

PASSAIC REDEVELOPMENT AGENCY
(A component unit of the City of Passaic)
REPORT OF AUDIT
FOR THE YEARS ENDED 2019 AND 2018

PASSAIC REDEVELOPMENT AGENCY

TABLE OF CONTENTS

	<u>Page</u>
<u>Exhibit</u>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis (MD&A)	3-5
<u>Basic Financial Statements</u>	
A Comparative Statement of Net Position	6
B Comparative Statement of Revenues, Expenses and Changes in Net Position	7
C Comparative Statement of Cash Flows	8
Notes to the Financial Statements	9-14
<u>Supplementary Schedule</u>	
1 Schedule of Revenues and Expenses Compared to Budget for the Year Ended December 31, 2019 – Budgetary Basis	15
<u>Government Auditing Standards</u>	
Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	16-17
Roster of Officials as of December 31, 2019	18
Comments/Recommendations	19
Appreciation	19



LERCH, VINCI & HIGGINS, LLP

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Passaic Redevelopment Agency, a component unit of the City of Passaic, as of and for the fiscal years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Passaic Redevelopment Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Passaic Redevelopment Agency as of December 31, 2019 and 2018, and the respective changes in its financial position and its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

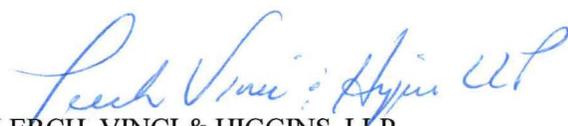
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Passaic Redevelopment Agency's basic financial statements as a whole. The supplementary schedule listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated July 31, 2020 on our consideration of the Passaic Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Passaic Redevelopment Agency's internal control over financial reporting and compliance.


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

Fair Lawn, New Jersey
July 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

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

This section of the Passaic Redevelopment Agency's ("Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended December 31, 2019. Please read it in conjunction with the Agency's basic financial statements and accompanying notes.

The purpose of the Agency is to carryout the redevelopment plans of the City of Passaic.

FINANCIAL HIGHLIGHTS

- The Agency's assets exceeded its liabilities at December 31, 2019 by \$234,069.
- The Agency's total assets increased by \$22,598.
- Operating revenues decreased by \$10,786.
- Operating expenses increased by \$45,147.
- Operating income decreased by \$55,933.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS OF THE AGENCY

Net Assets – The following is a summary of the Agency's financial position as of December 31, 2019, 2018 and 2017:

	December 31, <u>2019</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
Current Assets	\$ 546,624	\$ 524,026	\$ 340,189
Total Assets	<u>546,624</u>	<u>524,026</u>	<u>340,189</u>
Current Liabilities	<u>312,555</u>	<u>321,261</u>	<u>219,443</u>
Total Liabilities	<u>312,555</u>	<u>321,261</u>	<u>219,443</u>
Net Position:			
Unrestricted	<u>234,069</u>	<u>202,765</u>	<u>120,746</u>
Total Net Position	<u>\$ 234,069</u>	<u>\$ 202,765</u>	<u>\$ 120,746</u>

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

FINANCIAL ANALYSIS OF THE AGENCY (Continued)

The Agency's Net Position increased \$31,304, or 15% during the year ended December 31, 2019.

Operating Activities – The following table summarizes the revenues, expenses and changes in net position for the years ended December 31, 2019 and 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
OPERATING REVENUES			
Redevelopers' Fees and Contributions	\$ 126,152	\$ 136,938	\$ 94,254
Intergovernmental Contributions	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total Operating Revenues	<u>136,152</u>	<u>146,938</u>	<u>104,254</u>
OPERATING EXPENSES			
Administration	50,610	46,152	53,728
Cost of Providing Services	<u>66,777</u>	<u>26,088</u>	<u>39,254</u>
Total Operating Expenses	<u>117,387</u>	<u>72,240</u>	<u>92,982</u>
OPERATING INCOME	18,765	74,698	11,272
NON-OPERATING REVENUES			
Interest Income	<u>12,539</u>	<u>7,321</u>	<u>2,296</u>
CHANGE IN NET POSITION	31,304	82,019	13,568
NET POSITION, BEGINNING OF YEAR	<u>202,765</u>	<u>120,746</u>	<u>107,178</u>
NET POSITION, END OF YEAR	<u>\$ 234,069</u>	<u>\$ 202,765</u>	<u>\$ 120,746</u>

Operating Revenues decreased \$10,786 or 7% in 2019 mainly as a result of decreased amounts received for redeveloper fees and contributions.

Operating Expenses increased \$45,147 or 62% in 2019 mainly as a result of increased other expenses associated with administration and cost of providing services.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

Debt

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

OTHER FINANCIAL INFORMATION

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Agency has committed itself to financial excellence. Its system for financial planning, budgeting, and internal financial controls is audited annually and it plans to continue to manage its finances in order to meet the many challenges ahead.

The budget for the calendar year ended December 31, 2020 was approved by the Division of Local Government Services and adopted by the Agency.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City of Passaic, New Jersey citizens and redevelopers with a general overview of the Agency's finances to demonstrate the Passaic Redevelopment Agency's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the office of the Executive Director at 330 Passaic Street, Passaic, New Jersey 07055.

FINANCIAL STATEMENTS

**PASSAIC REDEVELOPMENT AGENCY
COMPARATIVE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Unrestricted Current Assets:		
Cash	\$ 532,344	\$ 521,460
Escrow Deposits Receivable	1,712	-
Contract Receivable - Due from Developer	<u>10,000</u>	<u>-</u>
Total Unrestricted Current Assets	<u>544,056</u>	<u>521,460</u>
Restricted Current Assets:		
Cash	<u>2,568</u>	<u>2,566</u>
Total Restricted Current Assets	<u>2,568</u>	<u>2,566</u>
Total Assets	<u>546,624</u>	<u>524,026</u>
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	16,005	11,110
Due to City of Passaic	147,592	115,219
Escrow Deposits Payable	<u>146,390</u>	<u>192,366</u>
Total Current Liabilities (Payable from Unrestricted Assets)	<u>309,987</u>	<u>318,695</u>
Current Liabilities (Payable from Restricted Assets)		
Escrow Deposits Payable	<u>2,568</u>	<u>2,566</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>2,568</u>	<u>2,566</u>
Total Current Liabilities	<u>312,555</u>	<u>321,261</u>
NET POSITION		
Unrestricted	<u>234,069</u>	<u>202,765</u>
Total Net Position	<u>\$ 234,069</u>	<u>\$ 202,765</u>

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

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Redevelopers Fees and Contributions	\$ 126,152	\$ 136,938
Municipal Contribution	<u>10,000</u>	<u>10,000</u>
Total Operating Revenues	<u>136,152</u>	<u>146,938</u>
OPERATING EXPENSES		
Administration		
Interlocal Agreement - Salaries and Wages	32,373	32,499
Other Expenses	<u>18,237</u>	<u>13,653</u>
Total Administration Expenses	<u>50,610</u>	<u>46,152</u>
Cost of Providing Services		
Other Expenses	<u>66,777</u>	<u>26,088</u>
Total Cost of Providing Services	<u>66,777</u>	<u>26,088</u>
Total Operating Expenses	<u>117,387</u>	<u>72,240</u>
OPERATING INCOME	<u>18,765</u>	<u>74,698</u>
NON-OPERATING REVENUES		
Interest Revenue	<u>12,539</u>	<u>7,321</u>
Total Non-Operating Revenue	<u>12,539</u>	<u>7,321</u>
CHANGE IN NET POSITION	31,304	82,019
Total Net Position, January 1,	<u>202,765</u>	<u>120,746</u>
Total Net Position, December 31,	<u>\$ 234,069</u>	<u>\$ 202,765</u>

**PASSAIC REDEVELOPMENT AGENCY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Redevelopers	\$ 98,500	\$ 220,392
Cash Received from City Contribution	10,000	10,000
Cash Paid to Redevelopers	(30,036)	(7,453)
Cash Paid to Suppliers for Goods and Services	<u>(80,119)</u>	<u>(44,671)</u>
Net Cash Provided by Operating Activities	<u>(1,655)</u>	<u>178,268</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest Received from Escrow Deposits	<u>2</u>	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>2</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>12,539</u>	<u>7,321</u>
Net Cash Provided by Investment Activities	<u>12,539</u>	<u>7,321</u>
Net Increase in Cash	10,886	185,589
Cash, January 1,	<u>524,026</u>	<u>338,437</u>
Cash, December 31,	<u>\$ 534,912</u>	<u>\$ 524,026</u>
ANALYSIS OF BALANCE AT END OF PERIOD		
Unrestricted - Cash	\$ 532,344	\$ 521,460
Restricted - Cash	<u>2,568</u>	<u>2,566</u>
	<u>\$ 534,912</u>	<u>\$ 524,026</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	<u>\$ 18,765</u>	<u>\$ 74,698</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
(Increase)/Decrease in Escrow Deposits Receivable	(1,712)	1,752
(Increase)/Decrease in Contract Receivable	(10,000)	
Increase/(Decrease) in Accounts Payable	4,895	(4,930)
Increase/(Decrease) in Due to City of Passaic	32,373	32,499
Increase/(Decrease) in Escrow Deposits Payable	<u>(45,976)</u>	<u>74,249</u>
Total Adjustments	<u>(20,420)</u>	<u>103,570</u>
Net Cash Provided by Operating Activities	<u>\$ (1,655)</u>	<u>\$ 178,268</u>

The Notes to the Financial Statements are an Integral Part of this Statement

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity and Activities

The Passaic Redevelopment Agency (the "Agency") is a public body corporate and politic of the State of New Jersey. The Agency was created by municipal ordinance on June 3, 2002 pursuant to the provisions of N.J.S.A. 40A:12A-1, et seq., for the purpose of carrying out the redevelopment plans for the City of Passaic. The Agency is empowered to exercise public and essential government functions, including acquisition, condemnation, clearance, renovation and redevelopment of property in designated blighted areas and to carry out redevelopment plans for the City of Passaic.

The Agency is governed by a Board of Commissioners (the "Board") consisting of seven members, who are appointed by the Mayor with the advice and consent of the City Council. The Board of Commissioners determines policy actions, approves resolutions and selects an executive director to be responsible for the overall operation of the Agency.

The Passaic Redevelopment Agency includes in its financial statements the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. There were no component units with a positive response to any of these reporting criteria. Furthermore, the Agency would be includable as a component unit of the City of Passaic on the basis of such criteria.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards

During the years ended December 31, 2019 and 2018, the Agency adopted the following GASB Statement:

- GASB No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.
- GASB No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Other accounting standards that the Agency is currently reviewing for its potential impact on the financial statements include:

- GASB No. 84, *Fiduciary Activities*, implementation postponed will be effective beginning with the year ended December 31, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.
- GASB No. 87, *Leases*, implementation postponed will be effective beginning with the year ending December 31, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, implementation postponed will be effective beginning with the year ending December 31, 2020. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, implementation postponed will be effective beginning with the year ending December 31, 2021. The objectives of this Statement are: i) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and ii) to simplify accounting for interest cost incurred before the end of a construction period. This Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 92, *Omnibus 2020*, implementation postponed will be effective beginning with the year ending December 31, 2022 except requirements related to GASB No. 87 and Implementation Guide No. 2019-3 are effective upon issuance. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including: i) the effective date of GASB No. 87 and Implementation Guide No. 2019-3; ii) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit plan; iii) the applicability of GASB No. 73 and 74; iv) the applicability of certain requirements of GASB No. 84; v) measurement of liability and assets related to asset retirement obligations in a government acquisition; vi) reporting by public entity risk pools for amounts that are recoverable from reinsurance or excess insurers; vii) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and viii) terminology used to refer to derivative instruments. This Statement will enhance comparability in the application of accounting and financial reporting requirements. Comparable reporting will improve the usefulness of information for users of state and local government financial statements.

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

The accounts of the Agency are organized and operated on the basis of funds. The agency maintains an Enterprise Fund to account for its operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal and contractual provisions. A description of the Agency's fund type it maintains to account for its financial transactions is as follows:

Proprietary Fund Types – This fund type accounts for operations that are organized to be self-supporting and includes Enterprise Funds. An enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the entity has decided that the periodic determination of revenues earned, costs incurred and/or net income is appropriate for management accountability purposes.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of operations and services, administrative expenses and depreciation on capital assets. The Agency considers transactions pertaining to property held for redevelopment to be operating revenues and expenses since these transactions are connected with its principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. **Use of Estimates** – The preparation of financial statements requires management of the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.
2. **Reclassifications** – Certain reclassifications may have been made to the December 31, 2018 balances to confirm to the December 31, 2019 presentation.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position

1. **Cash, Cash Equivalents and Investments** – The Agency considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are stated at fair value and are limited by N.J.S.A. 40A:5-15.1. See Note 3 for specific disclosures on cash and investments.
2. **Restricted Assets** – Certain assets are classified restricted because they are maintained in separate bank accounts and their use is limited as the result of certain agreements entered into between the Agency and third parties.
3. **Accounts Receivable** – All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
4. **Capital Assets** – Property held for redevelopment is recorded at cost or, if donated or contributed, is stated at the estimated fair market value on the date of receipt by the Agency. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are expensed.
5. **Net Position** – In the statement of net position, there is one class of net position:
 - **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.
6. **Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency are redeveloper fees and contributions. Operating expenses include the cost of operations and services which includes administrative expenses. All revenues and expenses not meeting this definition are reports as nonoperating revenues and expenses.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Information

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

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

Six Year Capital budgets are also prepared. Included within the budget are individual projects along with their estimated cost, completion date and source of funding.

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Information (Continued)

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

An annual operating budget is prepared and adopted each fiscal year by the Agency. The Agency may at their discretion modify the budget subsequent to adoption. The legal level of budget control is defined in the Agency as the current budget plus other available funds. Unencumbered appropriations lapse at year-end.

B. Revenue Recognition

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

Designated Unrestricted Net Position

The Agency is permitted under budgetary accounting practices promulgated by the Division of Local Government Services to designate unrestricted net position. The Authority Board of Commissioners may formally dedicate net position to establish designations of unrestricted net position to meet policy adopted by the Board. As of December 31, 2019 and 2018, the Agency has designated \$80,000 and \$80,000, respectively, of its unrestricted net position.

NOTE 3 DEPOSITS AND INVESTMENTS

Cash Deposits – The Agency's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Agency is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protect Act requires all banks doing business in the State of New Jersey to pledge plus collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds for all deposits not covered by the FDIC or NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution, SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At 2019 and 2018, the book value of the Agency's deposits were \$534,912 and \$524,026, respectively, and the bank balance of the Agency's cash and deposits amounted to \$576,347 and \$534,819, respectively.

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

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

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

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Insured		
Unrestricted	\$573,779	\$532,252
Restricted	<u>2,568</u>	<u>2,567</u>
	<u>\$576,347</u>	<u>\$534,819</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Agency does not have a formal policy for custodial credit risk.

Investments – The Agency is permitted to invest unrestricted operating funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Agency or bonds or other obligations of the school districts which are part of the Agency or school districts located within the Agency, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 40A:5-15.1 (8a-8e). As of December 31, 2019 and 2018 the Agency has no outstanding investments.

NOTE 4 CAPITAL ASSETS

The Agency had no capital assets activity for the years ended December 31, 2019 and 2018.

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the cost-sharing contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees. Employees of the Passaic Redevelopment Agency who are eligible for pension coverage are enrolled in the City’s Public Employees Retirement System (PERS) pension plan. Therefore, the Agency was not required to directly contribute for normal cost pension contributions.

Post-Retirement Medical Benefits - The Agency currently does not provide employer paid post-retirement medical benefits to its active or retired employees.

NOTE 6 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to general liability, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is included in the City of Passaic’s insurance policy to guard against these events which are intended to provide minimum exposure to the Agency should they occur.

On January 22, 2005, the Agency approved a resolution to indemnify, hold harmless, and defend its employees, officers, commissioners, board members and others from lawsuits, actions and claims asserted against them based on their official actions taken in the course of their duties with the Agency. As of December 31, 2019 and 2018, there have been no claims filed or pending against the Agency to the knowledge of the Agency’s General Counsel.

SUPPLEMENTARY SCHEDULE

PASSAIC REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2019
BUDGETARY BASIS
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019 Adopted <u>Budget</u>	2019 <u>Actual</u>	Variance Excess (Deficit)	2018 <u>Actual</u>
OPERATING REVENUES				
Intergovernmental - City of Passaic Contribution	\$ 10,000	\$ 10,000		\$ 10,000
Redevelopers Fees and Contributions	<u>-</u>	<u>67,500</u>	<u>\$ 67,500</u>	<u>120,000</u>
Total Operating Revenues	<u>10,000</u>	<u>77,500</u>	<u>67,500</u>	<u>130,000</u>
NON-OPERATING REVENUES				
Interest	<u>-</u>	<u>12,539</u>	<u>12,539</u>	<u>7,321</u>
Total Non-Operating Revenues	<u>-</u>	<u>12,539</u>	<u>12,539</u>	<u>7,321</u>
Total Revenues	<u>10,000</u>	<u>90,039</u>	<u>80,039</u>	<u>137,321</u>
OPERATING APPROPRIATIONS				
Administration:				
Interlocal Agreement - Salaries and Wages	36,000	32,373	3,627	32,499
Other Expenses	<u>44,000</u>	<u>18,237</u>	<u>25,763</u>	<u>13,653</u>
Total Administration	<u>80,000</u>	<u>50,610</u>	<u>29,390</u>	<u>46,152</u>
Cost of Providing Services				
Other Expenses	<u>10,000</u>	<u>8,125</u>	<u>1,875</u>	<u>9,150</u>
Total Cost of Providing Services	<u>10,000</u>	<u>8,125</u>	<u>1,875</u>	<u>9,150</u>
Total Operating Appropriations	<u>90,000</u>	<u>58,735</u>	<u>31,265</u>	<u>55,302</u>
Budgetary Income (Loss)	<u>\$ (80,000)</u>	<u>\$ 31,304</u>	<u>\$ 111,304</u>	<u>\$ 82,019</u>
Reconciliation of Budgetary Income (Loss) to Change in Net Position				
Increases to Budgetary Income:				
Redeveloper Reimbursements		58,652		16,938
Decreases to Budgetary Income:				
Redeveloper Expenses		<u>(58,652)</u>		<u>(16,938)</u>
Change in Net Position		<u>\$ 31,304</u>		<u>\$ 82,019</u>

GOVERNMENT AUDITING STANDARDS REPORT



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Passaic Redevelopment Agency, as of and for the year ended December 31, 2019, and the related notes to the financial statements, as listed in the table of contents which collectively comprise the Passaic Redevelopment Agency's basic financial statements, and have issued our report thereon dated July 31, 2020.

Internal Control over Financial Reporting

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

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

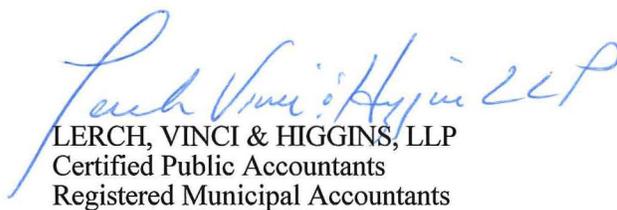
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

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 Passaic Redevelopment Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Passaic Redevelopment Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

Fair Lawn, New Jersey
July 31, 2020

ROSTER OF OFFICIALS
AND
GENERAL COMMENTS AND RECOMMENDATIONS

ROSTER OF OFFICIALS

DECEMBER 31, 2019

<u>Name</u>	<u>Title</u>
Arthur Soto	Chairman
Ruth Perez	Vice-Chairwoman
Peter Cedeno-Castro	Commissioner
Chaim Munk	Commissioner
Kimberly Perez	Commissioner
David Spector	Commissioner
Angel U. Torres	Commissioner
Hector C. Lora	Mayor
Ricardo Fernandez	Executive Director
Vidya Nayak	Chief Financial Officer

COMMENTS/RECOMMENDATIONS

There are none.

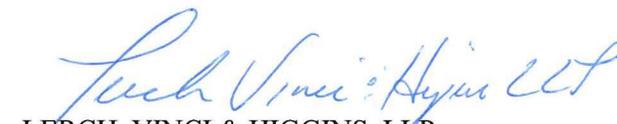
Status of Prior Year's Audit Comments and Recommendations

There were none.

Appreciation

We desire to express our appreciation of the assistance of the Executive Director and Agency staff during the course of our audit.

Respectfully submitted,



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