

RAHWAY REDEVELOPMENT AGENCY
(A component unit of the City of Rahway)
REPORT OF AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

RAHWAY REDEVELOPMENT AGENCY

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LERCH, VINCI & BLISS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRISTOPHER VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA, PSA

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Rahway Redevelopment Agency, a component unit of the City of Rahway as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Rahway Redevelopment Agency’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rahway Redevelopment Agency as of December 31, 2022 and 2021, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Rahway Redevelopment Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rahway Redevelopment Agency’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rahway Redevelopment Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rahway Redevelopment Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Rahway Redevelopment Agency as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents 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 March 31, 2023 on our consideration of the Rahway 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 solely 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 Rahway Redevelopment Agency'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 Rahway Redevelopment Agency's internal control over financial reporting and compliance.


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

Fair Lawn, New Jersey
March 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

RAHWAY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2022

This section of the Rahway Redevelopment Agency's (the "Agency") annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended December 31, 2022. Please read it in conjunction with the Agency's financial statements and accompanying notes.

The 2001 creation ordinance for the Rahway Redevelopment Agency empowered the Agency to undertake and carryout the redevelopment plan for the City of Rahway.

FINANCIAL HIGHLIGHTS

- The Agency's total net position increased \$580,489 (6.3%).
- Cash and Cash Equivalents decreased \$180,504 (80%) largely as a result of increased amounts paid for operating expenses in 2022.
- Operating Revenues increased \$3,134 (0.2%). The increase in operating revenues is the net result of increased redeveloper fees and City contributions and decreased miscellaneous revenues realized in 2022.
- Operating Expenses decreased \$42,036 (6.2%) largely as a result of decreased expenses associated with redevelopment projects.

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 follows enterprise fund financial reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

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

RAHWAY REDEVELOPMENT AGENCY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022
(Continued)**

FINANCIAL ANALYSIS OF THE AGENCY

Net Position – The following table summarizes the changes in Net Position between December 31, 2022, 2021 and 2020:

	December 31, <u>2022</u>	December 31, <u>2021</u>	December 31, <u>2020</u>
Net Position:			
Invested in Capital Assets, Net of Related Debt	\$ 9,040,417	\$ 8,353,225	\$ 7,696,759
Unrestricted	<u>801,407</u>	<u>908,110</u>	<u>1,063,300</u>
Total Net Position	<u>\$ 9,841,824</u>	<u>\$ 9,261,335</u>	<u>\$ 8,760,059</u>

The Agency's Net Position increased \$580,489 (6.3%) and \$501,276 (5.7%) in 2022 and 2021, respectively.

Key elements of this change are as follows:

- *Investment in capital assets, net of related debt* increased \$687,192 (8.2%) and \$656,466 (8.5%) in 2022 and 2021, respectively.
- *Unrestricted net position* decreased \$106,703 and \$155,190 in 2022 and 2021, respectively.

Capital Assets as of December 31, 2022, 2021 and 2020 were as follows:

	December 31, <u>2022</u>	December 31, <u>2021</u>	December 31, <u>2020</u>
<u>Capital Assets:</u>			
Land	\$ 1,777,430	\$ 400,000	\$ 400,000
Buildings	15,931,677	13,221,981	13,221,981
Property Held for Redevelopment	-	4,087,126	4,087,126
Property and Equipment	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
	17,715,107	17,715,107	17,715,107
Less:			
Accumulated Depreciation	<u>(6,188,209)</u>	<u>(5,857,659)</u>	<u>(5,527,110)</u>
	<u>\$ 11,526,898</u>	<u>\$ 11,857,448</u>	<u>\$ 12,187,997</u>

RAHWAY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

OPERATING ACTIVITIES

The following table summarizes revenues, expenses and changes in net position between the calendar years ended December 31, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:			
Redeveloper Fees	\$ 49,005	\$ 41,277	\$ 191,625
City Contribution	116,800	100,000	100,000
Intergovernmental Grants			
City of Rahway	1,139,824	1,141,854	1,142,917
Miscellaneous	<u>24,080</u>	<u>43,444</u>	<u>52,672</u>
Total Operating Revenues	<u>1,329,709</u>	<u>1,326,575</u>	<u>1,487,214</u>
OPERATING EXPENSES			
Salaries and Wages	47,508	47,508	42,508
Other Expenses	258,607	300,644	225,439
Depreciation	<u>330,550</u>	<u>330,549</u>	<u>330,550</u>
Total Operating Expenses	<u>636,665</u>	<u>678,701</u>	<u>598,497</u>
Operating Income (Loss)	<u>693,044</u>	<u>647,874</u>	<u>888,717</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	926	284	1,646
Interest Expense	<u>(113,481)</u>	<u>(146,882)</u>	<u>(178,897)</u>
Total Nonoperating Revenues (Expenses)	<u>(112,555)</u>	<u>(146,598)</u>	<u>(177,251)</u>
Change in Net Position	580,489	501,276	711,466
Total Net Position, Beginning of Year	<u>9,261,335</u>	<u>8,760,059</u>	<u>8,048,593</u>
Total Net Position, End of year	<u>\$ 9,841,824</u>	<u>\$ 9,261,335</u>	<u>\$ 8,760,059</u>

RAHWAY REDEVELOPMENT AGENCY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022
(Continued)**

DEBT ADMINISTRATION

Capital Debt

The Agency had the following outstanding debt as of December 31, 2022, 2021 and 2020.

	December 31, <u>2022</u>	December 31, <u>2021</u>	December 31, <u>2020</u>
Long-Term Debt			
Revenue Bonds Payable	<u>\$ 2,470,000</u>	<u>\$ 3,485,000</u>	<u>\$ 4,470,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2023 budget was adopted by the Agency at the Agency's March 29, 2023 meeting.

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.

All of these factors were considered in preparing the Agency's 2023 budget.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City of Rahway, New Jersey citizens and redevelopers with a general overview of the Agency's finances to demonstrate the Agency's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the office of the Chief Financial Officer at City Hall Plaza, Rahway, New Jersey 07065.

BASIC FINANCIAL STATEMENTS

**RAHWAY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Unrestricted Current Assets		
Cash	\$ 43,684	\$ 224,623
Accounts Receivable	-	2,000
NJEDA Grant Receivable	262,142	262,142
Intergovernmental Receivable- City of Rahway	605,871	605,871
Intergovernmental Receivable- Rahway Special Improvement District	8,175	-
Developer Receivables	<u>36,410</u>	<u>26,076</u>
Total Unrestricted Current Assets	<u>956,282</u>	<u>1,120,712</u>
Restricted Current Assets		
Operating Fund		
Cash Equivalents	5	5
Debt Service Fund		
Cash Equivalents	1,296	861
Construction Fund		
Cash Equivalents	<u>4</u>	<u>4</u>
Total Restricted Current Assets	<u>1,305</u>	<u>870</u>
Noncurrent Assets		
Mortgage Loan Receivable	<u>225,000</u>	<u>225,000</u>
Capital Assets		
Land	1,777,430	400,000
Buildings	15,931,677	13,221,981
Property Held for Redevelopment	-	4,087,126
Property and Equipment	6,000	6,000
Accumulated Depreciation	<u>(6,188,209)</u>	<u>(5,857,659)</u>
Total Capital Assets (net of accumulated depreciation)	<u>11,526,898</u>	<u>11,857,448</u>
Total Noncurrent Assets	<u>11,751,898</u>	<u>12,082,448</u>
Total Assets	<u>12,709,485</u>	<u>13,204,030</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	-	2,471
Deferred Amounts on Net Pension Liability	<u>1,765</u>	<u>764</u>
Total Deferred Outflows of Resources	<u>1,765</u>	<u>3,235</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,711,250</u>	<u>\$ 13,207,265</u>

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

RAHWAY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES		
Current Liabilities (Payable from Unrestricted Current Assets)		
Accounts Payable	\$ 68,070	\$ 87,034
Developer Deposits Payable	35,323	45,687
Unearned Revenue	197,804	197,804
Accrued Expenses	<u>3,852</u>	<u>3,598</u>
Total Current Liabilities (Payable from Unrestricted Current Assets)	<u>305,049</u>	<u>334,123</u>
Current Liabilities (Payable from Restricted Assets)		
Revenue Bonds Payable	505,000	1,015,000
Accrued Interest on Bonds	<u>26,210</u>	<u>34,810</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>531,210</u>	<u>1,049,810</u>
Non-Current Liabilities		
Revenue Bonds Payable, net	1,981,481	2,491,694
Net Pension Liability	<u>36,396</u>	<u>36,396</u>
Total Non-Current Liabilities	<u>2,017,877</u>	<u>2,528,090</u>
Total Liabilities	<u>2,854,136</u>	<u>3,912,023</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts on Net Pension Liability	<u>15,290</u>	<u>33,907</u>
Total Deferred Inflows of Resources	<u>15,290</u>	<u>33,907</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,869,426</u>	<u>3,945,930</u>
NET POSITION		
Net Investment in Capital Assets	9,040,417	8,353,225
Unrestricted	<u>801,407</u>	<u>908,110</u>
Total Net Position	<u>\$ 9,841,824</u>	<u>\$ 9,261,335</u>

RAHWAY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Redevelopers Fees	\$ 49,005	\$ 41,277
City Contribution	116,800	100,000
Intergovernmental Grants		
City of Rahway	1,139,824	1,141,854
Miscellaneous	<u>24,080</u>	<u>43,444</u>
Total Operating Revenues	<u>1,329,709</u>	<u>1,326,575</u>
OPERATING EXPENSES		
Administration		
Salaries and Wages	47,508	47,508
Other Expenses	134,958	125,610
Costs of Providing Services		
Other Expenses	123,649	175,034
Depreciation	<u>330,550</u>	<u>330,549</u>
Total Operating Expenses	<u>636,665</u>	<u>678,701</u>
Operating Income (Loss)	<u>693,044</u>	<u>647,874</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	926	284
Interest Expense	<u>(113,481)</u>	<u>(146,882)</u>
Total Non-Operating Revenues (Expenses)	<u>(112,555)</u>	<u>(146,598)</u>
Change in Net Position	580,489	501,276
Total Net Position, January 1	<u>9,261,335</u>	<u>8,760,059</u>
Total Net Position, December 31	<u>\$ 9,841,824</u>	<u>\$ 9,261,335</u>

**RAHWAY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Developers, Net of Refunds	\$ 28,307	\$ 50,000
Cash Received from City of Rahway	1,256,624	1,554,683
Cash Received from Miscellaneous Fees	26,080	41,444
Cash Paid to City of Rahway	-	(309,550)
Cash Paid to Rahway Special Improvement District	(8,175)	-
Cash Paid for Developers' Expenses	(37,850)	(33,526)
Cash Paid for Operating Expenses	<u>(306,593)</u>	<u>(209,858)</u>
Net Cash Provided by Operating Activities	<u>958,393</u>	<u>1,093,193</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments - Bonds	(1,015,000)	(985,000)
Interest Payments - Bonds	<u>(124,823)</u>	<u>(156,854)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,139,823)</u>	<u>(1,141,854)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	<u>926</u>	<u>284</u>
Net Cash Provided by Investing Activities	<u>926</u>	<u>284</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(180,504)	(48,377)
Cash and Cash Equivalents, January 1,	<u>225,493</u>	<u>273,870</u>
Cash and Cash Equivalents, December 31,	<u>\$ 44,989</u>	<u>\$ 225,493</u>
Analysis of Balance at December 31,		
Unrestricted - Cash and Cash Equivalents	\$ 43,684	\$ 224,623
Restricted - Cash and Cash Equivalents	<u>1,305</u>	<u>870</u>
	<u>\$ 44,989</u>	<u>\$ 225,493</u>

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

**RAHWAY REDEVELOPMENT AGENCY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 693,044	\$ 647,874
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	330,550	330,549
(Increase)/Decrease in Accounts Receivable	2,000	(2,000)
(Increase)/Decrease in Intergovernmental Receivables	(8,175)	3,279
(Increase)/Decrease in Developer Receivables	(10,334)	97,700
(Increase)/Decrease in Deferred Outflows - Net Pension Liability	(1,001)	3,579
Increase/(Decrease) in Accounts Payable	(18,964)	26,106
Increase/Decrease in Developer's Deposits Payable	(10,364)	17,520
Increase in Accrued Expenses	254	196
(Decrease) in Net Pension Liability	-	(14,317)
(Decrease) in Deferred Inflows - Net Pension Liability	(18,617)	(17,293)
Total Adjustments	<u>265,349</u>	<u>445,319</u>
Net Cash Provided by Operating Activities	<u>\$ 958,393</u>	<u>\$ 1,093,193</u>
Noncash Investing, Capital and Financing Activities:		
Original Issue Premium	\$ (5,213)	\$ (6,865)
Deferred Loss on Refunding	2,471	4,850

NOTES TO THE BASIC FINANCIAL STATEMENTS

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Rahway 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 January 25, 2001 pursuant to the provisions of N.J.S.A. 40A:12A-1, et seq., for the purpose of carrying out the redevelopment plan for the City of Rahway. 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 Rahway.

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.

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 Rahway 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 Agency Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

The Rahway 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 Rahway on the basis of such criteria.

B. New Accounting Standards

During fiscal years 2022 and 2021, the Agency implemented the following GASB statements:

- GASB No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

During fiscal years 2022 and 2021, the Agency implemented the following GASB statements (Continued):

- GASB No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are: i) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and ii) to simplify accounting for interest cost incurred before the end of a construction period. This Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period.
- GASB No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice.
- GASB No. 92, *Omnibus 2020*. 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.
- GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No.84, and a Supersession of GASB Statement No. 32*. The objective of this Statement is to provide more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

Other accounting standards that the Agency is currently reviewing for applicability and potential impact on the financial statements include: (Continued)

- GASB No. 96, *Subscription – Based Information Technology Arrangements*, will be effective beginning with the fiscal year ending December 31, 2023. The objective of this Statement will be to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government’s financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government’s SBITA activities and evaluate a government’s obligations and assets resulting from SBITAs.
- GASB Statement No. 99, Omnibus 2022, the section applicable to the Agency will be effective beginning with the year ending December 31, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.
- GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, will be effective beginning with the year ending December 31, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.
- GASB Statement No. 101, Compensated Absences, will be effective beginning with the year ending December 31, 2024. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The accounts of the Agency are organized and operated on the basis of funds, in accordance with the 2001 Bond Resolution, as amended and supplemented (see Note 1C), each of which is considered a separate accounting activity. The operations of the Agency are accounted for with a separate set of self-balancing accounting records that comprise its assets, liabilities, net position, revenues and expenses. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various activities are grouped into one generic fund type and one broad fund category, as follows:

Proprietary Fund Types

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

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

The Agency's financial transactions are recorded in accounts that are created by various resolutions adopted by the Agency to meet bond or note covenant requirements (more fully defined in Note 1C).

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency are charges to redevelopers for financing and administrative fees as well as Federal, State and local grants for redevelopment as well as contributions or dispositions of real property held for redevelopment. Operating expenses include administrative expenses, appraisal and environmental assessments, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resource and Net Position

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, cash in banks, certificates of deposit and all short-term investments with original maturities of six months or less from the date of purchase. Investments are reported at market value and are limited by the 2001 Bond Resolution as amended and supplemented thereto.

2. Property Held for Redevelopment

Property is stated at cost or, if contributed, at fair market value on the date of the transfer, in connection with properties acquired from the City for no consideration pursuant to NJSA 55:14B-4.

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resource and Net Position (Continued)

3. Restricted Assets

Under the original Bond Resolution dated June 19, 2001, the following funds are required to be created and held by the Agency's Trustee with respect to the construction of a new public library for the City of Rahway:

- A) Construction Fund (Restricted)
- B) Operating Fund (Restricted)
- C) Debt Service Fund (Restricted)

Each of the above funds represents separate accounts held by a trustee.

Only those funds and accounts that are presently required by the Trustee are described herein.

Construction Fund - To account for all financial resources received by the Agency for the payment of costs related to the construction, acquisition or restoration of the Library Facility and/or the UCIA Redevelopment Project. All moneys that are on deposit in the Construction Account are pledged to secure the payment of the principal of, redemption premium, if any, and the interest on the bonds, notes and loans.

Operating Fund - To account for the payment of all costs associated with the issuance of the bonds, notes and loans.

Debt Service Fund - To account for the accumulation of resources for the payment of principal and interest due during the current fiscal year on outstanding bonds, notes and loans.

4. 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.

5. Mortgages Receivable

The Agency enters into financial agreements with redevelopers, each of which is negotiated on a project basis. Property held for redevelopment may be transferred to developers in consideration of the execution of a mortgage note. Mortgage notes are recorded at face value, less an allowance for doubtful accounts, if applicable.

6. Interfunds Receivable and Payable

During the course of its operations, the Agency has numerous transactions between funds (accounts) to finance operations, provide services, construct assets, and retire debt. To the extent that certain transactions between the accounts had not been paid or received as of the balance sheet dates, balances of interfund amounts receivable and payable have not been recorded.

7. Capital Assets

All capital assets acquired or constructed by the Agency are reported as expenses in the account that finances the acquisition of the assets and are capitalized in the Operating Accounts. Capital assets are defined by the Agency as assets with an individual cost of \$2,000 and an estimated useful life of at least two years. Such capital assets are valued at historical costs.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**RAHWAY REDEVELOPMENT AGENCY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resource and Net Position (Continued)

7. Capital Assets (Continued)

Construction costs are charged to construction in progress until such time as they are completed and certified by the Agency's consulting engineers, at which time they are transferred to their respective asset category and are then depreciated over their useful lives.

All capital assets are depreciated on the straight-line method based on their asset class and estimated useful lives as follows:

<u>Class</u>	<u>Life</u>
Buildings and Improvements	40 Years
Machinery and Equipment	5 - 10 Years
Furniture and Computers	3 Years

8. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Agency has two items that qualify for reporting in this category. One item is the deferred loss on refunding of debt which occurs when the debt's reacquisition price is greater than the carrying value of refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one type of item that qualifies for reporting in this category. It is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

9. Long-term Obligations

Premiums and discounts are deferred and amortized over the life of the debt. Bonds and loans payable are reported net of the applicable unamortized bond premium or discount.

10. Deferred Mortgages Payable

The Agency has entered into agreements with the City of Rahway to reimburse the City for proceeds from the sale of certain properties which the City has deeded to the Agency. Such amounts are recorded as deferred mortgages payable since any repayment is contingent upon the future sale of property.

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resource and Net Position (Continued)

11. Developer Deposits Payable

The Agency may require prospective redevelopers to post escrow deposits with the Agency in conjunction with specific projects.

12. Net Position – In the statement of net position, there are two classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

E. Other

1. **Reclassifications** – Certain reclassifications have been made to the December 31, 2021 balances to conform to the December 31, 2022 presentation.
2. **Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Accounting

The Agency annually prepares an operating budget. The budget is prepared in accordance with the Budget Manual for Local Public Authorities as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America. The 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.

**RAHWAY REDEVELOPMENT AGENCY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

1. Budgetary Accounting (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.

2. Revenues

City budget appropriations are recognized as revenue when they become available as appropriations in the City 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.

NOTE 3 CASH 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 Protection Act requires all banks doing business in the State of New Jersey to pledge plus collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lessor of 75% of its capital funds or \$200 million 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 December 31, 2022 and 2021, the book value of the Agency’s deposits was \$43,684 and \$224,623, respectively, and the bank balance of the Agency’s cash and deposits amounted to \$43,915 and \$224,623, respectively.

The Agency’s deposits which are displayed on the balance sheet as “cash” are categorized as:

<u>Depository Account</u>	December 31, <u>2022</u>	December 31, <u>2021</u>
Insured		
Unrestricted	\$ 43,915	\$ 224,623
	<u>\$ 43,915</u>	<u>\$ 224,623</u>

**RAHWAY REDEVELOPMENT AGENCY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

Investments

New Jersey statutes permit the Agency to purchase the following types of investments:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States of America.
- b. Government Money Market Mutual Funds.
- c. Any obligations that a federal agency or a federal instrumentality has issued, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest.
- d. Bonds or other obligations of the Agency or bonds or other obligations of school districts, which are within the Agency's jurisdiction.
- e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, that are approved by the New Jersey Department of Treasury, Division of Investments.
- f. Local Government investment pools.
- g. Agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1(8a-8e).

As of December 31, 2022 and 2021, the Agency had the following investments:

	<u>Fair Value</u>	
	December 31, <u>2022</u>	December 31, <u>2021</u>
U.S. Government Security Money Market Mutual Funds:		
Restricted	\$ 1,305	\$ 870

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 4 CASH DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Agency does not have a policy for custodial risk. As of December 31, 2022 and 2021 \$1,305 and \$870, respectively of the Agency’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institutions' trust department or agent in the Agency's name	<u>\$ 1,305</u>	<u>\$ 870</u>

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

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law (N.J.S.A. 40A:5-15.1) limits investments as noted above. The Agency does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the Agency’s investment in a single issuer. The Agency places no limit in the amount the Agency may invest in any one issuer. 100% of the Agency’s investments are in U.S. Treasury Obligation Funds.

Fair Value of Investments. The Agency measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than those in Level 1; and
- *Level 3:* Unobservable inputs.

Investments are valued based on price data obtained from observed transactions and market price quotations provided by the respective financial institution. Since the value is not obtained from a quoted price in an active market the investments held by the Agency at December 31, 2022 are categorized as Level 2.

NOTE 4 MORTGAGE LOAN RECEIVABLE

The Agency has one mortgage loan receivable at December 31, 2022 and 2021 which was issued to Ingerman Affordable Housing, LLC on December 19, 2016. The principal amount of the loan is \$225,000 which shall bear simple interest at the rate of 1% per annum, to accrue annually. Principal and accrued interest on the loan shall be repaid to the Agency on December 19, 2049. No principal or interest payments are due under this loan prior to December 19, 2049.

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2022 and 2021 was as follows:

	December 31, <u>2021</u>	Increases/ (Decrease)	December 31, <u>2022</u>
<u>2022</u>			
Capital assets, not being depreciated:			
Land	\$ 400,000	\$ 1,377,430	\$ 1,777,430
Property Held for Redevelopment	<u>4,087,126</u>	<u>(4,087,126)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>4,487,126</u>	<u>(2,709,696)</u>	<u>1,777,430</u>
Capital assets, being depreciated:			
Buildings	13,221,981	2,709,696	15,931,677
Property and Equipment	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total capital assets being depreciated	<u>13,227,981</u>	<u>2,709,696</u>	<u>15,937,677</u>
Less accumulated depreciation for:			
Buildings	(5,851,659)	\$ (330,550)	(6,182,209)
Property and Equipment	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
Total accumulated depreciation	<u>(5,857,659)</u>	<u>(330,550)</u>	<u>(6,188,209)</u>
Total capital assets, being depreciated, net	<u>7,370,322</u>	<u>2,379,146</u>	<u>9,749,468</u>
Total capital assets, net	<u>\$ 11,857,448</u>	<u>\$ (330,550)</u>	<u>\$ 11,526,898</u>
	December 31, <u>2020</u>	Increases/ (Decrease)	December 31, <u>2021</u>
<u>2021</u>			
Capital assets, not being depreciated:			
Land	\$ 400,000		\$ 400,000
Property Held for Redevelopment	<u>4,087,126</u>	<u>-</u>	<u>4,087,126</u>
Total capital assets, not being depreciated	<u>4,487,126</u>	<u>-</u>	<u>4,487,126</u>
Capital assets, being depreciated:			
Buildings	13,221,981		13,221,981
Property and Equipment	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total capital assets being depreciated	<u>13,227,981</u>	<u>-</u>	<u>13,227,981</u>
Less accumulated depreciation for:			
Buildings	(5,521,110)	\$ (330,549)	(5,851,659)
Property and Equipment	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
Total accumulated depreciation	<u>(5,527,110)</u>	<u>(330,549)</u>	<u>(5,857,659)</u>
Total capital assets, being depreciated, net	<u>7,700,871</u>	<u>(330,549)</u>	<u>7,370,322</u>
Total capital assets, net	<u>\$ 12,187,997</u>	<u>\$ (330,549)</u>	<u>\$ 11,857,448</u>

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 6 LONG-TERM DEBT

Revenue Bonds

On October 29, 2002, the Agency issued \$4,665,000 of Public Library Revenue Bonds (the “2002 Bonds”). The Bonds were issued to: (i) currently refund a portion of the principal amount of the 2001 Notes, which were issued to temporarily finance: (a) the public portion of the cost of the acquisition of certain real property in the City; (b) the public portion of the cost of the design and construction of a multi-use building and subsurface parking facility (the “Building”) that will house both the Library and private office space for SDI, which public portion consists of the first floor of the building to be used and occupied by the Library together with the subsurface parking facility; (c) the public portion of the cost of the improvements to the common elements of the Project; (d) the costs of issuance for the 2001 Notes, (ii) pay the costs of issuance of the Bonds; and (iii) capitalize interest for the Project Notes.

On October 29, 2004, the Agency issued \$2,000,000 of Public Library Revenue Bonds (the “2004 Bonds”). The Bonds were issued to: (i) currently refund a portion of the 2003 Project Note and (ii) permanently finance a portion of the public share of the cost of the construction of a multi-use building in the City that houses the new Free Public Library of the City and private office space for SD Capital, Inc.

On September 8, 2011, the Agency issued \$3,175,000 Tax-Exempt City-Secured Arts District Extension Revenue Bonds and \$1,900,000 Federally Taxable City-Secured Arts District Extension Revenue Bonds (collectively, the “2011 Bonds”). The bonds were purchased by NW Capital Markets, Inc. at a net interest cost of 3.68% due in annual installments of \$250,000 to \$500,000 on September 15, 2013 to September 15, 2027. The proceeds were used to permanently finance the 2010 taxable and tax-exempt project notes in the amount of \$5,000,000.

On May 3, 2012, the Agency issued \$4,505,000 City-Secured Public Library Revenue Refunding Bonds (the “2012 Bonds”). The Bonds were issued to: (i) advance refund all of the outstanding and callable 2002 Bonds maturing on October 15 in the years 2013 through and including 2022 on October 15, 2012 in the principal amount of \$4,340,000 and (ii) pay the costs of issuance of the 2012 Bonds.

On November 25, 2014, the Agency issued \$1,260,000 City-Secured Public Library Revenue Refunding Bonds (the “2014 Bonds”). The Bonds were issued to: (i) currently refund all of the outstanding and callable 2004 Bonds maturing on October 15 in the years 2015 through and including 2024 on December 30, 2014 in the principal amount of \$1,195,000 at a redemption price of one hundred and one percent (101%) and (ii) pay the costs of issuance of the 2014 Bonds.

The Agency’s long-term debt is reported net of any unamortized premium or discount. Long-term debt as of December 31, 2022 and 2021 is as follows:

	December 31, <u>2022</u>	December 31, <u>2021</u>
Revenue Bonds	\$ 2,470,000	\$ 3,485,000
Add: Unamortized Premium	<u>16,481</u>	<u>21,694</u>
	2,486,481	3,506,694
Less: Current portion of Revenue Bonds Payable	<u>(505,000)</u>	<u>(1,015,000)</u>
Net Long-Term Portion of Revenue Bonds Payable	<u>\$ 1,981,481</u>	<u>\$ 2,491,694</u>

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 6 LONG-TERM DEBT (Continued)

The changes in the Agency's long-term debt during the years ended December 31, 2022 and 2021 were as follows:

	December 31, 2021	Additions	Reductions	December 31, 2022	Due Within One Year
<u>2022</u>					
Revenue Bonds	\$ 3,485,000		\$ (1,015,000)	\$ 2,470,000	\$ 505,000
Add: Unamortized Premium	21,694	-	(5,213)	16,481	-
Total Revenue Bonds - Net	<u>\$ 3,506,694</u>	<u>\$ -</u>	<u>\$ (1,020,213)</u>	<u>\$ 2,486,481</u>	<u>\$ 505,000</u>

	December 31, 2020	Additions	Reductions	December 31, 2021	Due Within One Year
<u>2021</u>					
Revenue Bonds	\$ 4,470,000		\$ (985,000)	\$ 3,485,000	\$ 1,015,000
Add: Unamortized Premium	28,559	-	(6,865)	21,694	-
Total Revenue Bonds - Net	<u>\$ 4,498,559</u>	<u>\$ -</u>	<u>\$ (991,865)</u>	<u>\$ 3,506,694</u>	<u>\$ 1,015,000</u>

The Agency's schedule of principal and interest for long-term debt issued and outstanding as of December 31, 2022 is as follows:

Year Ending December 31,	Revenue Bonds		Total
	Principal	Interest	
2023	\$ 505,000	\$ 91,792	\$ 596,792
2024	520,000	73,874	593,874
2025	465,000	55,438	520,438
2026	480,000	38,000	518,000
2027	<u>500,000</u>	<u>20,000</u>	<u>520,000</u>
	<u>\$ 2,470,000</u>	<u>\$ 279,104</u>	<u>\$ 2,749,104</u>

**RAHWAY REDEVELOPMENT AGENCY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

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

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for 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 2, 2008
3	Members who were eligible to enroll 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

Service retirement benefits 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 reached 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, tier 3 and 4 members with 25 or more years of service credit 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 age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

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

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits (“Division”), issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pension.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement system. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

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

**RAHWAY REDEVELOPMENT AGENCY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2021 is \$12.0 billion and the plan fiduciary net position as a percentage of the total pension liability is 70.33% at June 30, 2021.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2020 which were rolled forward to June 30, 2021.

Actuarial Methods and Assumptions

In the July 1, 2020 PERS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary’s report and are included here in this note to the financial statements. The pension system selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2022 and 2021 based on 7.50% for PERS and 5.50% for DCRP of employees’ annual compensation.

For the years ended December 31, 2022 and 2021 for PERS, which is a cost sharing multi-employer defined benefit pension plan, employers’ contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Agency for 2022, 2021 and 2020 were equal to the required contributions.

During the years ended December 31, 2022, 2021 and 2020, the Agency, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

Year Ending		<u>PERS</u>	<u>DCRP</u>
<u>December 31</u>			
2022	\$	4,562	None
2021		4,347	None
2020		4,024	None

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. Under GASB Statement No. 68 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer's prior fiscal year.

The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2021. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits ("Division") administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2021 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2021.

At December 31, 2022 and 2021, the Agency reported in the statements of net position a liability of \$36,396 and \$36,396, respectively for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Agency's proportionate share of the net pension liability was based on the ratio of the Agency's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2021, the Agency's proportionate share was .00031 percent, which was an increase of .00003 percent from its proportionate share measured as of June 30, 2020 of .00028 percent.

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for PERS (Continued)

For the years ended December 31, 2022 and 2021, the pension system has determined the Agency's pension benefit to be \$14,802 and \$24,433, respectively, for PERS based on that actuarial valuations which are less than the Agency's actual contributions of \$4,562 and \$4,347, respectively. At December 31, 2022 and 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	2022		2021	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 415	\$ 157	\$ 574	\$ 261
Changes of Assumptions	1,350	6,519	190	12,957
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		7,263		9,588
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	-	1,351	-	11,101
Total	<u>\$ 1,765</u>	<u>\$ 15,290</u>	<u>\$ 764</u>	<u>\$ 33,907</u>

At December 31, 2022, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2023	\$ (5,489)
2024	(4,244)
2025	(3,733)
2026	<u>(59)</u>
	<u>\$ (13,525)</u>

**RAHWAY REDEVELOPMENT AGENCY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for PERS (Continued)

Actuarial Assumptions

The Agency's total pension liability reported for the years ended December 31, 2022 and 2021 was based on the June 30, 2021 measurement date as determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2022 and 2021</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% Based on Years of Service
Thereafter	3.00%-7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2020.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2021, as reported for the years ended December 31, 2022 and 2021, respectively, are summarized in the following table:

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions for PERS (Continued)**

Long-Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>2022 and 2021</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.35%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Investment Grade Credit	8.00%	1.68%
US Equity	27.00%	8.09%
Non-US Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
High Yield	2.00%	3.75%
Real Assets	3.00%	7.40%
Private Credit	8.00%	7.60%
Real Estate	8.00%	9.15%
Private Equity	13.00%	11.30%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2022	June 30, 2021	7.00%
2021	June 30, 2021	7.00%

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for PERS (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

	<u>2022 and 2021</u>
Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	All Periods

Sensitivity of Net Pension Liability

The following presents the Agency's proportionate share of the PERS net pension liability as of December 31, 2022 and 2021 calculated using the discount rate of 7.00% and 7.00%, respectively, as well as what the Agency's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00% and 6.00%, respectively) or 1-percentage-point higher (8.00% and 8.00%, respectively) than the current rate:

<u>2022</u>	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>49,564</u>	\$ <u>36,396</u>	\$ <u>25,221</u>
	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
<u>2021</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>49,564</u>	\$ <u>36,396</u>	\$ <u>25,221</u>

The sensitivity analysis was based on the proportionate share of the Agency's net pension liability at December 31, 2022 and 2021. A sensitivity analysis specific to the Agency's net pension liability was not provided by the pension system.

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions for PERS (Continued)**

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Post-Retirement Medical Benefits

The Agency currently does not provide paid post-retirement medical benefits to its active or retired employees.

NOTE 8 CAPITAL GRANT AGREEMENT

Capital Grant Agreement – Library

In connection with the issuance of the Library Revenue Bonds Series 2002, 2004, 2012 and 2014, the Agency and the City have entered into a Capital Grant Agreement, dated as of October 1, 2001 as amended (the "Library Capital Grant Agreement"). Pursuant to the Library Capital Grant Agreement, the City is required to make Grant Payments in such amounts representing principal and interest necessary to pay the principal of and interest on the Revenue Bonds, which principal and interest amounts are set forth on Exhibit A to the Library Capital Grant Agreement. These Grant Payments are being made by the City to the Agency in consideration for the use and occupancy of the public portion of the Library project.

Capital Grant Agreement – Arts District

In connection with the issuance of the 2011 Bonds, the Agency and the City have entered into a Capital Grant Agreement, dated as of September 15, 2008 (the "Arts District Capital Grant Agreement"). Pursuant to the Arts District Capital Grant Agreement, the City is required to make Grant Payments in such amounts representing principal and interest necessary to pay the principal of and interest on the Revenue Bonds, which principal and interest amounts are set forth on Exhibit A to the Arts District Capital Grant Agreement. These Grant Payments are being made by the City to the Agency in consideration for the use and occupancy of the arts district amphitheater and other associated facilities, amenities and improvements located on the land.

NOTE 9 LEASES

The Agency has leased certain property located at 391 East Inman, Rahway Block 277, Lot 22 (the "Property") to Lokilot II, LLC ("Tenant"). The lease commences on October 1, 2022 and has an initial term of 2 years with an option to renew for 1 additional year. The lease payment during the initial lease term is \$2,040 per month and will increase to \$2,081 per month effective October 1, 2024 should the Tenant exercise its option to renew for an additional year. The Tenant shall be entitled to exclusive use of the Property and shall maintain the Property in good order and condition at the Tenant's own cost and expense.

**RAHWAY REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 10 RISK MANAGEMENT

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

NOTE 11 REDEVELOPER'S AGREEMENTS

The Agency enters into contractual agreements with Redevelopers in connection with the Agency's mandate to carry out the redevelopment plan of the City of Rahway. Each agreement is negotiated with Redevelopers based upon the merit and anticipated benefit on a project by project basis. Financial terms of individual agreements vary; however, the Agency recognizes revenue from Redevelopers Agreements as follows:

- (i) Nonrefundable redeveloper's fees are recognized when the respective redeveloper's agreement is executed by the parties.
- (ii) Refundable redeveloper's fees are recognized when the terms of the agreement have been met by both parties.
- (iii) Revenue which is contingent upon future events (i.e., the sale of housing units) is recognized when the underlying event occurs.

NOTE 12 FEDERAL ARBITRAGE REGULATIONS

The Agency is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2022 and 2021, the Agency had no estimated arbitrage earnings due to the IRS.

NOTE 13 CONTINGENT LIABILITIES

State Awards – The Agency receives participates in certain state programs that are fully or partially funded by grants received from other government units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Agency may be required to reimburse the grantor government. As of December 31, 2022 and 2021, significant amounts of grant expenditures have not been audited by the grantor agency, but the Agency believes that disallowed expenditures, if any, based on subsequent events will not have a material effect on the overall financial position of the Agency.

NOTE 14 OTHER MATTERS

Property Held for Redevelopment – The Agency currently owns 2 parcels of real property which are not recorded in the Agency's financial statements. These properties are known on the City's tax map as Block 305, Lot 8.31 and Block 305, Lot 3 and were acquired from the City at no cost. Based on representations made by the Agency's general counsel, these parcels should not be reported on the Agency's basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION

**RAHWAY REDEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Ten Years ***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Agency's Proportion of the Net Position Liability (Asset)	0.00020%	0.00020%	0.00028%	0.00032%	0.00032%	0.00032%	0.00080%	0.00079%	0.00076%	0.00061%
Agency's Proportionate Share of the Net Pension Liability (Asset)	\$ 36,396	\$ 36,396	\$ 50,713	\$ 57,073	\$ 63,106	\$ 75,635	\$ 235,834	\$ 178,282	\$ 145,397	\$ 114,142
Agency's Covered-Employee Payroll	\$ 22,508	\$ 22,508	\$ 22,508	\$ 22,508	\$ 22,508	\$ 22,508	\$ 22,508	\$ 38,646	\$ 54,783	\$ 53,709
Agency's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	161.70%	161.70%	225.31%	253.57%	280.37%	336.04%	1047.78%	461.32%	265.41%	212.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Local)	58.32%	58.32%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

* The amounts presented for each year were determined as of June 30 of the respective year.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68.

**RAHWAY REDEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AGENCY'S CONTRIBUTIONS**

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Ten Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily Required Employer Contribution	\$ 4,562	\$ 4,347	\$ 4,024	\$ 4,123	\$ 3,940	\$ 7,992	\$ 7,736	\$ 7,305	\$ 5,382	\$ 4,354
Contributions in Relation to the Contractually Required Contributions	<u>4,562</u>	<u>4,347</u>	<u>4,024</u>	<u>4,123</u>	<u>3,940</u>	<u>7,992</u>	<u>7,736</u>	<u>7,305</u>	<u>5,382</u>	<u>4,354</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered- Employee Payroll	\$ 22,508	\$ 22,508	\$ 22,508	\$ 22,508	\$ 22,508	\$ 22,508	\$ 22,508	\$ 38,646	\$ 54,783	\$ 53,709
Contributions as a Percentage of Covered-Employee Payroll	20.27%	19.31%	17.88%	18.32%	17.50%	35.51%	34.37%	18.90%	9.82%	8.11%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68.

**RAHWAY REDEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF AGENCY'S CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and
statutorily required employer contribution are presented in Note 7.

SUPPLEMENTARY SCHEDULE

RAHWAY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2022
BUDGETARY BASIS
(With Comparative Amounts for the Year Ended December 31, 2021)

	2022 Adopted <u>Budget</u>	2022 <u>Actual</u>	Variance <u>Excess (Deficit)</u>	2021 <u>Actual</u>
OPERATING REVENUES				
Intergovernmental - City of Rahway	\$ 1,139,823	\$ 1,139,824	\$ 1	\$ 1,141,854
Municipal Contribution - City of Rahway	100,000	116,800	16,800	100,000
Redevelopers Fees	100,000	49,005	(50,995)	41,277
Rental Income	24,000	24,080	80	24,000
Miscellaneous	-	-	-	19,444
Total Operating Revenues	<u>1,363,823</u>	<u>1,329,709</u>	<u>(34,114)</u>	<u>1,326,575</u>
NON-OPERATING REVENUES				
Interest on Investments	177	926	749	284
Total Non-Operating Revenues	<u>177</u>	<u>926</u>	<u>749</u>	<u>284</u>
Total Revenues	<u>1,364,000</u>	<u>1,330,635</u>	<u>(33,365)</u>	<u>1,326,859</u>
OPERATING APPROPRIATIONS				
Administration:				
Salaries and Wages	47,508	47,508	-	47,508
Fringe Benefits	10,813	9,767	1,046	9,549
Other Expenses	153,856	144,555	9,301	143,896
Total Administration	<u>212,177</u>	<u>201,830</u>	<u>10,347</u>	<u>200,953</u>
COST OF PROVIDING SERVICES				
Other Expenses	112,000	123,649	(11,649)	73,739
Total Cost of Providing Services	<u>112,000</u>	<u>123,649</u>	<u>(11,649)</u>	<u>73,739</u>
NON-OPERATING APPROPRIATIONS				
Principal Payment on Debt	1,015,000	1,015,000	-	985,000
Interest Payment on Debt	124,823	124,823	-	156,854
Total Non-Operating Appropriations	<u>1,139,823</u>	<u>1,139,823</u>	<u>-</u>	<u>1,141,854</u>
Total Appropriations	<u>1,464,000</u>	<u>1,465,302</u>	<u>(1,302)</u>	<u>1,416,546</u>
Budgetary Basis Income (Loss)	<u>\$ (100,000)</u>	<u>(134,667)</u>	<u>\$ (34,667)</u>	<u>(89,687)</u>

Reconciliation to GAAP Basis:

Increases to Budget Income (Loss):

Bond Principal Paid	1,015,000	985,000
Accrued Pension Expense	19,364	27,835
Accrued Interest Payable	8,600	7,957
Interest Expense - Original Issue Premium	5,213	6,865

Decreases to Budget Income (Loss):

Developer Escrow Expense - Uncollectible Accounts	-	(101,295)
Interest Expense - Loss on Refunding	(2,471)	(4,850)
Depreciation Expense	(330,550)	(330,549)

Change in Net Position	<u>\$ 580,489</u>	<u>\$ 501,276</u>
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GOVERNMENT AUDITING STANDARDS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRISTOPHER VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA, PSA

**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
Rahway Redevelopment Agency
Rahway, 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 Rahway Redevelopment Agency, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the Rahway Redevelopment Agency's basic financial statements, and have issued our report thereon dated March 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rahway Redevelopment Agency's internal control over financial reporting (internal control) as a basis for designing 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 Rahway Redevelopment Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 weakness 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rahway 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we have reported to management of the Rahway Redevelopment Agency in the section of this report of audit entitled "General Comments / Recommendations".

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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

Fair Lawn, New Jersey
March 31, 2023

ROSTER OF OFFICIALS
AND
GENERAL COMMENTS AND RECOMMENDATIONS

ROSTER OF OFFICIALS

DECEMBER 31, 2022

<u>Name</u>	<u>Title</u>
Armando Sanchez	Chairman
Jeremy Mojica	Commissioner
Timothy Nash	Commissioner
Mary Gustofson	Commissioner
Tony Dalmau	Commissioner
Thomas O'Reilly	Commissioner
Ebony Parham	Commissioner
Robert Landolfi	Executive Director
Matthew Pukavich	Deputy Executive Director
Frank Ruggiero	Chief Financial Officer/Treasurer
Louis Rainone	General Counsel

GENERAL COMMENTS / RECOMMENDATIONS

General Comments

- 1) There exists a receivable balance of \$64,338 due from the NJEDA for monies expended but not reimbursed.
- 2) There exists Developer escrow receivables that remain uncollected.
- 3) Checks issued for payment of invoices only contain one signature.

Recommendations

It is recommended that:

- 1) Efforts be made to collect the NJEDA grant receivable.
- 2) Efforts be made to collect old Developer escrow receivables.
- 3) All checks for payment require two signatures.


Appreciation

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

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Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.

Respectfully submitted,


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