NEW JERSEY REDEVELOPMENT AUTHORITY

(A Component Unit of the State of New Jersey)

Financial Statements and Supplementary Information

December 31, 2018 and 2017

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
New Jersey Redevelopment Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Jersey Redevelopment Authority ("the Authority") a component unit of the State of New Jersey, as of December 31, 2018 and 2017 and for the years then ended and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

PKF O'CONNOR DAVIES, LLP
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the New Jersey Redevelopment Authority as of December 31, 2018 and 2017, and changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Notes 2 and 10 in the notes to the financial statements which disclose the effects of the Authority's adoption of the provisions of GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that management's discussion and analysis on pages 3-6 and schedules related to accounting and reporting for pensions and other postemployment benefits on pages 33-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

September 20, 2019
Cranford, New Jersey

Management of the New Jersey Redevelopment Authority (the "Authority") presents this narrative overview and financial analysis of the Authority's financial activities and performance for the years ended December 31, 2018 and 2017, which should be read in conjunction with the Authority's financial statements and accompanying notes.

Overview of the Financial Statements

This discussion and analysis is intended to present an overview of the Authority's financial performance for the years ended December 31, 2018 and 2017. The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). This section is intended to provide an assessment of how the Authority's financial position has improved or deteriorated and identify factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions or conclusions by the Authority's management that should not be considered a replacement for the financial statements included in this report.

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

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

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

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

The Authority's Business

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

Operating Activities

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

Non-Operating Activities

The Authority receives interest income on funds invested. These funds are highly liquid debt instruments with a maturity of three months or less and are considered to be cash equivalents. Given the nature of the Authority as an enterprise fund, the interest income derived from these assets is considered outside of the Authority's primary operating activities.

Financial Analysis of the Authority

Note: The Authority restated operations for 2017 and 2016, when adopting GASB No. 75.

Condensed Summary of Net Position:

	2018	2017 (Restated)	2016 (Restated)
Current assets	$ 1,428,961	$ 1,330,872	$ 454,025
Non-current assets	36,279,965	38,486,594	40,688,256
Capital assets	74,649	33,029	55,477
Total assets	$ 37,783,575	$ 39,850,495	$ 41,197,758
Deferred outflows of resources	$ 1,303,069	$ 1,837,261	$ 2,461,120
Current liabilities	$ 765,538	$ 775,459	$ 535,858
Non-current liabilities	5,231,729	6,735,181	9,461,726
Total liabilities	$ 5,997,267	$ 7,510,640	$ 9,997,584
Deferred inflows of resources	$ 2,365,220	$ 1,466,864	$ 298,296
Net investment in capital assets	$ 74,649	$ 33,029	$ 55,477
Restricted	20,338,238	19,589,280	18,251,852
Unrestricted	10,311,270	13,087,943	15,055,669
Total net position	$ 30,724,157	$ 32,710,252	$ 33,362,998

2017-2018

In 2018, the Authority issued $1.8 of loans for the Urban Site Acquisition (USA) program and the Working in Newark's Neighborhood program (WINN). The Authority was a partial investor in a mixed-use project located at 311 Martin Luther King Blvd., Jersey City that comprised of 5,000 square feet of commercial space and 10 units of affordable housing. In addition, WINN provided the acquisition and predevelopment costs of a project located at 455 South 18th Street, Newark.

2017 – 2016

In 2017**,** the Authority issued $3.2 million of loans for the Working in Newark ("WINN") program. This was the result of the Authority's continued efforts to invest in urban areas within the State. The Authority was a partial investor in a mixed use residential building in Newark that is comprised of 169 market-rate rental units and 8,500 square feet of retail space. The residential building, built by Boraie Development, LLC is the first high rise building built in Newark since 1960.

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

	2,018	2017 (Restated)	2016 (Restated)
Operating revenues	$ 752,285	$ 785,723	$ 914,419
Operating expenses	2,946,663	2,784,705	2,620,081
Loss from operations	(2,194,378)	(1,998,982)	(1,705,662)
Non-operating revenue	208,283	1,346,236	62,738
Change in net position	(1,986,095)	(652,746)	(1,642,924)
Implementation of GASB 75			(2,973,772)
Net position, beginning of year (Restated)	32,710,252	33,362,998	37,979,694
Net position, end of year	$ 30,724,157	$ 32,710,252	$ 33,362,998

2017 – 2018

The Authority has continued its collection efforts on defaulted loans during 2018. As a result, the Authority expects to receive $1.5 million in 2019 from loans that were written off. In addition, the Authority renegotiated and reduced the cost of its office lease and will work towards reducing its operating expenses.

2017 – 2016

As a result of the Authority's continued collection efforts on defaulted loans during 2017, the Authority received a $1,000,000 recovery from BFLF, Inc., which was written off in 2008. This recovery is reflected in non-operating revenue**.**

Other Financial Information

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

Contacting the Authority's Financial Management

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

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

Statements of Net Position

	December 31,	
	2018	2017 (As Restated)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	$ 377,318	$ 171,421
Notes receivable, net of allowance of $1,363,049	1,029,570	1,135,548
Prepaid expenses and other current assets	22,073	23,903
Total Current Assets	1,428,961	1,330,872
Non-Current Assets		
Unrestricted Cash	4,680,388	5,584,631
Restricted cash	20,338,238	19,589,280
Notes receivable, net of current portion	9,348,854	11,184,693
Interest receivable	1,910,485	2,125,990
Investment in Community Development Entities New Market Tax Credit	2,000	2,000
Capital Assets	74,649	33,029
Total Non-Current Assets	31,674,226	38,519,623
Total Assets	37,783,575	39,850,495
Deferred Outflows of Resources		
Deferred Amount on Net Pension Liability	1,302,110	1,836,827
Deferred Amount on OPEB Liability	959	434
Total Deferred Outflows of Resources	$ 1,303,069	$ 1,837,261
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued expenses	$ 468,178	$ 478,099
Due to subrecipients	297,360	297,360
Total Current Liabilities	765,538	775,459
Long-Term Liabilities		
Compensated absences	38,369	36,333
Due to Department of Community Affairs	345,673	556,904
Net OPEB liability	1,815,291	2,529,720
Net pension liability	3,032,396	3,612,224
Total Long-Term Liabilities	5,231,729	6,735,181
Total Liabilities	5,997,267	7,510,640
Deferred Inflows of Resources		
Deferred Amount on Net Pension Liability	1,163,823	938,495
Deferred Amount on OPEB Liability	1,201,397	528,369
Total Deferred Inflows of Resources	2,365,220	1,466,864
Net Position		
Net investment in capital assets	74,649	33,029
Restricted	20,338,238	19,589,280
Unrestricted	10,311,270	13,087,943
Total Net Position	$ 30,724,157	$ 32,710,252

See notes to financial statements

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

Statements of Revenues, Expenses and Changes in Net Position

	December 31, 2018	December 31, 2017 (As Restated)
OPERATING REVENUES		
Interest income on notes receivable	$ 601,946	$ 602,954
Sponsor fee	-	44,792
Fee income	125,492	131,345
Other	24,847	6,632
Total Operating Revenues	752,285	785,723
EXPENSES		
Salaries and benefits	1,602,146	2,124,567
General and administrative	396,353	394,698
Rent	193,560	207,642
Depreciation	32,128	20,721
Provision for losses on loans	722,476	37,077
Total Expenses	2,946,663	2,784,705
Loss from Operations	(2,194,378)	(1,998,982)
NON-OPERATING REVENUES		
Recovery of loans	18,887	1,238,934
Investment income	189,396	107,302
Total Non-Operating Revenues	208,283	1,346,236
Change in Net Position	(1,986,095)	(652,746)
NET POSITION		
Beginning of year - (As restated)	32,710,252	33,362,998
End of year	$ 30,724,157	$ 32,710,252

See notes to financial statements

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

Statements of Cash Flows

	December 31, 2018	December 31, 2017 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash disbursed to borrowers	$ (1,048,999)	$ (3,280,139)
Cash received from borrowers	3,093,134	2,135,965
Cash received from other sources	150,339	182,769
Cash disbursed for goods and services	(599,834)	(342,861)
Cash disbursed for personnel costs	(1,467,332)	(1,374,050)
Net Cash From Operating Activities	127,308	(2,678,316)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(73,748)	-
Net Cash From Capital Financing Activities	(73,748)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Payments to Department of Community Affairs	(211,231)	(1,281,586)
Net Cash From Non-Capital Financing Activities	(211,231)	(1,281,586)
CASH FLOWS FROM INVESTING ACTIVITIES		
Recovery of loans	18,887	1,238,934
Investment income	189,396	107,302
Net Cash From Investing Activities	208,283	1,346,236
Net Change in Cash and Cash Equivalents	50,612	(2,613,666)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	25,345,332	27,958,998
End of year	$ 25,395,944	$ 25,345,332
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents	$ 377,318	$ 171,421
Restricted cash	25,018,626	25,173,911
	$ 25,395,944	$ 25,345,332
CASH FLOWS FROM OPERATING ACTIVITIES AND		
Loss from operations	$ (2,194,378)	$ (1,998,892)
Adjustments to reconcile loss from operations to net cash from operating activities:		
Depreciation	32,128	20,721
Provision for losses on loans	722,476	37,077
Changes in operating assets and liabilities:		
Notes receivable	1,219,341	(1,662,456)
Prepaid expenses and other current assets	1,830	(2,242)
Deferred outflows of resources	534,192	623,859
Interest receivable	215,505	556,131
Accounts payable and compensated absences	(7,885)	(868)
Net pension liability	(579,828)	(976,072)
Net OPEB liability	(714,429)	84,227
Deferred Inflows of Resources	898,356	640,199
	2,321,686	(679,424)
Net Cash From Operating Activities	$ 127,308	$ (2,678,316)

See notes to financial statements

1. Organization and Purpose

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

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

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

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

New Markets Tax Credit Allocation

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

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

1. Organization and Purpose *(continued)*

New Markets Tax Credit Allocation *(continued)*

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

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

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

2. Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

2. Significant Accounting Policies *(continued)*

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

Allowance for Doubtful Notes and Guarantee Losses

Allowances for doubtful notes and guarantee losses (“allowances”) are determined based on routine reviews of various factors such as loan documentation, repayment history, underlying collateral value, site visits and meetings with the borrowers and ability to repay, all of which impact collectability. Receivables are recorded at the amount per loan agreement and bear interest in accordance with that agreement less an allowance. The allowance is the Authority’s best estimate of the amount of probable credit losses in existing receivables. The Authority reviews its allowance periodically. Past due balances are reviewed individually for collectability. As of December 31, 2018 and 2017, the allowance approximated $1,363,000 and $431,000.

Cash and Cash Equivalents

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

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

Concentration and Custodial Credit Risks

Cash and cash equivalents as of December 31, 2018 and 2017, are as follows:

	2018		2017	
	Book Balance	Bank Balance	Book Balance	Bank Balance
NJRA	$ 22,396,232	$ 22,400,408	$ 23,001,082	$ 23,021,093
WINN	2,999,712	3,009,556	2,344,250	2,344,250
	$ 25,395,944	$ 25,409,964	$ 25,345,332	$ 25,365,343

The Authority maintains cash balances with financial institutions, which at times, exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). Management monitors the soundness of these institutions and considers the Authority’s risk negligible. Cash balances are insured by the FDIC up to $250,000 for each account. Cash exposed to risk is $25,159,964 and $25,115,343 for 2018 and 2017, respectively.

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

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

2. Significant Accounting Policies *(continued)*

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

Non current cash at December 31, 2018 and 2017 consists of the following:

	2018	2017
Urban Site Acquisition	$ 10,079,589	$ 11,217,189
Redevelopment Investment Fund	11,213,440	10,707,576
Predevelopment Loan Fund - Sandy	11,800	11,799
Guarantee Account	599,415	595,299
WFNJ Entreprener Development	198,979	198,326
WFBD	99,644	99,472
Working in Newark's Neighborhoods	2,815,759	2,344,250
	$ 25,018,626	$ 25,173,911
Restricted Cash	(20,338,238)	(19,589,280)
Unrestricted Cash	$ 4,680,388	$ 5,584,631

Capital Assets

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

Taxes

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

Financial Instruments

The carrying values of the Authority's financial instruments as of December 31, 2018 and 2017 include cash and cash equivalents and notes receivable and approximate their fair value due to the relatively short maturity of these instruments.

Operating and Non-Operating Revenues and Expenses

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

Restricted/Unrestricted Resources

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

2. Significant Accounting Policies *(continued)*

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority reports deferred outflows of resources and deferred inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the Authority's pension plans and OPEB in Notes 9 and 10.

Compensated Absences

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

Net Pension Liability

The net pension liability represents the Authority's proportionate share of the net pension liability of the State of New Jersey Public Employees' Retirement System.

Accrued Postemployment Health Benefits Liability

The accrued postemployment health benefits liability represents the Authority's proportionate share of the accrued postemployment health benefits liability of the State of New Jersey State Health Benefits Local Government Retired Employees Plan.

Net Position

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

Revenue Recognition

The Authority charges various financing fees which include an application fee, commitment fee, and closing fee. Fees are recognized when earned. Interest and investment income are recognized as earned. Interest income on notes receivable are recognized when interest is due on outstanding balances, calculated at interest rates

2. Significant Accounting Policies *(continued)*

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

ranging from 4% to 8%. Interest is compounded annually and payable in accordance with provisions of the respective note agreement. Management periodically reviews collectability and will record a reserve based on an estimate of amounts deemed uncollectible.

New Accounting Standard Adopted

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued 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). It also improves information provided by state and local governmental employees about financial support for OPEB that is provided by other entities.

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of both Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The scope of this Statement addresses accounting and financial reporting for OPEBs that are provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEBs, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEBs also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEBs. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEBs of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

2. Significant Accounting Policies *(continued)*

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

- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

This Statement is effective for fiscal years beginning after June 15, 2017. The Authority's Net Position as of January 1, 2017 and December 31, 2017 and the Statement of Revenues, Expenses and Changes in Net Position for December 31, 2017 have been restated to reflect the required adjustments.

As a result, the following restatements have been made to the Authority's financial statements.

	As Previously Reported	Adjustment	Restated
As of January 1, 2017	$ 36,336,770	$ (2,973,772)	$ 33,362,998
Net position			
For the year ended December 31, 2017			
Salaries and related expenses	2,040,684	83,883	2,124,567
Total expenses	2,700,822	83,883	2,784,705
Loss from Operations	(1,915,099)	(83,883)	(1,998,982)
Change in net position	(568,863)	(83,883)	(652,746)
As of December 31, 2017			
Deferred outflows of resources	1,836,827	434	1,837,261
Postemployment benefits other than pension		2,529,720	2,529,720
Deferred inflows of resources	938,495	528,369	1,466,864
Net position	35,767,907	(3,057,655)	32,710,252

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 20, 2019.

3. Notes Receivable

Notes receivable consist of loans and are generally collateralized by assets of the project, the assets of the borrowers, and/or personal assets and personal guarantees. The notes bear interest rates ranging from 4% to 8%, and mature at various times through 2034. At December 31, 2018 and 2017, notes receivable, net of allowances or participations, were as follows:

	2018	2017
Notes Receivable:		
Urban Site Acquisition ("USA")	$ 2,098,372	$ 2,284,805
Redevelopment Investment Fund ("RIF")	5,820,130	5,879,288
Predevelopment Loan Fund - CDBG	330,322	537,389
Working in Newark's Neighborhoods	3,492,649	4,050,017
	11,741,473	12,751,499
Less allowances and reserves	1,363,049	431,258
	$ 10,378,424	$ 12,320,241

3. Notes Receivable (*continued*)

The maturity dates for notes receivable for future years subsequent to December 31, 2018 are as follows:

Current	$ 1,029,570
2-5 years	4,803,907
6-10 years	2,420,718
11-15 years	2,896,267
16-20 years	238,649
Thereafter	352,262
	11,741,473
Less allowances	1,363,049
	10,378,424
Less current portion	1,029,570
Noncurrent portion	$ 9,348,854

Concentration

At December 31, 2018 and 2017, there are 3 borrowers' loans that represent approximately 86% and 71% of outstanding loans.

Capital Assets

Capital assets at December 31, 2018 and 2017 consist of the following:

	2018	2017
Automobiles	$ 118,461	$ 102,302
Other	27,366	-
Computers and equipment	600,758	591,876
	746,585	694,178
Less accumulated depreciation	671,936	661,149
	$ 74,649	$ 33,029

For the years ended December 31, 2018 and 2017, depreciation expense was $32,128 and $20,721, respectively.

4. Long Term Liabilities

During 2018 and 2017 the following changes in in the components of long-term liabilities were:

	Balance 12/31/2017	Issued	Retired	Balance 12/31/2018
Compensated Absences	$ 36,333	$ 2,036	$ -	$ 38,369
Due to DCA	556,904	-	211,231	345,673
Net OPEB Liability	2,529,720	-	714,429	1,815,291
Net Pension Liability	3,612,224	-	579,828	3,032,396
	$ 6,735,181	$ 2,036	$ 1,505,488	$ 5,231,729

	Balance 12/31/2016	Issued	Retired	Balance 12/31/2017
Compensated Absences	$ 61,168	$ -	$ 24,835	$ 36,333
Due to DCA	1,838,490	-	1,281,586	556,904
Net OPEB Liability	-	2,529,720	-	2,529,720
Net Pension Liability	4,588,296	-	976,072	3,612,224
	$ 6,487,954	$ 2,529,720	$ 2,282,493	$ 6,735,181

No liabilities are considered due within one year.

5. Investment in CDE

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

6. Due to Subrecipients

The Authority has a custodial capacity agreement with the Department of Human Services (DHS) Division of Family Development (DFD), in which the Authority will serve as trustee of the Work First New Jersey Entrepreneur Development Pilot Program (WFNJ) and Business Development Account Program (BDA). There were no expenditures related to these programs since inception.

A summary of the amounts due to subrecipients from the above funding resources at December 31, 2018 and 2017 consists of the following:

	2018	**2017**
WFNJ	$ 198,000	$ 198,000
BDA	99,360	99,360
	$ 297,360	$ 297,360

7. Commitments and Contingencies

Loan Commitments

The following loan commitments are outstanding as of December 31, 2018 and 2017:

	2018	2017
USA, Inc.	$ 1,850,000	$ -

There were no outstanding loans commitments at December 31, 2017.

Guarantee Program

The obligation of the Authority to make payments under the terms of any guarantee agreement is expressly limited to monies available to the Authority and will not constitute a charge against the general credit of the Authority or of the State. The Authority held $599,415 and $595,299 of cash and cash equivalents in a separate bank account to cover their potential exposure at December 31, 2018 and 2017.

Bond Program

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

The Authority has the ability to issue $100 million in taxable and tax-exempt bonds annually. At December 31, 2018 and 2017, the outstanding balances on these bonds were $11.56 million and $11.76 million.

State of New Jersey Department of Community Affairs

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

Operating Lease

The Authority entered into a lease for its administrative office space, which expires in August 2022. The term of the non-cancellable operating lease is six years, with two options to extend the lease term for two and one-half years each; on the same terms. The Authority is also required to pay a pro-rata share of the landlord's operating expenses as additional rent.

7. Commitments and Contingencies *(continued)*

Operating Lease *(continued)*

Future minimum lease payments subsequent to December 31, 2018 are as follows:

2019	$ 191,500
2020	197,500
2021	202,250
2022	119,000
	$ 710,250

8. Net Position

The Authority's restricted net position as of December 31, 2018 and 2017 is as follows:

	2018	2017
Urban Site Acquisition ("USA")	$ 10,079,589	$ 11,217,189
Redevelopment Investment Fund ("RIF")	7,258,937	6,027,841
Working in Newark's Neighborhoods	2,999,712	2,344,250
	$ 20,338,238	$ 19,589,280

9. PERS Retirement System

The Public Employee Retirement System ("PERS") 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 the 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, 2018 and 2017:

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	174,904	170,124
Inactive plan members entitled to but not yet receiving benefits	589	650
Active plan members	254,780	254,685
Total	430,273	425,459

Contributing Employers – 1,703

9. PERS Retirement System *(continued)*

Significant Legislation – For State of New Jersey contributions to the PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012.

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

For the year ended December 31, 2018 and 2017 the Authority's total payroll for all employees was $1,067,672 and $1,166,714, which approximates the covered PERS payroll.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012 until a 7.5% member contribution rate was reached in July 2018. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year.

Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Authority's cash basis contributions to the Plan for the years ended December 31, 2018 and 2017 were $136,746 and $137,629, respectively. Authority contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

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

9. PERS Retirement System *(continued)*

The following represents the membership tiers for the PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

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

At June 30, 2018, the PERS reported a net pension liability of $19,689,501,539 for its Non-State Employer Member Group. The Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was $3,032,396 or 0.01540108% which was a decrease of 0.00011641% from its proportion measured as of June 30, 2017. For the year ended December 31, 2018, the Authority recognized a full accrual pension expense of $338,127.

The pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018.

At June 30, 2017, the PERS reported a net pension liability of $23,278,401,588 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's net pension liability for the Non-State Employer Member Group that is attributable to the Authority was $3,612,224 or 0.01551749%. For the year ended December 31, 2017, the Authority recognized a full accrual pension expense of $435,233.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	$ 57,828	$ 15,636
Changes in assumptions	499,689	969,599
Net difference between projected and actual earnings on pension plan investments		28,444
Changes in proportion and differences between Authority contributions and proportionate share of contributions	667,997	150,144
Authority contributions subsequent to the measurement date	76,596	
	1,302,110	1,163,823

9. PERS Retirement System *(continued)*

The $76,596 shown as deferred outflows of resources related to the PERS is resulting from the Authority contributions subsequent to the measurement date.

Year ended December 31,	Amount
2019	$ 158,144
2020	189,265
2021	(38,138)
2022	(184,731)
2023	(62,849)
Total	$ 61,691

Actuarial Assumptions- The total pension liability in the June 30, 2018 and June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases (thru 2026)	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.00%

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 2012 to 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

9. PERS Retirement System *(continued)*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the PERS's target asset allocation as of June 30, 2018 and 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Global diversified credit	5.00%	7.10%
Credit orientated hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equities	30.00%	8.19%
Non-U.S. developed markets	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Absolute return/risk mitigation	5.00%	5.51%
Investment Grade Credit	10.00%	3.78%
Public high yield	2.50%	6.82%
	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017 and as of June 30, 2018 was 5.66%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers

9. PERS Retirement System *(continued)*

will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

	At 1% Decrease	At current discount	At 1% increase
PERS	$3,812,889	$3,032,396	$2,377,613

Plan Fiduciary Net Position – The plan fiduciary net position for the PERS, including the State of New Jersey, at June 30, 2018 and 2017 were $29,472,374,536 and $28,464,239,518, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2018 and 2017 was $ 22,742,071,972 and $21,573,965,463, respectively.

Additional information
Collective Local Group balances at June 30, 2018 are as follows:

Collective deferred outflows of resources	$	4,684,852,302
Collective deferred inflows of resources		7,646,736,226
Collective net pension liability		19,689,501,539
Authority's Proportion		0.01540108%

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 and 2017 was $1,099,708,157 and $1,694,305,613 respectively.

The average of the expected remaining service lives of all plan members is 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014, respectively.

<u>*State Contribution Payable Dates*</u>

Prior to July 1, 2017 valuation, it is assumed the State will make pension contributions the June 30th following the valuation date. Effective with the July 1, 2017 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions in a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31 and at least 100% by June 30.

9. PERS Retirement System *(continued)*

Receivable Contributions

State contributions expected to be paid the June 30th following the valuation date. Effective with the July 1, 2017 valuation, State contributions expected to be paid in equal quarterly amounts as of September 30th, December 31st, March 31st and June 30th following the valuation date are discounted by the interest rate used at the valuation.

Local contributions expected to be paid the April 1st, following the valuation are discounted by the interest rate used at the valuation date.

10. Post Retirement Benefits Other Than Pension

The New Jersey Redevelopment Authority provides healthcare to its employees and retirees through its participation in the State Health Benefits Program (SHBP), a cost sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical and prescription drugs to retirees and their covered dependents. All active full time employees are covered by the SHBP. Employees become eligible for these benefits upon retirement after 25 years of creditable service in the PERS.

Benefit provisions for the plan are established and amended by the Authority's Members, and there is no statutory requirement for the Authority to continue this plan for future Authority employees. The Plan is a non-contributory plan with all payments for plan benefits being funded by the Authority. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

At June 30, 2018 and 2017, Twelve (12) and Thirteen (13) plan members (active and retiree) were receiving postretirement health care benefits in which the Authority was billed $147,664 and $158,318, respectively. Participating employers are contractually required to provide for their contributions based on the amount of premiums attributable to their retirees.

Plan Description and Benefits Provided:

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer

10. Post Retirement Benefits Other Than Pension *(continued)*

at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Total OPEB Liability

The State's Total OPEB Liability was $15,666,618,141 and $21,717,464,451 at June 30, 2018 and 2017, respectively.

The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the Authority was $1,815,291 and $2,529,720 at June 30, 2018 and 2017, respectively. These allocated liabilities represent 0.011587% and 0.012391% of the State's Total Non-employer OPEB Liability for June 30, 2018 and 2017, respectively.

Components of Net OPEB Liability – The components of the collective net OPEB liability for PERS, including the State of New Jersey, is as follows:

	June 30, 2018	June 30, 2017
Total OPEB Liability	$ 15,981,103,227	$ 20,629,044,656
Plan Fiduciary Net Position	314,485,086	213,255,917
Net OPEB Liability	$ 15,666,618,141	$ 20,415,788,739
Plan fiduciary net position as a percentage of the total OPEB liability	1.97%	1.03%

Actuarial Assumptions and Other Inputs:

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The actuarial assumptions vary for each plan member depending

10. Post Retirement Benefits Other Than Pension *(continued)*

on the pension plan the member is enrolled in. These actuarial valuations used the following actuarial assumptions, applied to all periods (2018 and 2017) in the measurement:

Inflation	2.50%
Salary Increases*:	
Through 2026	1.65%-8.98%
Thereafter	2.65%-9.98%

* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2017 and July 1, 2016 valuations were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively. 100% of active members are considered to participate in the Plan upon retirement.

Healthcare Trend Assumptions for 2018:

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate:

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

10. Post Retirement Benefits Other Than Pension *(continued)*

Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate:

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018 and 2017, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage- point higher than the current rate:

	1% Decrease (2.87%)	At Discount Rate (3.87%)	1% Increase (4.87%)
Total Net OPEB Liability	$ 18,381,085,096	$ 15,666,618,141	$ 13,498,373,388
Authority's Share	$ 2,129,816	$ 1,815,291	$ 1,564,056

	June 30, 2017		
	1% Decrease (2.58%)	At Discount Rate (3.58%)	1% Increase (4.58%)
Total Net OPEB Liability	$ 24,081,031,440	$ 20,415,788,739	$ 17,507,480,418
Authority's Share	$ 2,968,030	$ 2,529,720	$ 2,179,609

Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the net OPEB liability as of June 30, 2018 and 2017, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	$ 13,068,471,450	$ 15,666,618,141	$ 19,029,006,023
Authority's Share	$ 1,514,244	$ 1,815,291	$ 2,204,891

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	$ 16,966,116,709	$ 20,415,788,739	$ 24,907,661,428
Authority's Share	$ 2,602,323	$ 2,529,720	$ 2,406,523

10. Post Retirement Benefits Other Than Pension *(continued)*

At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes of assumptions	$ -	$ 460,472
Changes in proportion	-	372,356
Difference between expected and actual experience	-	368,569
Net difference between projected and actual investment earnings on OPEB plan investments	959	-
	$ 959	$ 1,201,397

	June 30, 2017	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes of assumptions	$ -	$ 280,777
Changes in proportion	-	247,592
Net difference between projected and actual investment earnings on OPEB plan investments	434	-
	$ 434	$ 528,369

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending	*Amount*
2019	$ (288,543)
2020	(288,543)
2021	(288,543)
2022	(227,265)
2023	(107,544)
Thereafter	-
Total	$ (1,200,438)

Changes in Proportion - The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.14 and 8.04 years for the 2018 and 2017 amounts, respectively.

11. Recent Pronouncements

The GASB issued Statement 87, Leases in June 2017. This statement's primary activity is to improve accounting and reporting by state and local governments for leases. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2019. Management has not yet determined the impact of the Statement on the financial statements.

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

Required Supplementary Information
Schedule of the Authority's Proportionate Share of Net Pension Liability

	2018	2017	2016	2015
Authority's % proportionate share of net pension liability	0.01540108%	0.01551749%	0.01549203%	0.08241640%
Authority's proportionate share of net pension liability	$ 3,032,396	$ 3,612,224	$ 4,588,296	$ 1,850,083
Authority's covered employee payroll	$ 1,067,672	$ 1,166,714	$ 1,115,703	$ 1,032,317
Authority's proportionate share of net pension liability as a % of covered employee payroll	284.0%	309.6%	411.2%	179.2%
Plan fiduciary net position as a % of total pension liability	36.78%	36.78%	45.35%	61.85%

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

See independent auditors' report

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

Required Supplementary Information
Schedule of Contributions

	2018	2017	2016	2015
Authority's required contribution	$ 136,746	$ 137,629	$ 75,700	75,719
Authority's contributions in relation to the contractually required contribution	$ 136,746	$ 137,629	$ 75,700	75,719
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered employee payroll	$ 1,166,714	$ 1,115,703	$ 1,032,317	$ 1,032,317
Contributions as a % of covered employee payroll	11.72%	12.34%	7.33%	7.33%

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

Notes to Required Supplementary Information

Public Employees Retirement System

Change in benefit terms — There were none.

Change in Assumptions:	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Discount Rate	5.66%	5.00%	3.98%	4.90%
Inflation Rate	2.25%	2.25%	3.08%	3.04%
Long-term Rate of Return	7.00%	7.00%	7.65%	7.90%

See independent auditors' report

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

Required Supplementary Information
Schedule of Authority's Proportionate Share of the Net OPEB Liability
State Health Benefit Local Government Retired Employees' plan

Last Ten Fiscal Years*

	2018	2017	2016
	0.011587%	0.012391%	0.01457%
Authority's proportionate share of the net OPEB liability	$1,815,291	$2,529,720	$2,973,772
Covered employee payroll	$1,067,672	$1,166,714	$1,115,703
Authority's proportionate share of the net OPEB liability as a percentage of it's covered employee payroll	170.02%	216.82%	266.54%
Plan Fiduciary net position as a percentage of the total OPEB liability	1.97%	1.03%	0.69%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

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

Required Supplementary Information
Schedule of Authority's Contributions
State Health Benefit Local Government Retired Employees' Plan

Last Ten Fiscal Years*

	2018	2017	2016
	$ 147,664	$ 158,318	$ 136,339
Contributions in relation to the contractually required contribution	$ (147,664)	$ (158,318)	$ (136,339)
Contribution deficency (excess)	$ -	$ -	$ -
Authority's Covered employee payroll	$1,067,672	$1,166,714	$1,115,703
Contributions as a percentage of covered-employee payroll	14%	14%	12%

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Notes to Required Supplementary Information

Change in benefit terms	There were none.
Change in assumptions	The discount rate changed from 3.58% as of June 30, 2017, to 3.87% as of June 30, 2018.

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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

Independent Auditors' Report

Board of Directors
New Jersey Redevelopment Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Jersey Redevelopment Authority (the "Authority"), a component unit of the State of New Jersey as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 20, 2019.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

September 20, 2019
Cranford, New Jersey