

**FINANCIAL STATEMENTS OF THE
MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
FOR THE YEAR ENDED DECEMBER 31, 2018**

Prepared by:
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Of Samuel Klein and Company
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MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
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YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Milltown Redevelopment Agency
Borough of Milltown
County of Middlesex, New Jersey

Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Milltown Redevelopment Agency, Borough of Milltown, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2018 and the related Notes to Financial Statements, which collectively comprise the Milltown Redevelopment Agency's basic financial statements, as listed in the table of contents. The financial statements for the year ended December 31, 2017 was audited by another firm whose opinion dated August 27, 2018 was unmodified.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Milltown Redevelopment Agency, as of December 31, 2018, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, pages 6 to 9 and Budgetary Comparison Information, pages 23 to 24 as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Milltown Redevelopment Agency's basic financial statements. The supplemental schedules and the combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, are not a required part of the basic financial statements, and the other information such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Combining and Individual Fund Statements are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Combining and Individual Fund Statements are in relation to the basic financial statements as a whole.

The supplemental data identified above has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2019, on our consideration of the Milltown Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Milltown 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 Milltown Redevelopment Agency internal control over financial reporting compliance.



Gerard Stankiewicz
Certified Public Accountant
Licensed Public School Accountant #912



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
July 31, 2019

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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

Honorable Chairman and Members of the
Milltown Redevelopment Agency
Middlesex County, 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 Governmental Auditing Standards issued by the Comptroller General of the United States, the financial statements and fund information of Milltown Redevelopment Agency, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which comprise of the Milltown Redevelopment Agency's financial statements, and have issued our report thereon dated July 31, 2019.

Internal Control Over Financial Reporting

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

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

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

**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
(CONTINUED)**

Compliance and Other Matters

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

Purpose of this Report

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



Gerard Stankiewicz
Certified Public Accountant
Registered Municipal Accountant #431



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
July 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018

The Milltown Redevelopment Agency (the "Agency") is a component-unit of the Borough of Milltown, Middlesex County, New Jersey (the "Borough"). The following Management's Discussion and Analysis of the activities and financial performance of the Agency provide an introduction of the financial statements of the Agency for the year ended December 31, 2018. Please read it in conjunction with the Agency's financial statements and accompanying notes.

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

FINANCIAL HIGHLIGHTS

General Fund

- Cash increased by \$2,765 to \$3,793 in 2018 from \$1,028 in 2017.
- Accounts Receivable decreased by \$3,804 to \$7,694 in 2018 from \$11,498 in 2017.
- Current Liabilities decreased by \$1,289 to \$11,487 in 2018 from \$12,776 in 2017.
- Operating Revenues decreased by \$7,302 to \$49,196 in 2018 from \$56,498 in 2017
- Operating Expenses decreased by \$ by \$12,337 to \$49,196 in 2018 from \$61,533 in 2017
- Fund Balance/Net Assets did not change in 2018 compared to 2017.

Special Revenue Fund (Grants)

- Cash increased by \$732 to \$3,849 in 2018 from \$3,117 in 2017.
- Revenue increased by \$4,270 to \$12,270 in 2018 from \$8,000 in 2017.
- Expenses increased by \$4,270 to \$12,270 in 2018 from \$8,000 in 2017.

The increases in the revenues and expenses are mainly due to an increased amount of oversight expenses paid to NJDEP.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide financial statements provide both short-term and long-term information about the Agency's overall financial status. The government-wide financial statements are designed to provide readers with a broad overview of the agency's finances, in a manner similar to a private sector business.
- Fund financial statements that focus on individual parts of the Agency, reporting the Agency's operations in more detail than the district-wide statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Agency can be categorized into one category – governmental funds.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

FINANCIAL ANALYSIS OF THE AGENCY

Financial Position

The following table summarizes the Governmental Fund Balance Sheet between December 31, 2018 and 2017.

	2018	2017	Increase/(Decrease)	
			Amount	Percent
Current Assets:				
General Fund	\$ 11,487	\$ 12,776	\$ (1,289)	-10.09%
Special Revenue Fund	<u>3,849</u>	<u>3,117</u>	<u>732</u>	<u>23.48%</u>
Total	<u>\$ 15,336</u>	<u>\$ 15,893</u>	<u>\$ (557)</u>	<u>-3.50%</u>
Current Liabilities:				
General Fund	\$ 11,487	\$ 12,776	\$ (1,289)	-10.09%
Special Revenue Fund	<u>3,849</u>	<u>3,117</u>	<u>732</u>	<u>23.48%</u>
Total	<u>\$ 15,336</u>	<u>\$ 15,893</u>	<u>\$ (557)</u>	<u>-3.50%</u>

Results of Operations

The following table summarizes the changes in results of operations between fiscal years 2018 and 2017.

	2018	2017	Increase/(Decrease)	
			Amount	Percent
General:				
Operating Revenue	\$ 49,196	\$ 56,498	\$ (7,302)	-12.92%
Grant Revenue	<u>12,270</u>	<u>8,000</u>	<u>4,270</u>	<u>53.38%</u>
Total	<u>61,466</u>	<u>64,498</u>	<u>(3,032)</u>	<u>-4.70%</u>
Operating:				
Operating Expenses	\$ 49,196	\$ 61,533	\$ (12,337)	-20.05%
Grant Expenditures	<u>12,270</u>	<u>8,000</u>	<u>4,270</u>	<u>53.38%</u>
Total	<u>\$ 61,466</u>	<u>\$ 69,533</u>	<u>\$ (8,067)</u>	<u>-11.60%</u>
Excess/(Deficit) of Revenues over Expenditures	<u>\$ -</u>	<u>\$ (5,035)</u>	<u>\$ 5,035</u>	<u>-100.00%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

STATE GRANT AWARD

In April 2008, the Agency was awarded a State Grant from the Hazardous Discharge Site Remediation Fund Municipal Grant Program. The Agency awarded a professional services agreement contract to Najarian Associates to provide engineering services in the area of site investigation and related environmental services for the Ford Avenue site.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Agency has not acquired any capital assets and carries no debt as of the date of this report.

CONTACTING THE AGENCY'S MANAGEMENT

This financial report is designed to provide Milltown Borough residents and taxpayers, and the Agency's customers, investors and creditors, with the general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Executive Director, Milltown Redevelopment Agency, 22 Bressler Road, Flemington, New Jersey 08822.

FINANCIAL STATEMENTS

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
GOVERNMENTAL FUNDS
STATEMENT OF ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Special Revenue Fund	Total
<u>ASSETS</u>			
Cash and Investments	\$ 3,793.27	\$ 3,848.91	\$ 7,642.18
Due from Developer	<u>7,693.84</u>	<u> </u>	<u>7,693.84</u>
Total Assets	<u>\$ 11,487.11</u>	<u>\$ 3,848.91</u>	<u>\$ 15,336.02</u>
<u>LIABILITIES</u>			
Accounts Payable and Accrued Expenses	\$ 11,487.11	\$ 1,000.00	\$ 12,487.11
Unearned Revenue	<u> </u>	<u>2,848.91</u>	<u>2,848.91</u>
Total Liabilities	<u>\$ 11,487.11</u>	<u>\$ 3,848.91</u>	<u>\$ 15,336.02</u>

See Notes to Financial Statements

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
STATEMENT OF GOVERNMENTAL FUND REVENUES AND EXPENDITURES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Expenditures/Expenses:			
Redevelopment - Operations	\$ <u>49,195.75</u>	\$ <u>12,270.00</u>	\$ <u>61,465.75</u>
Total Expenditures/Expenses	\$ <u><u>49,195.75</u></u>	\$ <u><u>12,270.00</u></u>	\$ <u><u>61,465.75</u></u>
General Revenues:			
Development Fees	\$ 49,195.75	\$ 12,268.02	\$ 61,463.77
Interest Revenues	<u> </u>	<u> 1.98</u>	<u> 1.98</u>
Total General Revenues	\$ <u><u>49,195.75</u></u>	\$ <u><u>12,270.00</u></u>	\$ <u><u>61,465.75</u></u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

MILLTOWN REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1. **REPORTING ENTITY/AUTHORIZING LEGISLATION**

Authorizing Legislation - The Milltown Redevelopment Agency (the Agency) is a public body corporate and politic body organized under the laws of the State of New Jersey and was created by an ordinance adopted by the governing body, effective in September 2001, of the Borough of Milltown ("the creating municipality"), a municipal corporation of the State of New Jersey located in the County of Middlesex.

The Agency was created for the purpose of fostering the economic development of the community, specifically the revitalizing the Ford Avenue Business District within the boundaries of Milltown Borough.

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

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

The Local Finance Board adopted the resolution approving the Borough's request for establishment of a redevelopment agency. The Borough adopted the enacting ordinance on September 10, 2001. The Milltown Redevelopment Agency began operation during the calendar year 2002.

The Agency has no stockholders or equity holders.

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

MILLTOWN REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **General Statement**

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

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

B. **Reporting Entity**

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

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

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

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

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

MILLTOWN REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. **Basis of Presentation**

GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments established standards for external financial reporting for all state and local governmental entities, which includes a Management’s Discussion and Analysis section, a Balance Sheet and a Statement of Revenues, Expenses and Change in Net Assets. It requires the classification of Net Assets into three components – Invested in Capital Assets, net of related debt; Restricted for Debt Service; and Unrestricted. The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Agency.

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

Fund Financial Statements:

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

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

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

MILLTOWN REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Fund Financial Statement (Continued):

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

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

D. Measurement Focus/Basis of Accounting

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

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

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

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

E. Cash and Cash Equivalents

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

MILLTOWN REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. **Investments**

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

G. **Reconciliation of Adjustments**

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

Statement of Net Assets and Governmental Fund Balance Sheet:

		<u>From</u>		<u>Adjustment</u>		<u>To</u>
Fund Balance:						
Unreserved	\$	None		\$	None	\$ None
Net Assets:						
Unrestricted	\$	None		\$	None	\$ None

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

		<u>From</u>		<u>Adjustment</u>		<u>To</u>
Excess/(Deficiency) of						
Revenue over/Expenditures	\$	None		\$	None	\$ None
Change in Net Assets	\$	None		\$	None	\$ None

H. **Use of Estimates**

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

MILLTOWN REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. **Other Accounting Standards**

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

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Agency does not expect this Statement to impact its financial statements.

- GASB Statement No. 84. *Fiduciary Activities*. This objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Agency does not expect this Statement to impact its financial statements.

- *GASB Statement No. 88. Certain Disclosures Related to Debt, including Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information and is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

MILLTOWN REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. **Other Accounting Standards (Continued)**

- *GASB Statement No. 89. Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively. The Agency does not expect this Statement to impact its financial statements.

- *GASB Statement No. 90. Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Agency does not expect this Statement to impact its financial statements.

- *GASB Statement 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 associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Agency does not expect this Statement to impact its financial statements.

J. **Subsequent Events**

Management has reviewed and evaluated all events and transactions from December 31, 2018 through July 31, 2019, the date that the financial statements are issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Agency that would require disclosure.

MILLTOWN REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 3. **DEPOSITS, CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

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

If the public funds deposited exceed seventy-five (75) percent of the capital funds of the depository, the depository must provide collateral having a market value equal to one hundred (100) percent of the amount exceeding seventy-five (75) percent.

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

Cash and Cash Equivalents

A summary of cash and cash equivalents at December 31, 2018 and 2017 are as follows:

<u>Type</u>	<u>2018</u>	<u>2017</u>
Savings/Demand on Deposit (Insured FDIC)	\$ <u>13,532.83</u>	\$ <u>7,536.10</u>
Carrying Amount	\$ <u>7,642.18</u>	\$ <u>4,144.95</u>

Difference is attributed to reconciling items in the form of outstanding checks at December 31, 2018.

Credit Risk – Cash and Cash Equivalents

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The government does not have a specific deposit policy for custodial risk other than those policies that adhere to the requirements of statute. As of December 31, 2018, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amount of the Agency's bank balance was considered exposed to custodial risk.

MILLTOWN REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 3. **DEPOSITS, CASH AND CASH EQUIVALENTS AND INVESTMENTS**
(CONTINUED)

Investments

The Agency held no investments at December 31, 2018 and no investment activity related to purchase and redemption during the calendar year 2018.

Credit Risk - Investments

Custodial Credit Risk – Investments – Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the Government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Agency had no investments at December 31, 2018.

Note 4. **CAPITAL ASSETS**

The Agency did not acquire property, plant, and/or equipment during the year ended December 31, 2018.

Note 5. **STATE GRANT AWARD**

In April 2008, the Agency was awarded a State Grant from the Hazardous Discharge Site Remediation Fund Municipal Grant Program. The Agency awarded a professional services agreement contract to an environmental engineering firm to provide engineering services in the area of site investigation and related environmental services for the Ford Avenue site.

Note 6. **OPERATING LEASES**

The Agency did not enter into any lease agreements during 2018, and accordingly no future minimum lease payments disclosed.

Note 7. **LONG TERM/SHORT TERM OBLIGATIONS**

The Agency did not authorize or issue any long-term or short-term obligations during the year ended December 31, 2018.

MILLTOWN REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 8. **UNEARNED REVENUE**

At December 31, 2018 the Agency reported in the Special Revenue Fund deferred revenue as follows:

	December 31,	
	2018	2017
Interest Earned on Investments	\$ 2,848.91	\$ 3,116.93

The grant agreement states that the Agency must maintain funds received from the Grantor in a separate interest bearing bank account. The Agency may spend the interest earned for costs relating to the project. However, any remaining interest is to be returned to the Grantor at the end of the project.

Note 9. **CONTINGENT LIABILITIES AND PENDING LITIGATION**

Litigation

In 2018 and for several years prior, the Milltown Redevelopment Agency had litigation pending as follows:

As of December 31, 2018 and the date of this report, the Milltown Redevelopment Agency had litigation pending:

SB Building Associates, LP, SB Milltown Industrial Realty Holdings, LLC and Alsol Corporation vs. the Borough of Milltown and the Planning Board of the Borough of Milltown, Boraie Development, LLC, the Milltown Ford Avenue Redevelopment Agency, the County of Middlesex and the Board of Chosen Freeholders of the County of Middlesex. The complaint alleged that the court should grant relief sought by the Plaintiff due to unmet regional need for low and moderate income housing as required by the New Jersey Council on Affordable Housing. The complaint filed by the plaintiffs against the municipal defendants is whether the plaintiffs are entitled to a builder's remedy, i.e. whether the Borough of Milltown has failed to meet its obligation to provide low and moderate affordable housing obligations under the Mt. Laurel Doctrine.

SB Building Associates, LP, SB Milltown Industrial Realty Holdings, LLC vs. the Borough of Milltown, the Mayor and Council of the Borough of Milltown and the Milltown Ford Avenue Redevelopment Agency. The plaintiff sought relief from the court relating to various allegations with respect to the plaintiff's property.

MILLTOWN REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 9. CONTINGENT LIABILITIES AND PENDING LITIGATION (CONTINUED)

Litigation (Continued)

A ruling was made on October 12, 2011, which provided guidance to the parties as to the process to be adhered to moving forward. Management's review of other litigation pending indicates that any judgements rendered against the Agency will not have a material adverse impact on the Agency's financial position.

A trial to resolve these issues took place on July 10, 2017 through July 14, 2017. An additional day of trial was held on February 26, 2018 to address permitted rebuttal and sur-rebuttal testimony. In a decision dated July 30, 2018, the court ruled in favor of the Borough defendants. During 2018 a ruling was made that ordered 350 units to be built on the property. There are continuing legal matters related to this property which will be the subject of future litigation.

Grant Program

The Agency participates in a state financial assistance grant program. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreement and applicable regulations, including the expenditures of funds for eligible purposes. This program is also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2018, the Agency does not believe that any material liabilities will result from such potential audits.

Other

The Agency has made payments over the last few years for reimbursements for oversight costs of which all had been reimbursed to the Agency by the Redeveloper. Monthly payments have been made and will continue to be made and reimbursed by the Redeveloper through February of 2021, at which time a balance of \$30,882.07 will be due, which the Agency believes will also be the Redeveloper's responsibility.

SUPPLEMENTARY SCHEDULES AND DATA

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH AND CASH EQUIVALENT
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Cash and Cash Equivalent Balances - December 31, 2017	\$ <u>1,028.02</u>	\$ <u>3,116.93</u>	\$ <u>4,144.95</u>
Cash Receipts:			
Development Fees	\$ 41,501.91	\$ 12,000.00	\$ 53,501.91
Due from Developer - Prior Year	11,498.09		11,498.09
Interest Revenues		1.98	1.98
	<u>53,000.00</u>	<u>12,001.98</u>	<u>65,001.98</u>
Total Cash Receipts			
	<u>53,000.00</u>	<u>12,001.98</u>	<u>65,001.98</u>
Total Cash Receipts and Balance	\$ <u>54,028.02</u>	\$ <u>15,118.91</u>	\$ <u>69,146.93</u>
Cash Disbursements:			
Accounts Payable	\$ 12,776.11		\$ 12,776.11
Current Year Operating Expenses	<u>37,458.64</u>	<u>11,270.00</u>	<u>48,728.64</u>
Total Cash Disbursements	\$ <u>50,234.75</u>	\$ <u>11,270.00</u>	\$ <u>61,504.75</u>
Cash and Cash Equivalent Balance - December 31, 2018	\$ <u><u>3,793.27</u></u>	\$ <u><u>3,848.91</u></u>	\$ <u><u>7,642.18</u></u>

Analysis of Cash and Cash Equivalent Balance - December 31, 2018:

By Account Type:			
Demand Account	\$ <u><u>3,793.27</u></u>	\$ <u><u>3,848.91</u></u>	\$ <u><u>7,642.18</u></u>

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES COMPARED
TO BUDGET AND COMPARATIVE ACTUAL REVENUES (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>		<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUE			
General Fund:			
Operating:			
Development Fees	\$ 135,700.00	\$ 49,195.75	\$ 56,498.09
Interest Income			2.84
	<u>135,700.00</u>	<u>49,195.75</u>	<u>56,500.93</u>
Special Revenue Fund:			
Grant		12,270.00	7,997.16
		<u>12,270.00</u>	<u>7,997.16</u>
Total Revenues - Budgetary	<u>\$ 135,700.00</u>	<u>\$ 61,465.75</u>	<u>\$ 64,498.09</u>
EXPENSES			
General Fund:			
Administration:			
Salaries and Wages	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00
Other Expenses	3,200.00	1,631.00	3,417.24
	<u>18,200.00</u>	<u>16,631.00</u>	<u>18,417.24</u>
Cost of Providing Services:			
Other Expenses	117,500.00	32,564.75	43,115.88
	<u>117,500.00</u>	<u>32,564.75</u>	<u>43,115.88</u>
Special Revenue Fund:			
Expenditures		12,270.00	8,000.00
		<u>12,270.00</u>	<u>8,000.00</u>
Total Expenses - Budgetary	<u>\$ 135,700.00</u>	<u>\$ 61,465.75</u>	<u>\$ 69,533.12</u>
Budgetary Revenues over/(under) Expenses	<u>None</u>	<u>None</u>	<u>\$ (5,035.03)</u>
Reconciliation of Budgetary Basis to Net Income:			
Budgetary Revenues over/(under) Expenses			
Brought Forward		None	\$ (5,035.03)
Net Income (Loss)		<u>None</u>	<u>\$ (5,035.03)</u>

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY

ROSTER OF OFFICIALS

The following officials were in office at December 31, 2018:

<u>AGENCY COMMISSIONERS</u>	<u>POSITION</u>
Frances Guyette	Chairman
Eric Steeber	Vice Chairperson
Richard K. Rydstrom	Executive Director
Richard Revolinsky	Council Representative
Gisela Ciancia	Member
Larry Citro	Member
Nicole Agel	Member
Rachel Weissenburger	Member

AUDITOR'S COMMENTS AND RECOMMENDATIONS

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
GENERAL COMMENTS
DECEMBER 31, 2018

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Milltown Redevelopment Agency, Borough of Milltown, County of Middlesex, New Jersey, for the period ended December 31, 2018 has been completed.

Scope of Audit

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

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

INTERNAL CONTROL MATTERS

Control Deficiencies:

Segregation of Duties

Conditions exist whereby the same person may collect, record, deposit, disburse, analyze and/or reconcile cash activity within the Agency's finance function.

This condition is the result of multiple tasks performed by the same individual within the organization.

It should be noted that the activity is limited to certain number of members who are approved by the Board of Commissioners.

Documentation of Components of Internal Control

As required by Statement on Auditing Standards Nos. 112/115/117, entities subject to audit are required to provide documentation of the various components of its internal controls.

The Agency should consider documenting the various components of its internal controls.

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
RECOMMENDATIONS
DECEMBER 31, 2018

None.

ACKNOWLEDGMENT

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

CONCLUSION

The problems and weaknesses noted in my audit were not of such a magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to contact me.

Very truly yours,



Gerard Stankiewicz
Certified Public Accountant
Registered Municipal Accountant #431

For the Firm
SAMUEL KLEIN AND COMPANY