and by proceeds of the obligations held by the Trustee in certain funds pursuant to the Indenture.

NOTES TO FINANCIAL STATEMENTS

**Note 4: LONG-TERM DEBT (CONT'D)**

D. Schedule of Annual Debt Service for Principal and Interest for Bond Debt Issued and Outstanding – revenue Bonds Payable, Series 2008A

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Principal and Interest Amount</u>
2017	\$40,000	\$78,437.50	\$118,437.50
2018	40,000	76,737.50	116,737.50
2019	45,000	75,037.50	120,037.50
2020	45,000	72,900.00	117,900.00
2021	50,000	70,762.50	120,762.50
2022	50,000	68,387.50	118,387.50
2023	55,000	66,012.50	121,012.50
2024	55,000	63,400.00	118,400.00
2025	60,000	60,650.00	120,650.00
2026	60,000	57,650.00	117,650.00
2027	65,000	54,650.00	119,650.00
2028	70,000	51,400.00	121,400.00
2029	70,000	47,812.50	117,812.50
2030	75,000	44,225.00	119,225.00
2031	80,000	40,381.26	120,381.26
2032	85,000	36,281.26	121,281.26
2033	85,000	31,712.50	116,712.50
2034	90,000	27,143.76	117,143.76
2035	95,000	22,306.26	117,306.26
2036	100,000	17,200.00	117,200.00
2037	105,000	11,825.00	116,825.00
2038	115,000	6,181.26	121,181.26
<b>Total</b>	<b><u>\$1,535,000</u></b>	<b><u>\$1,086,093.80</u></b>	<b><u>\$2,621,093.80</u></b>

E. Revenue Bonds Payable - The Agency issued \$4,625,000 Revenue Bonds, Series 2012C (Borough Guaranteed) related to the Lower Roosevelt Avenue Redevelopment Project. The Bonds consist of Term Bonds with principal requirements ranging from \$100,000 - \$280,000 and interest rates 1.173% - 4.850%, which subject to mandatory sinking fund requirements, maturing in years 2013 through 2040.

The Bonds were issued to currently refund the principal of the Agency's \$4,500,000 Project Note, Series 2010B (Lower Roosevelt Avenue Development Project) dated and issued November 23, 2010 and maturing on November 21, 2012.

NOTES TO FINANCIAL STATEMENTS

**Note 4: LONG-TERM DEBT (CONT'D)**

**F. Schedule of Annual Debt Service for Principal and Interest for Bond Debt Issued and Outstanding – Revenue Bonds Payable, Series 2012C**

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Principal and Interest Amount</u>
2017	\$110,000	\$186,485.16	\$296,485.16
2018	110,000	184,077.26	294,077.26
2019	115,000	180,227.26	295,227.26
2020	120,000	176,202.26	296,202.26
2021	125,000	172,002.26	297,002.26
2022	125,000	167,627.26	292,627.26
2023	130,000	163,252.26	293,252.26
2024	135,000	157,914.46	292,914.46
2025	140,000	152,371.36	292,371.36
2026	150,000	146,622.96	296,622.96
2027	155,000	140,463.96	295,463.96
2028	160,000	133,425.40	293,425.40
2029	170,000	126,159.80	296,159.80
2030	175,000	118,440.10	293,440.10
2031	185,000	110,493.36	295,493.36
2032	195,000	102,092.50	297,092.50
2033	200,000	92,635.00	292,635.00
2034	210,000	82,935.00	292,935.00
2035	220,000	72,750.00	292,750.00
2036	230,000	62,080.00	292,080.00
2037	245,000	50,925.00	295,925.00
2038	255,000	39,042.50	294,042.50
2039	270,000	26,675.00	296,675.00
2040	280,000	13,580.00	293,580.00
<b>Total</b>	<b>\$4,210,000</b>	<b>\$2,858,510.20</b>	<b>\$7,068,480.20</b>

G. Revenue Bonds Payable, Series 2014 - The Agency issued \$2,100,000 Revenue Bonds, Series 2014 (Federally Taxable) related to the Washington Avenue Redevelopment Project. The Bonds consist of Term Bonds with principal requirements as listed below and interest rates ranging between 0.624% - 4.721%, which subject to mandatory sinking fund requirements, maturing in years 2015 through 2029. The Bonds were issued to refund Project Notes, Series 2013 A and Project Note, Series 2013 B, respectively.

**Note 4: LONG-TERM DEBT (CONT'D)****H. Schedule of Annual Debt Service for Principal and Interest for Bond Debt Issued and Outstanding – Revenue Bonds Payable, Series 2014**

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total P &amp; I</u>
2017	\$185,000	\$64,325.26	\$249,325.26
2018	185,000	61,121.06	246,121.06
2019	190,000	56,475.70	246,475.70
2020	100,000	50,944.80	150,944.80
2021	100,000	47,607.80	147,607.80
2022	105,000	43,970.80	148,970.80
2023	110,000	39,906.26	149,906.26
2024	150,000	35,483.16	185,483.16
2025	120,000	30,686.50	150,686.50
2026	125,000	25,021.30	150,021.30
2027	130,000	19,120.06	149,120.06
2028	135,000	12,982.76	147,792.76
2029	140,000	6,609.40	146,609.40
<b>Total</b>	<b>\$1,740,000</b>	<b>\$494,254.86</b>	<b>\$2,234,254.86</b>

**Note 5. PENSION PLANS**

Description of Plans - The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period.

The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.



NOTES TO BASIC FINANCIAL STATEMENTS

**Note 5. PENSION PLANS**

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

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

Inactive plan members or beneficiaries currently receiving benefits	171,422
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	<u>261,171</u>
Total	<u>433,296</u>

Contributing Employers – 1,713.

*Significant Legislation* – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 5 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

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

***Payrolls and Covered Wages:***

For the year ended December 31, 2016, the Agency's total payroll for all employees was \$40,000. Total PERS covered payroll was \$41,165. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. However, due to systems limitations, covered payroll includes only "pensionable" payroll as reported to PERS.

NOTES TO BASIC FINANCIAL STATEMENTS

**Note 5. PENSION PLANS**

A. Public Employees' Retirement System (PERS) Cont'd

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015 and increased to 7.06% for State fiscal year 2016, commencing July 1, 2015. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2016 and 2015 were \$4,224 and \$4,238, respectively.

Borough Contributions are due and payable on April 1<sup>st</sup> in the calendar year subsequent to the plan year for which the contribution requirements were calculated. Borough payments to PERS for the years ending December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Total PERS Payment	<u>\$4,224</u>	<u>\$4,238</u>

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

Where applicable, Ch. 19, P.L. 2009 billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. The law set a fifteen-year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net assets of the plan on deferred principal balances. The Borough is not a participant in the Ch. 19, P.L. 2009 program.

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

The following represents the membership tiers for PERS:

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

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 5. PENSION PLANS

#### A. Public Employees' Retirement System (PERS) Cont'd

A service retirement benefit of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2016, the PERS reported a net pension liability of \$29,617,1631,759 for its Local (Non-State) Employer Member Group. The Agency's proportionate share of the net pension liability for the Local Employer Member Group that is attributable to the District was \$145,821 or 0.0004923537%.

*Actuarial Assumptions*- The total pension liability in the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 that was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.08%
Salary Increases (2012-2021)	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.65%

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

NOTES TO BASIC FINANCIAL STATEMENTS

**Note 5. PENSION PLANS**

A. Public Employees' Retirement System (PERS) Cont'd

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

*Discount Rate* – The discount rate used to measure the pension liabilities of PERS was 3.98%.

*Sensitivity of Collective Net Pension Liability to Changes in the Discount Rate* – the following presents the collective net pension liability of PERS participating employers as of June 30, 2016, calculated using the discount rates as disclosed above as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

NOTES TO BASIC FINANCIAL STATEMENTS

**Note 5. PENSION PLANS (CONT'D.)**

A. Public Employees' Retirement System (PERS) (Cont'd.)

	At 1% Decrease (2.98%)	At current discount rate (3.98%)	At 1% increase (4.98%)
State	\$ 34,422,851,197	\$ 29,390,685,705	\$ 25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
<b>PERS Plan Total</b>	<b>\$ <u>70,715,189,252</u></b>	<b>\$ <u>59,007,817,464</u></b>	<b>\$ <u>49,352,744,647</u></b>

*Components of Net Pension Liability* – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2016 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 36,295,189,928	\$ 49,474,698,146	\$ 85,769,888,074
Plan Fiduciary Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
<b>Net Pension Liability</b>	<b>\$ <u>29,390,685,705</u></b>	<b>\$ <u>29,617,131,759</u></b>	<b>\$ <u>59,007,817,464</u></b>

Employees of the Carteret Redevelopment Agency are enrolled in the Public Employees Retirement System (PERS). The Division of Pensions in the Department of the Treasury, State of New Jersey, administers the PERS plan. The plan is funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plan, which covers public employees throughout the State, does not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Authority who are members of the plan is not available.

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 for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

**Note 6: OPERATING LEASES**

The Agency did not enter into any operating lease agreements during 2016, and accordingly no future minimum lease payments disclosed.

**Note 7: COMPENSATED ABSENCES**

The Agency has not adopted a compensated absence policy for the years ended December 31, 2016 and prior, and accordingly no expenditures or accruals have been made.

## NOTES TO BASIC FINANCIAL STATEMENTS

### **Note 8: ANNUAL SERVICE CHARGES RECEIVABLE**

The Borough has executed a Financial Agreement with Titan-PDC Carteret Urban Renewal, LLC /assumed by KTR setting forth annual service charges for the Carteret Landfill Redevelopment Project. The annual services charges represent pledged and unpledged amounts due to the Borough and the Borough has assigned the annual service charged, which are pledged to the Carteret Redevelopment Agency for payment of debt service requirements as detailed in Schedule 1 "Debt Service portion of Pledged Annual Service Charge", Financial Agreement, dated August 18, 2006, as amended.

The Borough has executed a Financial Agreement with Camelot at Carteret Urban Renewal, LLC setting forth annual service charges for the Lower Roosevelt Avenue Redevelopment Project. The annual services charges represent pledged and unpledged amounts due to the Borough and the Borough has assigned the annual service charged, which are pledged to the Carteret Redevelopment Agency for payment of debt service requirements as detailed in Article s 4 & 5 "Debt Service portion of Pledged Annual Service Charge", Financial Agreement, dated July 31, 2007.

The Agency has recorded the amount of \$29,866,175 respectively on the Statement of Net Position as at December 31, 2016. The pledged annual service charges receivable in the amount of \$29,866,175 represents the total bond and loan principal outstanding and subject to the pledged annual service charge agreements for the Carteret Landfill Redevelopment Project.

### **Note 9: CARA DEVELOPMENT ACCOUNT**

The Carteret Redevelopment Agency adopted by resolution authorization to execute a memorandum of agreement with the Borough of Carteret for the future development account (CARA Development Account) funded and controlled by the Borough of Carteret. The executed agreement contains Article I, which sets forth the requirements of the future development account.

The Carteret Redevelopment Agency adopted resolution number 07-18 granting a loan from the CARA Development Account, pursuant to authorization and direction from the Borough of Carteret. The Loan will be amortized over a seven-year period bearing a 6 % rate of interest.

The Carteret Redevelopment Agency adopted resolution number 09-14 granting a loan from the CARA Development Account, pursuant to authorization and direction from the Borough of Carteret. The Loan will be amortized over a seven-year period bearing a 6 % rate of interest.

The Carteret Redevelopment Agency reports the funds within the Fiduciary Funds within the Agency's financial statements.

### **Note 10: FUND BALANCE(S)**

**General Fund** - Of the total General Fund Balance at December 31, 2016, the amount of \$15,461 is reported as unassigned.

**Debt Service Fund** - Of the \$20,497, total Debt Service Fund Balance at December 31, 2016, the entire amount is reserved for debt service purposes.

## NOTES TO FINANCIAL STATEMENTS

### **Note 11: CONTINGENT LIABILITIES AND PENDING LITIGATION**

#### Pending Litigation

As at December 31, 2016 and the date of this report, there was no litigation pending which, in the event of an adverse or unfavorable outcome, would materially impair the financial position of the Carteret Redevelopment Agency.

### **Note 12: SUBSEQUENT EVENTS**

A review of the Agency's records revealed no subsequent events to be reported as of the date of this report.

**CARTERET REDEVELOPMENT AGENCY  
MIDDLESEX COUNTY, NEW JERSEY**

---

**PART III**

**REQUIRED SUPPLEMENTARY INFORMATION**



**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET  
AND ACTUAL REVENUES FOR THE PRIOR YEAR  
(BUDGETARY BASIS)  
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2016**

	<b>2016 <u>BUDGET</u></b>	<b>2016 <u>ACTUAL</u></b>	<b>2015 <u>ACTUAL</u></b>
<b>Revenues:</b>			
Fund Balance	\$	\$	\$
Rental Income	59,290	20,000	
Local Subsidy:			
Borough of Carteret	25,000	25,000	25,000
Pledged Annual Service Charges	3,221,618	3,209,961	2,996,074
Interest Income/ Miscellaneous	<u>                    </u>	<u>                    825</u>	<u>                    289</u>
<b>TOTAL REVENUES - BUDGETARY</b>	<b><u>\$ 3,305,908</u></b>	<b><u>\$ 3,255,786</u></b>	<b><u>\$ 3,021,363</u></b>
<b>Expenses:</b>			
<b>Administration</b>			
Salaries and Wages/Fringe Benefits	\$ 49,550	\$ 43,405	\$ 45,293
Other Expenses	34,740	13,397	21,150
<b>Debt Service:</b>			
Principal	2,286,300	2,286,300	2,242,532
Interest	<u>935,318</u>	<u>935,317</u>	<u>985,129</u>
<b>TOTAL EXPENSES - BUDGETARY</b>	<b><u>\$ 3,305,908</u></b>	<b><u>\$ 3,278,419</u></b>	<b><u>\$ 3,294,104</u></b>
<b>Budgetary Revenues over Expenses</b>	<b><u>\$ 3,305,908</u></b>	<b><u>\$ (22,633)</u></b>	<b><u>\$ (272,741)</u></b>
<b>Reconciliation of Budgetary Basis to Net Income:</b>			
<b>Budgetary Revenues over Expenses</b>			
Brought Forward		\$ (22,633)	\$ (272,741)
<b>Adjustments to Budgetary Basis:</b>			
Less: Appropriations of Retained Earnings			
Less: Trustee & Other Costs			
		<u>                    </u>	<u>                    (176,065)</u>
<b>Total Adjustments - Net</b>		<u>                    0</u>	<u>                    (176,065)</u>
<b>Net Income (Loss)</b>		<b><u>\$ (22,633)</u></b>	<b><u>\$ (448,806)</u></b>
<b><u>Analysis of Balance - Net Income (Loss):</u></b>			
General Fund		\$ (11,692)	3,785
Debt Service Fund		<u>(10,941)</u>	<u>(452,591)</u>
<b>Totals</b>		<b><u>\$ (22,633)</u></b>	<b><u>(448,806)</u></b>

**CARTERET REDEVELOPMENT AGENCY  
MIDDLESEX COUNTY, NEW JERSEY**

---

**PART IV**

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

CARTERET REDEVELOPMENT AGENCY  
 SCHEDULE OF THE AGENCY'S SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

	<u>2015</u>	
Township's Proportion Share of the Net Pension Liability	0.000491%	0.000492%
Township's Proportion Share of the Net Pension Liability	\$110,264	\$110,264
Township's Covered-Employee Payroll	\$ 40,000	\$ 41,165
Township's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	275.66%	267.86%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	47.93%	40.14%

\* Amounts presented for each fiscal year were determined as of June 30.

CARTERET REDEVELOPMENT AGENCY  
 SCHEDULE OF THE AGENCY'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 4,238	\$ 4,224
Contribution in Relation to Contractually Required Contribution	<u>\$ (4,238)</u>	<u>\$ (4,224)</u>
Contribution deficiency (excess)	\$ -	\$ -
District's Proportionate Share of the Payroll	\$ 40,000	\$ 41,165
Contributions as a percentage of Covered Employee Payroll	10.60%	10.26%

\* Amounts presented for each fiscal year were determined as of June 30.

**CARTERET REDEVELOPMENT AGENCY**  
**COUNTY OF MIDDLESEX, NEW JERSEY**

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**DECEMBER 31, 2016**

The following information is abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2016, dated April 6, 2017. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

**PERS**

Changes in benefit terms:

None

Changes in assumptions:

For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually, For 2014, the discount rate was 5.39%.

**CARTERET REDEVELOPMENT AGENCY  
MIDDLESEX COUNTY, NEW JERSEY**

---

**PART V**

**SUPPLEMENTAL SCHEDULES AND DATA**

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
COUNTY OF MIDDLESEX, NEW JERSEY**

**SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS - ALL FUNDS  
YEAR ENDED DECEMBER 31, 2016**

	<u>GOVERNMENTAL FUNDS</u>			<u>FIDUCIARY FUND</u>	<u>TOTAL ALL FUNDS</u>
	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>PRIVATE- PURPOSE TRUST</u>	
Cash and Cash Equivalent Balance - December 31, 2015	\$ 27,153	\$ 0	\$ 31,438	\$ 314,518	\$ 373,109
Cash Receipts:					
Local Subsidies Collected	25,000				25,000
Pledged Annual Service Charges Collected	20,000		2,540,023		2,560,023
Loan/Rental/Miscellaneous Proceeds				435,334	435,334
Interest & Dividend/Miscellaneous Received	110		715	3,933	4,758
Transfers To (From)			248,848		248,848
Total Cash Receipts	<u>45,110</u>	<u>0</u>	<u>2,789,587</u>	<u>439,267</u>	<u>3,273,963</u>
Cash Disbursements:					
Operating Expenses	56,802				56,802
Redevelopment Costs				389,479	389,479
Payment of Debt Service			2,800,527		2,800,527
Transfers To (From)				248,848	248,848
Total Cash Disbursements	<u>56,802</u>	<u>0</u>	<u>2,800,527</u>	<u>638,327</u>	<u>3,495,656</u>
<b>Cash and Cash Equivalent Balance - December 31, 2016</b>	<b>\$ <u>15,461</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>20,497</u></b>	<b>\$ <u>115,458</u></b>	<b>\$ <u>151,416</u></b>
<b>Analysis of Cash, Cash Equivalent and Investment Balance - December 31, 2016:</b>					
By Account Type:					
Cash and cash equivalents	\$ <u>15,461</u>	\$ <u>0</u>	\$ <u>20,497</u>	\$ <u>115,458</u>	\$ <u>151,416</u>
	<b>\$ <u>15,461</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>20,497</u></b>	<b>\$ <u>115,458</u></b>	<b>\$ <u>151,416</u></b>

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, STATE OF NEW JERSEY**

**SCHEDULE OF REVENUE BONDS PAYABLE  
FOR THE PERIOD ENDED DECEMBER 31, 2016**

ISSUE	DATE OF ISSUE	AMOUNT OF ORIGINAL ISSUE	ANNUAL DATE	MATURITIES INTEREST		BALANCE JANUARY 1, 2016	ISSUED	RETIRED	BALANCE DECEMBER 31, 2016
				AMOUNT	RATE				
Revenue Bonds, Series 2008A	11/26/2008	\$ 1,750,000	10/1/17	\$ 40,000.00	4.250%	\$ 1,575,000.00	\$	(40,000.00)	\$ 1,535,000.00
			10/1/18	*	4.250%				
			10/1/19		4.750%				
			10/1/20		4.750%				
			10/1/21		4.750%				
			10/1/22		4.750%				
			10/1/23	*	4.750%				
			10/1/24		5.000%				
			10/1/25		5.000%				
			10/1/26		5.000%				
			10/1/27	*	5.000%				
			10/1/28		5.125%				
			10/1/29		5.125%				
			10/1/30		5.125%				
			10/1/31	*	5.125%				
			10/1/32		5.375%				
			10/1/33		5.375%				
			10/1/34		5.375%				
			10/1/35		5.375%				
			10/1/36		5.375%				
			10/1/37		5.375%				
			10/1/38	*	5.375%				
							\$ 1,535,000.00		

**\* Term Bonds**

Term Bonds Due October 1, 2018	\$ 295,000.00
Term Bonds Due October 1, 2023	245,000.00
Term Bonds Due October 1, 2027	240,000.00
Term Bonds Due October 1, 2031	295,000.00
Term Bonds Due October 1, 2038	675,000.00
<b>Totals</b>	<b>\$ 1,750,000.00</b>



CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, STATE OF NEW JERSEY

SCHEDULE OF REVENUE BONDS PAYABLE  
FOR THE PERIOD ENDED DECEMBER 31, 2016

ISSUE	DATE OF ISSUE	AMOUNT OF ORIGINAL ISSUE	ANNUAL DATE	MATURITIES	INTEREST RATE	BALANCE JANUARY 1, 2016	ISSUED	RETIRED	BALANCE DECEMBER 31, 2016
Revenue Bonds, Series 2012C	11/13/2012	\$ 4,625,000	12/1/17	\$ 110,000.00	2.189%	\$ 4,315,000.00	\$	(105,000.00)	\$ 4,210,000.00
			12/1/18	110,000.00	3.500%				
			12/1/19	115,000.00	3.500%				
			12/1/20	120,000.00	3.500%				
			12/1/21	125,000.00	3.500%				
			12/1/22	* 125,000.00	3.500%				
			12/1/23	130,000.00	4.106%				
			12/1/24	135,000.00	4.106%				
			12/1/25	140,000.00	4.106%				
			12/1/26	* 150,000.00	4.106%				
			12/1/27	155,000.00	4.541%				
			12/1/28	160,000.00	4.541%				
			12/1/29	170,000.00	4.541%				
			12/1/30	175,000.00	4.541%				
			12/1/31	* 185,000.00	4.541%				
			12/1/32	195,000.00	4.850%				
			12/1/33	200,000.00	4.850%				
			12/1/34	210,000.00	4.850%				
			12/1/35	220,000.00	4.850%				
			12/1/36	230,000.00	4.850%				
			12/1/37	245,000.00	4.850%				
			12/1/38	255,000.00	4.850%				
			12/1/39	270,000.00	4.850%				
			12/1/40	* 280,000.00	4.850%				
						\$ 4,210,000.00			

\* Term Bonds

Term Bonds Due December 1, 2022  
 Term Bonds Due December 1, 2026  
 Term Bonds Due December 1, 2031  
 Term Bonds Due December 1, 2040

CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, STATE OF NEW JERSEY

SCHEDULE OF REVENUE BONDS PAYABLE  
FOR THE PERIOD ENDED DECEMBER 31, 2016

ISSUE	DATE OF ISSUE	AMOUNT OF ORIGINAL ISSUE	ANNUAL DATE	MATURITY AMOUNT	INTEREST RATE	BALANCE JANUARY 1, 2016	ISSUED	RETIRED	BALANCE DECEMBER 31, 2016
Revenue Bonds, Series 2014 (Federally Taxable)	9/16/14	\$ 2,100,000	9/15/17	\$ 185,000.00	1.732%	1,920,000.00		( 180,000.00)	1,740,000.00
			9/15/18	185,000.00	2.511%				
			9/15/19	190,000.00	2.911%				
			9/15/20	100,000.00	3.37%				
			9/15/21	100,000.00	3.637%				
			9/15/22	105,000.00	3.871%				
			9/15/23	110,000.00	4.021%				
			9/15/24	115,000.00	4.171%				
			9/15/25	120,000.00	4.721%				
			9/15/26	125,000.00	4.721%				
			9/15/27	130,000.00	4.721%				
			9/15/28	135,000.00	4.721%				
			9/15/29	* 140,000.00	4.721%				
				\$ 1,740,000.00					
<b>* Term Bonds</b>									
				\$ 650,000.00					
Term Bonds Due September 15, 2029									
						\$ 7,810,000.00	\$	(325,000.00)	\$ 7,485,000.00
<b>Totals</b>									

CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, STATE OF NEW JERSEY  
SCHEDULE OF LOANS PAYABLE  
FOR THE PERIOD ENDED DECEMBER 31, 2016

ISSUE	DATE OF ISSUE	AMOUNT OF ORIGINAL ISSUE	ANNUAL DATE	MATUREITIES	INTEREST RATE	BALANCE JANUARY 1, 2016	ISSUED		BALANCE DECEMBER 31, 2016
							AMOUNT	RETIRED	
New Jersey Environmental Infrastructure Trust Trust Loan Agreement	11/9/2006	\$ 20,180,000	8/1/17	\$	5.000%	\$ 13,600,000.00	\$	(985,000.00)	\$ 12,615,000.00
			8/1/18	1,035,000.00	4.000%				
			8/1/19	1,085,000.00	4.000%				
			8/1/20	1,130,000.00	4.000%				
			8/1/21	1,175,000.00	4.000%				
			8/1/22	1,225,000.00	4.375%				
			8/1/23	1,275,000.00	4.375%				
			8/1/24	1,330,000.00	4.375%				
			8/1/25	1,390,000.00	4.500%				
			8/1/26	1,450,000.00	4.500%				
New Jersey Environmental Infrastructure Trust Fund Loan Agreement	11/9/2006	18,292,833	2/1/17	\$	0.000%	10,742,476.62		(976,300.80)	9,766,175.82
			8/1/17	169,693.54	0.000%				
			2/1/18	807,069.12	0.000%				
			8/1/18	153,759.15	0.000%				
			2/1/19	821,925.82	0.000%				
			8/1/19	140,395.82	0.000%				
			2/1/20	836,274.47	0.000%				
			8/1/20	126,478.25	0.000%				
			2/1/21	850,068.88	0.000%				
			8/1/21	112,006.44	0.000%				
		2/1/22	866,388.16	0.000%					
		8/1/22	95,504.34	0.000%					
		2/1/23	880,677.15	0.000%					
		8/1/23	78,328.68	0.000%					
		2/1/24	897,371.69	0.000%					
		8/1/24	60,412.11	0.000%					
		2/1/25	916,404.43	0.000%					
		8/1/25	41,152.29	0.000%					
		2/1/26	934,093.92	0.000%					
		8/1/26	21,061.10	0.000%					
			957,110.46	0.000%					
<b>Totals</b>						<b>\$ 24,342,476.62</b>	<b>\$ 0.00</b>	<b>(1,961,300.80)</b>	<b>\$ 22,381,175.82</b>

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**ROSTER OF OFFICIALS  
AS AT DECEMBER 31, 2016**

**Roster of Officials - December 31, 2016:**

<b><u>AGENCY COMMISSIONERS</u></b>	<b><u>POSITION</u></b>
Anthony Neibert	Chairman
Chester Bohanek, Jr.	Vice-Chairman
Talisa Andrews	Commissioner
Vincent Bellino	Commissioner
Christopher Fiore	Commissioner
Frank Kaskiw	Commissioner
Hardyal Johal Singh	Commissioner

**AGENCY OFFICIAL(S)**

Eric F.M. Chubenko	Executive Director
Michael T. Sica	General Counsel

**CARTERET REDEVELOPMENT AGENCY  
MIDDLESEX COUNTY, NEW JERSEY**

---

**PART VI**

**GENERAL COMMENTS AND RECOMMENDATIONS**

**CARTERET REDEVELOPMENT AGENCY  
BOROUGH OF CARTERET  
COUNTY OF MIDDLESEX, NEW JERSEY**

**GENERAL COMMENTS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2016**

**GENERAL COMMENTS**

An audit of the financial accounts and transactions of the Carteret Redevelopment Agency, County of Middlesex, New Jersey, for the period ended December 31, 2016, has been completed.

**Scope of Audit**

The audit covered the financial transactions of the finance function of the Carteret Redevelopment Agency, County of Middlesex, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

**INTERNAL CONTROL MATTERS**

In planning and performing our audit of the financial statements of Carteret Redevelopment Agency, Borough of Carteret, County of Middlesex, New Jersey as of and for the fiscal year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A deficiency 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 significant deficiency is a deficiency, or 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.

A material weakness is a deficiency, or 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.

With respect to the reporting of internal control matters, Statement on Auditing Standards No. 115 requires that only a significant deficiencies and material weaknesses need be reported in writing to management and those charged with governance.

## GENERAL COMMENTS

### INTERNAL CONTROL MATTERS (Cont'd)

The deficiencies reported are not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, control deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Organization's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 27, 2017 on the financial statements of the Carteret Redevelopment Agency. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

#### Internal Control Over Financial Reporting

##### Deficiency in Internal Control - Segregation of Duties

Conditions exist whereby the same person may maintain the bookkeeping (receipts & disbursements) and cash management functions of the Agency.

This condition is the result of multiple tasks performed by the same individual engaged by the Agency.

## OTHER MATTERS

### Condition of Records – Finance Department

The financial records maintained by the Agency during the period were reviewed. The General fund is maintained on a computerized accounting and reporting system. A general ledger (worksheet format) was maintained for the Capital Projects and Debt Service Funds, respectively. Adjustments were required to be posted and recorded within the funds in order to reconcile with financial statements prepared and presented on the basis of accounting principles generally accepted in the United States of America.

#### Internal Control Documentation

The Agency should commence the process of documenting its internal controls. This course of action will serve the purpose of meeting certain requirements as set forth by the Statement on Auditing Standards 115. We suggest the Agency commence this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance.

**RECOMMENDATION(S)**

NONE

\*\*\*\*\*

**ACKNOWLEDGMENT**

During the course of our engagement we received the complete cooperation of the various officials and employees of the Agency, and the courtesies extended to us were greatly appreciated.

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA  
No. 406