MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2016

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

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY

TABLE OF CONTENTS

		PAGE(S)
Independent Auditor's Report		1 – 3
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		4 - 5
REQUIRED SUPPLEMENTARY INFORMATION		6
Management's Discussion and Analysis		7 - 9
FINANCIAL STATEMENTS		10
Exh. A	Governmental Funds Balance Sheet/ Statement of Net Position - December 31, 2016	11
Exh. B	Statement of Governmental Fund Revenues, Expenses and Changes in Fund Balance/ Statement of Activities - Year Ended December 31, 2016	12
Notes to Financial Statements		13 - 20
SUPPLEMENTAL SCHEDULES AND DATA		21
Sch. 1	Supplemental Schedule of Cash Receipts, Disbursements and Changes in Cash and Investments	22
Sch. 2	Supplemental Schedule of Revenues and Expenses Compared To Budget and Actual Revenues (Budgetary Basis)	23
Sch. 3	Roster of Officials	24
General Comments		25 - 26
Recommendations		27

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)

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

JO ANN BOOS, CPA, PSA

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milltown Redevelopment Agency, Middlesex County, New Jersey as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 error or fraud.

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 the audit requirements 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 entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statement 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, Middlesex County, New Jersey as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Milltown Redevelopment Agency, Middlesex County, New Jersey's basic financial statements. The supplemental schedules and data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Data and Schedules are the responsibility of management and were derived from and relate 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental data section is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2017 on our consideration of the Milltown Redevelopment Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over 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's internal control over financial reporting and compliance.

Hodulik & Morrison, P.A.

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

Andrew G. Hodulik
Registered Municipal Account
No. 406

Highland Park, New Jersey
May 26, 2017

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)

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

JO ANN BOOS, CPA, PSA

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

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
Milltown Redevelopment Agency
Middlesex County, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milltown Redevelopment Agency, Middlesex County, New Jersey as of and for the year ended December 31, 2016, and the related noted to the financial statements, which collectively comprise the Milltown Redevelopment Agency's basic financial statements and have issued our report thereon dated May 26, 2017.

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 opinion 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Milltown Redevelopment Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Hodulik & Morrison, P.A.

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

Andrew G. Hodulik
Registered Municipal Account
No. 406

Highland Park, New Jersey
May 26, 2017

REQUIRED SUPPLEMENTARY INFORMATION

MILLTOWN REDEVELOPMENT AGENCY
MIDDLESEX COUNTY, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016
(Unaudited)

The Milltown Redevelopment Agency (the "Authority") 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 Authority provide an introduction to the financial statements of the Authority for the year ended December 31, 2016. Please read it in conjunction with the Authority'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 and investments decreased by $552 (3.3%) to $16,717 in 2016 from $17,269 in 2015.

Current liabilities increased by $1,929 (19.3%) to $11,932 in 2016 from $10,003 in 2015.

General revenues decreased by $27,559 (36.7%) to $47,441 in 2016 from $75,000 in 2015.

Operating expenses decreased by $47,318 (48.7%) to $49,921 in 2016 from $97,239 in 2015.

Fund Balance/Net Position decreased by $2,480 (33.0%) to $5,035 in 2016 from $7,515 in 2015.

Special Revenue Fund

Cash and investments and current liabilities decreased by $1,678 (44.2%) to $3,792 in 2016 from $3,792 in 2015.

Revenues and expenses decreased by $2,531 (150.6%) to $1,681 in 2016 from $4,212 in 2015.

The decreases in the revenues and expenses are mainly due to the decreased amount in the Hazardous Discharge Site Remediation Fund Municipal Grant Program expenses in 2016.

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 governmental-wide financial statements, governmental fund financial statements focus on current resources uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Financial Position. The following table summarizes the Governmental Fund Balance Sheet and Statement of Net Position between December 31, 2016 and 2015:

	2016	2015	% Increase/ (Decrease)
Current assets	$19,081	$21,311	(10.5%)
Total assets	19,081	21,311	(10.5%)
Current liabilities	14,046	13,796	1.8%
Total liabilities	14,046	13,796	1.8%
Net Position	$5,035	$7,515	(33.0%)

Results of Operations. The following table summarizes the changes in results of operations between fiscal years 2016 and 2015:

	2016	2015	% Increase/ (Decrease)
Operating - expenses	$51,602	$101,451	(49.1%)
Total expenditures	51,602	101,451	(49.1%)
General - revenues - net	49,122	79,212	(38.0%)
Excess/(Deficit) of Revenues over Expenditures	($2,480)	($22,239)	(111.2%)

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

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Milltown Borough residents and taxpayers, and the Authority's customers, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority'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 Michael Avenue, Milltown, New Jersey, 08850.

FINANCIAL STATEMENTS

Exhibit - A

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY

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

	General Fund	Special Revenue Fund	Total	Adjustments (Note 2G.)	Statement Position
ASSETS					
Cash and investments	$ 16,716.69	$ 2,114.09	$ 18,830.78	$	$ 18,830.78
Prepaid Expense	250.00	-	250.00		250.00
Total Assets	$ 16,966.69	$ 2,114.09	$ 19,080.78	$	$ 19,080.78
LIABILITIES					
Accounts payable and accrued expenses	$ 11,931.66	$	$ 11,931.66	$	$ 11,931.66
Deferred Revenue		2,114.09	2,114.09		2,114.09
Total Liabilities	11,931.66	2,114.09	14,045.75	-	14,045.75
FUND BALANCE/ NET POSITION					
Fund balances:					
Unreserved	$ 5,035.03	$ -	$ 5,035.03	$ (5,035.03)	$ -
Total fund balance	5,035.03	-	5,035.03	(5,035.03)	-
Total liabilities and fund balance	$ 16,966.69	$ 2,114.09	$ 19,080.78		
Net position:					
Unrestricted				5,035.03	5,035.03
Total net position				$ 5,035.03	$ 5,035.03

Note: See Notes to Financial Statements.

Exhibit - B

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY

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

	General Fund	Special Revenue Fund	Total	Adjustments (Note 2G.)	Statement of Activities	
Expenditures/ expenses:						
Redevelopment - operations	$ 49,921.14	1,680.80	$ 51,601.94	$	$ 51,601.94	
Total expenditures/ expenses	49,921.14	1,680.80	51,601.94		51,601.94	
General revenues:						
State Grant Revenues		1,677.97	1,677.97		1,677.97	
Development fees	47,441.08		47,441.08		47,441.08	
Interest Revenues		2.83	2.83		2.83	
Total general revenues	47,441.08	1,680.80	49,121.88		49,121.88	
Excess/(deficiency) of revenues over expenditures	(2,480.06)		(2,480.06)	2,480.06		
Change in net position				(2,480.06)	(2,480.06)	22239
Fund balance/ net position:						
Beginning of the year	7,515.09		7,515.09		7,515.09	
End of the year	$ 5,035.03	$	$ 5,035.03	$ -	$ 5,035.03	

Note: See Notes to Financial Statements.

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 Authority shall consist of seven commissioners, each of whom shall be appointed by the Mayor with the advice and consent of the Borough Council.

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

The Local Finance Board adopted the 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, accordingly, the year ended December 31, 2002 represent the first year of operation.

The Agency has no stockholders or equity holders.

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 Position. It requires the classification of Net Position into three components – Net Investment in Capital Assets; Restricted for Debt Service; and Unrestricted. The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Agency.

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

Fund Financial Statements:

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Presentation (Cont'd)

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.

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 position 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.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 Position and Governmental Fund Balance Sheet:

	From	Adjustment	To
Fund Balance Unreserved	$5,035.03	($5,035.03)	$0
Net Position Unrestricted	$0	$5,035.03	$5,035.03

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

	From	Adjustment	To
Excess/(deficiency) of Revenues over Expenditures	($2,480.06)	$2,480.06	$0
Change in Net Position	$0	($2,480.06)	($2,480.06)

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.

I. Recent Accounting Standards

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

GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" in June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

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

GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in June 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

I. Recent Accounting Standards (Cont'd)

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

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

GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" in December 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions.

GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants" in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants.

GASB issued Statement No. 80, "Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14" in January 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

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

GASB issued Statement No. 82, "Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73" in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

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

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

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 5 percent of the average daily balance of public funds; or

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

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

Cash and Cash Equivalents

The carrying amount of the Authority's cash and cash equivalents at year-end 2016 and 2015 were $18,830.78 and $21,060.55, respectively. A summary of the cash and cash equivalents at December 31, 2016 and 2015 are as follows:

Type	2016 Amount	2015 Amount
Savings/Demand – Insured FDIC	$18,830.78	$21,060.55

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 District's deposits may not be returned. The government does not have a specific deposit policy for custodial risk other than those policies that adhere to the requirements of statute. As of December 31, 2016, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amount of the Agency's bank balance of $24,973.28 was considered exposed to custodial risk.

Investments

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

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, 2016.

Note 4: PROPERTY, PLANT AND EQUIPMENT

The Agency did not acquire Property, Plant, and/or equipment during the year ended December 31, 2016.

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 Najarian Associates 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 2016, 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, 2016.

Note 8: DEFERRED REVENUE

At December 31, 2016, the Agency reported in the Special Revenue Fund deferred revenue as follows:

Interest Earned on Investments	$2,114.09

The 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

As at December 31, 2016 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.

Note 9: **CONTINGENT LIABILITIES AND PENDING LITIGATION (CONT'D.)**

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.

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 judgments rendered against the Agency will not have a material adverse impact on the Agency's financial position.

A motion is pending in the trial court filed by defendant developer seeking an extension of the time to deposit funds into court and to make a decision to proceed with the filing of an eminent domain action.

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, 2016, the Agency does not believe that any material liabilities will result from such potential audits.

Note 10: **SUBSEQUENT EVENTS**

There were no items subsequent to the balance sheet date and through the date of this report that would have a material effect on the financial statements.

SUPPLEMENTAL SCHEDULES AND DATA

Schedule 1

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY

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

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL
Cash and Investment Balances - December 31, 2015	$ 17,268.49	$ 3,792.06	$ 21,060.55
Cash Receipts:			
Development Fees	47,441.08		47,441.08
Interest Revenues		2.83	2.83
Total Cash Receipts	47,441.08	2.83	47,443.91
Total Cash Receipts and Balance	64,709.57	3,794.89	68,504.46
Cash Disbursements:			
Operating Expenses	47,992.88		47,992.88
State Grant Appropriations		1,680.80	1,680.80
Total Cash Disbursements	47,992.88	1,680.80	49,673.68
Cash and Cash Equivalent Balance - December 31, 2016	$ 16,716.69	$ 2,114.09	$ 18,830.78

Analysis of Cash and Cash Equivalent Balance - December 31, 2016:

By Account Type:			
Demand Account	$ 16,716.69	$ 2,114.09	$ 18,830.78
	$ 16,716.69	$ 2,114.09	$ 18,830.78

Schedule 2

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
MIDDLESEX COUNTY, NEW JERSEY

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

	2016 BUDGET	2016 ACTUAL	2015 ACTUAL
Revenues:			
Development Fees	$ 138,000.00	$ 47,441.08	$ 75,000.00
State Grant Revenues		1,677.97	4,205.82
Interest Income		2.83	6.18
TOTAL REVENUES - BUDGETARY	$ 138,000.00	$ 49,121.88	$ 79,212.00
Expenses:			
Administration			
Salaries and Wages	$ 15,000.00	$ 15,000.00	$ 15,000.00
Other Expenses	3,000.00	4,393.64	4,459.79
Cost of Providing Services			
Other Expenses	120,000.00	30,527.50	77,779.12
State Grant Expenditures		1,680.80	4,212.00
TOTAL EXPENSES - BUDGETARY	$ 138,000.00	$ 51,601.94	$ 101,450.91
Budgetary Revenues over Expenses	$	$ (2,480.06)	$ (22,238.91)
Reconciliation of Budgetary Basis to Net Income:			
Budgetary Revenues over Expenses Brought Forward		$ (2,480.06)	$ (22,238.91)
Net Income (Loss)		$ (2,480.06)	$ (22,238.91)

MILLTOWN FORD AVENUE REDEVELOPMENT AGENCY
Borough of Milltown
22 Michael Avenue
Milltown, NJ 08850
(732) 718-7829 (732) 846-4596 (Fax)

Frances Guyette, Chairman
Eric Steeber, Vice-Chairman
Richard K. Rydstrom, Executive Director

MEMBERS
Gisela Ciancia
Larry Citro
Neil Raciti
Richard Revolinsky
Rachel Weissenburger

MILLTOWN REDEVELOPMENT AGENCY
BOROUGH OF MILLTOWN
COUNTY OF MIDDLESEX, NEW JERSEY

GENERAL COMMENTS AND RECOMMENDATONS
YEAR ENDED DECEMBER 31, 2016

GENERAL COMMENTS

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

Scope of Audit

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

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

INTERNAL CONTROL MATTERS

Control Deficiencies:

Segregation of Duties

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

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

Canceled Checks

The current arrangement with the Agency's financial institution provides for photocopies of the canceled checks to be included in the monthly bank statements, rather than the individual checks. The manner in which the photocopies are presented does not allow for a review of the endorsements on the back of the respective checks.

GENERAL COMMENTS

INTERNAL CONTROL MATTERS

Documentation of Components of Internal Control

As required by Statement on Auditing Standards No. 115, 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.

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or a material weakness need be reported in writing to management and those charged with governance. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or other applicable accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

RECOMMENDATIONS

NONE

* * * * * * * * * *

ACKNOWLEDGMENT

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

Very truly yours,

HODULIK & MORRISON, P.A.

Andrew G. Hodulik, CPA, RMA
No. 406