

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)

**Financial Statements and
Supplementary Information**

For the years ended December 31, 2024 and 2023

(With Independent Auditor's Report Thereon)

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, County of Atlantic, State of New Jersey)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Atlantic County Improvement Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Atlantic County Improvement Authority (hereafter referred to as the Authority), a component unit of the County of Atlantic, State of New Jersey, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Change in Accounting Principle

We draw attention to Note 18 of the financial statements, which explains that the financial statements for the year ended December 31, 2023, have been restated to correct compensated absences balances and expenses due to the implementation of Governmental Accounting Standards Board statement no. 101, *Compensated Absences*. As a result, compensated absences, operating expenses, and the respective changes in financial position have been restated to reflect the activity in accordance with generally accepted accounting principles. Our opinion is not modified in respect to this matter.

Responsibilities of Management for the Financial Statements

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

maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who

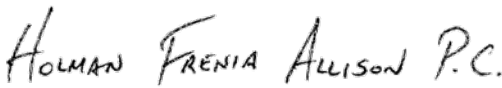
considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the other supplementary information 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 22, 2026
Lakewood, New Jersey

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Management's Discussion and Analysis

As management of the Atlantic County Improvement Authority, a component unit of the County of Atlantic (hereafter referred to as the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the years ended December 31, 2024 and 2023. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the information furnished in the notes to the financial statements and financial statements to enhance their understanding of the Authority's financial performance.

FINANCIAL HIGHLIGHTS

- The Authority's statements of net position present the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. As of December 31, 2024, the Authority reported total net position of \$1,408,384.
- As of December 31, 2024, the Authority's net position totaled \$1,408,384, an increase of \$191,776, or 15.8%, from \$1,216,608 at December 31, 2023. The increase was primarily attributable to positive operating results during the year, which contributed to an increase in unrestricted net position.
- As described in Note 18, *Restatement of Prior-Year Financial Statements*, the Authority implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, during the fiscal year ended December 31, 2024. The adoption of the standard resulted in the recognition and measurement of compensated absences liabilities attributable to services previously rendered and required a restatement of beginning net position. The implementation increased compensated absences payable by \$232,758 and decreased beginning unrestricted net position by the same amount. Prior-year balances reflected in the MD&A have been updated for comparison purposes to reflect the cumulative effect of adopting the new accounting guidance.

FINANCIAL POSITION SUMMARY

During 2024, the Authority's net position increased by \$191,776, compared to a decrease in net position of \$191,827 during 2023. Total net position increased from \$1,216,608 at December 31, 2023 to \$1,408,384 at December 31, 2024. During 2023, the Authority's net position decreased by \$191,827 from \$1,408,435 at December 31, 2022 to \$1,216,608 at December 31, 2023. The analyses that follow focus on the Authority's net position (Table 1) and changes in net position (Table 2).

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Management's Discussion and Analysis (continued)

FINANCIAL POSITION SUMMARY (continued)

Table 1 - Statements of Net Position
As of December 31,

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Unrestricted and Restricted Assets			
and Deferred Outflow of Resources	\$ 18,439,153	\$ 15,674,965	\$ 15,778,025
Capital Assets, net of Depreciation	14,574,667	14,857,946	15,178,784
Total Assets and Deferred Outflows of Resources	<u>\$ 33,013,820</u>	<u>\$ 30,532,911</u>	<u>\$ 30,956,809</u>
Unrestricted and Restricted Liabilities			
and Deferred Inflows of Resources	\$ 31,605,436	\$ 29,316,303	\$ 29,548,374
Total Liabilities and Deferred Inflows of Resources	<u>31,605,436</u>	<u>29,316,303</u>	<u>29,548,374</u>
Net Position			
Net Investment in Capital Assets	(390,333)	(297,054)	(156,216)
Restricted for Unemployment Reserve	35,208	36,846	27,385
Unrestricted (Deficit)	1,763,509	1,476,816	1,537,266
Total Net Position	<u>1,408,384</u>	<u>1,216,608</u>	<u>1,408,435</u>
Total Liabilities and Deferred Inflows of Resources			
and Net Position	<u>\$ 33,013,820</u>	<u>\$ 30,532,911</u>	<u>\$ 30,956,809</u>

Total assets and deferred outflows of resources increased by \$2,480,909, or 8.1%, from \$30,532,911 at December 31, 2023 to \$33,013,820 at December 31, 2024. The increase was primarily attributable to an increase in unrestricted and restricted assets and deferred outflows of resources of \$2,764,188, partially offset by a decrease in capital assets, net of accumulated depreciation, of \$283,279.

During 2023, total assets and deferred outflows of resources decreased by \$423,898, or 1.4%, from \$30,956,809 at December 31, 2022 to \$30,532,911 at December 31, 2023. The decrease was primarily attributable to reductions in unrestricted and restricted assets and deferred outflows of resources, together with the continued depreciation of capital assets.

Total liabilities and deferred inflows of resources increased by \$2,289,133, or 7.8%, from \$29,316,303 at December 31, 2023 to \$31,605,436 at December 31, 2024. The increase was primarily attributable to the implementation of Governmental Accounting Standards Board Statement No. 101, Compensated Absences, together with changes in pension and other postemployment benefit related liabilities and deferred inflows and outflows of resources.

During 2023, total liabilities and deferred inflows of resources decreased by \$232,071, or 0.8%, from \$29,548,374 at December 31, 2022 to \$29,316,303 at December 31, 2023. The decrease was primarily attributable to changes in pension and other postemployment benefit related liabilities and deferred inflows and outflows of resources.

As a result of these changes, the Authority's net position increased by \$191,776, or 15.8%, from \$1,216,608 at December 31, 2023 to \$1,408,384 at December 31, 2024. Restricted net position related to the unemployment reserve decreased by \$1,638, while unrestricted net position increased by \$286,693.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Management's Discussion and Analysis (continued)

FINANCIAL POSITION SUMMARY (continued)

During 2023, the Authority's net position decreased by \$191,827, or 13.6%, from \$1,408,435 at December 31, 2022 to \$1,216,608 at December 31, 2023. The decrease was primarily attributable to operating losses during the year, partially offset by improvements in nonoperating revenues.

The Authority uses these assets to conduct its operations; consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, the resources necessary to repay this debt must be provided from other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

The unemployment reserve is restricted pursuant to *N.J.S.A. 43:21-7.3(g)*, which requires that employer and employee contributions be held in a trust fund maintained by the governmental entity for unemployment benefit cost purposes. Any surplus remaining in the trust fund must be retained in reserve for the payment of future unemployment benefit costs.

The largest component of the Authority's net position is unrestricted net position. At December 31, 2024, the Authority reported unrestricted net position of \$1,763,509, an increase of \$286,693 from the prior-year balance of \$1,476,816. The increase was primarily attributable to positive operating results during the year, which resulted in an overall increase in net position of \$191,776. Unrestricted net position represents resources that do not meet the criteria to be classified as restricted and may be used to meet the Authority's ongoing obligations and operational needs.

At December 31, 2023, the Authority reported unrestricted net position of \$1,476,816, a decrease of \$60,450 from the December 31, 2022 balance of \$1,537,266. The decrease was primarily attributable to the operating loss incurred during 2023, partially offset by favorable nonoperating activity.

The Authority's unrestricted net position continues to be affected by the recognition of long-term liabilities, including pension, other postemployment benefit, and compensated absences obligations, as required under applicable Governmental Accounting Standards Board pronouncements. While these liabilities are recognized for financial reporting purposes, the Authority funds such costs in accordance with applicable statutory requirements and contractual contribution provisions. Table 2 that follows illustrates the changes in net position of the Authority.

Table 2 - Statements of Revenues, Expenses and Changes in Net Position
For the years Ended December 31,

	2024	2023	2022
Operating Revenues:			
Project Administration Fees	\$ 1,668,408	\$ 1,025,619	\$ 723,009
Bond Fees	206,419	213,144	219,744
Grant Income - Program Revenue	345,620	308,393	955,435
Grant Income - Project Costs	1,210,488	1,736,179	13,251,385
Reimbursement and Other	1,426,195	1,273,932	1,165,909
Rent Income	341,233	723,282	677,016
Total Operating Revenues	<u>5,198,363</u>	<u>5,280,549</u>	<u>16,992,498</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Management's Discussion and Analysis (continued)

FINANCIAL POSITION SUMMARY (continued)

Table 2 - Statements of Revenues, Expenses and Changes in Net Position (continued)
For the years Ended December 31,

	2024	2023	2022
Operating Expenses:			
Payroll Expenses	1,748,438	1,612,611	1,474,469
Employee Benefits	640,664	516,731	298,017
Professional Fees	229,184	261,922	187,188
Insurance	117,290	115,200	76,588
Administrative and General	608,541	656,977	279,558
Project Costs	1,210,488	1,736,179	13,251,385
Depreciation	430,617	433,380	427,374
Total Operating Expenses	<u>4,985,222</u>	<u>5,333,000</u>	<u>15,994,579</u>
Operating Income (Loss)	<u>213,141</u>	<u>(52,451)</u>	<u>997,919</u>
Non-Operating Revenues/(Expense):			
Investment and Interest Income	280,738	241,829	75,195
Interest Income from Leasing Arrangements	121,488	43,546	47,467
Foreclosure Registry	-	-	(310,450)
Interest Expense	<u>(423,591)</u>	<u>(424,751)</u>	<u>(425,441)</u>
Total Non-Operating Revenues/(Expenses)	<u>(21,365)</u>	<u>(139,376)</u>	<u>(613,229)</u>
Change in Net Position	191,776	(191,827)	384,690
Net Position - Beginning of Year	<u>1,216,608</u>	<u>1,408,435</u>	<u>1,023,745</u>
Net Position - End of Year	<u>\$ 1,408,384</u>	<u>\$ 1,216,608</u>	<u>\$ 1,408,435</u>

During 2024, the Authority's operating revenues decreased by \$82,186, or 1.6%, from \$5,280,549 in 2023 to \$5,198,363 in 2024.

Overall, in 2024, project administration fees, bond fees, and rental income constituted approximately 43% of the Authority's operating revenues, while grant income, reimbursements, and other revenues constituted approximately 57%. The decrease in operating revenues was primarily attributable to decreases in grant income related to project costs of \$525,691 and rental income of \$382,049. These decreases were partially offset by increases in project administration fees of \$642,789, grant income-program revenue of \$37,227, and reimbursement and other revenue of \$152,263.

During 2023, the Authority's operating revenues decreased by \$11,711,949, or 68.9%, from \$16,992,498 in 2022 to \$5,280,549 in 2023. The decrease was primarily attributable to lower grant income related to project costs following the completion of significant grant-funded projects recognized during 2022. Decreases in rental income and bond fees were partially offset by increases in project administration fees and reimbursement and other revenues.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Management's Discussion and Analysis (continued)

FINANCIAL POSITION SUMMARY (continued)

Regarding operating expenses, the Authority experienced a decrease of \$347,778, or 6.5%, compared to 2023. This decrease was primarily attributable to reductions in project costs of \$525,691, administrative and general expenses of \$48,436, and professional fees of \$32,738. These decreases were partially offset by increases in payroll expenses of \$135,827 and employee benefits of \$123,933. Overall, payroll and employee benefits represented approximately 48% of total operating expenses, while project costs, administrative and general expenses, and depreciation represented approximately 24%, 12%, and 9%, respectively.

During 2023, operating expenses decreased by \$10,661,579, or 66.7%, from \$15,994,579 in 2022 to \$5,333,000 in 2023. The decrease was primarily attributable to lower project costs associated with the completion of grant-funded projects recognized during 2022. The decrease was partially offset by increases in payroll, employee benefits, administrative and general expenses, professional fees, and insurance costs.

As a result, operating income increased by \$265,592, from an operating loss of \$52,451 in 2023 to operating income of \$213,141 in 2024.

During 2023, operating income decreased by \$1,050,370, from operating income of \$997,919 in 2022 to an operating loss of \$52,451, primarily due to the decline in grant-related revenues following the completion of major grant-funded projects in the prior year.

Regarding non-operating revenues (expenses), net, results improved by \$118,011, from a net expense of \$139,376 in 2023 to a net expense of \$21,365 in 2024. This improvement was primarily attributable to increases in investment and interest income of \$38,909 and interest income from leasing arrangements of \$77,942, while interest expense remained relatively consistent with the prior year.

During 2023, net non-operating expenses improved by \$473,853, from \$613,229 in 2022 to \$139,376, primarily due to the absence of the foreclosure registry expense recognized in 2022 and increases in investment and leasing interest income.

As a result of the foregoing, the Authority reported an increase in net position of \$191,776 for 2024, compared to a decrease in net position of \$191,827 for 2023. During 2023, the Authority reported a decrease in net position of \$191,827, compared to an increase in net position of \$384,690 during 2022.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Authority's net investment in capital assets as of December 31, 2024 amounted to a historical cost of \$16,756,635 and \$14,574,667, net of accumulated depreciation (see Table 3 that follows). This investment includes buildings and improvements, furniture and equipment, and vehicles utilized in the Authority's operations.

The net change in capital assets was attributable to the following:

- the Authority recorded capital asset additions of \$147,338, consisting primarily of building improvements and equipment, furniture, and vehicles; and
- depreciation expense for the current year was \$430,617.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Management's Discussion and Analysis (continued)

Capital Assets (continued)

As a result, net capital assets decreased by \$283,279, from \$14,857,946 at December 31, 2023 to \$14,574,667 at December 31, 2024, as current-year depreciation expense exceeded capital asset additions.

During 2023, the Authority's net investment in capital assets decreased from \$15,178,784 at December 31, 2022 to \$14,857,946 at December 31, 2023, a decrease of \$320,838. The decrease was primarily attributable to depreciation expense of \$433,380 exceeding capital asset additions of \$112,542, which consisted primarily of building improvements and equipment. As a result, the Authority continued to maintain its capital assets while recognizing the ongoing depreciation of existing assets.

Table 3 - Summary of Capital Assets
As of December 31,

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Capital assets being depreciated:			
Buildings and improvements	\$ 16,537,863	\$ 16,431,486	\$ 16,347,546
Equipment, furniture, and vehicles	218,772	177,811	149,209
Total capital assets being depreciated	<u>16,756,635</u>	<u>16,609,297</u>	<u>16,496,755</u>
Less: accumulated depreciation	<u>(2,181,968)</u>	<u>(1,751,351)</u>	<u>(1,317,971)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 14,574,667</u>	<u>\$ 14,857,946</u>	<u>\$ 15,178,784</u>

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements.

Debt Administration

Bonds Payable. At December 31, 2024, the Authority had outstanding County Guaranteed Revenue Bonds related to the Stockton Aviation Research and Technology Park project. Under a Bond Authorization of \$15,500,000, the Authority issued a series of bond anticipation notes between 2016 and 2018 to facilitate the financing, construction, and operation of a portion of the Stockton Aviation Research and Technology Park of New Jersey, Inc. In 2021, the outstanding bond anticipation note was converted to County Guaranteed Revenue Bonds, Series 2021B. Additional information regarding the Authority's bonds payable can be found in Note 10 to the financial statements.

Net Pension Liability. The Authority's annual required contribution to the Public Employees' Retirement System (PERS) is budgeted and paid on an annual basis. The Authority records its proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense in accordance with applicable accounting standards. Additional information regarding the Authority's pension obligations can be found in Note 12 to the financial statements.

Other Postemployment Benefits Liability. The Authority participates in the State-administered other postemployment benefits (OPEB) program. Annual contributions associated with healthcare benefits are funded through current operations. The Authority records its proportionate share of the OPEB liability and related deferred inflows and outflows in accordance with applicable accounting standards. Additional information regarding OPEB can be found in Note 13 to the financial statements.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Management's Discussion and Analysis (continued)

Debt Administration (continued)

Compensated Absences. At December 31, 2024, the liability for compensated absences was \$47,562. Compensated absences represent earned leave benefits, including vacation and sick leave, that are payable upon usage or separation from employment in accordance with Authority policies. During 2024, the Authority implemented GASB Statement No. 101, Compensated Absences, which established a unified recognition and measurement model for compensated absences and resulted in the restatement of beginning net position. Additional information regarding compensated absences can be found in Note 10 and Note 18 to the financial statements.

Additional information regarding the Authority's long-term liabilities can be found in Notes 10, 12, 13, and 18 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During 2024, the Authority continued to maintain stable operations through revenues generated from project administration fees, grant programs, bond-related fees, rental income, and reimbursement and other revenue sources. Total operating revenues remained relatively consistent with the prior year, decreasing by approximately 1.6%. Grant revenues represented approximately 30% of total operating revenues during 2024, while project administration fees, bond fees, rental income, reimbursements, and other revenue sources represented approximately 70% of total operating revenues.

The Authority continues to evaluate economic conditions, grant opportunities, development projects, and financing activities throughout Atlantic County. During 2024, the Authority reported operating income of \$213,141 and an increase in net position of \$191,776, reflecting continued financial stability despite fluctuations in grant activity and rental revenues. Management believes the Authority is well-positioned to meet its operational obligations and continue supporting economic development initiatives throughout the County. The 2025 budget was adopted by the Commissioners and is expected to provide sufficient resources to fund the Authority's ongoing operations, capital needs, and debt service requirements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Atlantic County Improvement Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jessica Wheeley, Comptroller, Atlantic County Improvement Authority, 600 Aviation Research Boulevard, Egg Harbor Township, New Jersey 08234.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Statements of Net Position
December 31, 2024 and 2023

	2024	2023 (Restated)
ASSETS		
Unrestricted Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 4,918,404	\$ 4,717,579
Investments	1,052,561	1,000,000
Accounts Receivable	906,605	274,970
Total Unrestricted Current Assets	<u>6,877,570</u>	<u>5,992,549</u>
Restricted Assets:		
Current Assets:		
Cash and Cash Equivalents	3,955,341	5,255,870
Accounts Receivable	798,590	143,679
Grant Receivable	423,758	1,141,009
Current Portion of Lease Receivable	391,170	813,454
Mortgage Interest Receivable	1,041,463	1,013,749
Due from Various Agencies	-	15,928
Total Restricted Current Assets	<u>6,610,322</u>	<u>8,383,689</u>
Non-Current Assets:		
Mortgages Receivable	25,890,165	25,206,179
Valuation Allowance for Loan Losses	(26,879,682)	(26,167,982)
Mortgages Receivable, net	(989,517)	(961,803)
Lease Receivable, Net of Current Portion	3,572,676	195,706
Total Restricted Non-Current Assets	<u>2,583,159</u>	<u>(766,097)</u>
Total Restricted Assets	<u>9,193,481</u>	<u>7,617,592</u>
Capital Assets, Net of Depreciation	<u>14,574,667</u>	<u>14,857,946</u>
Total Assets	<u>30,645,718</u>	<u>28,468,087</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	459,688	143,133
Deferred Outflows Related to Other Post-employment Benefits	1,908,414	1,921,691
Total Deferred Outflows of Resources	<u>2,368,102</u>	<u>2,064,824</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 33,013,820</u></u>	<u><u>\$ 30,532,911</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Statements of Net Position (continued)
December 31, 2024 and 2023

	2024	2023 (Restated)
LIABILITIES		
Unrestricted Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 76,989	\$ 86,456
Unearned Program Income	-	5,744
Pension Payable	201,648	160,757
	<u>278,637</u>	<u>252,957</u>
Total Unrestricted Current Liabilities		
	<u>278,637</u>	<u>252,957</u>
Restricted Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	657,770	1,286,063
Due to Various Agencies	3,612,250	3,730,002
Current Portion of Bonds Payable	160,000	190,000
	<u>4,430,020</u>	<u>5,206,065</u>
Total Current Liabilities Payable from Restricted Liabilities		
	<u>4,430,020</u>	<u>5,206,065</u>
Long-Term Liabilities:		
Accrued Sick and Vacation	333,631	280,320
Bonds Payable, net of Current Portion	14,805,000	14,965,000
Net Pension Liability	2,013,641	1,742,175
Net Other Post-employment Benefits Liability	3,768,559	3,290,034
	<u>20,920,831</u>	<u>20,277,529</u>
Total Long-Term Liabilities		
	<u>20,920,831</u>	<u>20,277,529</u>
Total Liabilities	<u>25,629,488</u>	<u>25,736,551</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Lease Receivables	3,958,590	958,960
Deferred Inflows Related to Pensions	342,189	426,198
Deferred Inflows Related to Other Post-employment Benefits	1,675,169	2,194,594
	<u>5,975,948</u>	<u>3,579,752</u>
Total Deferred Inflows of Resources		
	<u>5,975,948</u>	<u>3,579,752</u>
Total Liabilities and Deferred Inflows of Resources	<u>31,605,436</u>	<u>29,316,303</u>
NET POSITION		
Investment in Capital Assets, Net of Related Debt	(390,333)	(297,054)
Restricted for Unemployment	35,208	36,846
Unrestricted	1,763,509	1,476,816
	<u>1,408,384</u>	<u>1,216,608</u>
Total Net Position		
	<u>1,408,384</u>	<u>1,216,608</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 33,013,820</u>	<u>\$ 30,532,911</u>

The accompanying notes to the financial statements are an integral part of this statement.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Statements of Revenues, Expenses, and Changes in Net Position
For the years ended December 31, 2024 and 2023

	2024	2023 (Restated)
Operating Revenues:		
Project Administration Fees	\$ 1,668,408	\$ 1,025,619
Bond Fees	206,419	213,144
Grant Income - Program Revenue	345,620	308,393
Grant Income - Project Costs	1,210,488	1,736,179
Reimbursement and Other	1,426,195	1,273,932
Rent Income	341,233	723,282
Total Operating Revenues	5,198,363	5,280,549
Operating Expenses:		
Payroll Expenses	1,748,438	1,612,611
Employee Benefits	640,664	516,731
Professional Fees	229,184	261,922
Insurance	117,290	115,200
Administrative and General	608,541	656,977
Project Costs	1,210,488	1,736,179
Depreciation	430,617	433,380
Total Operating Expenses	4,985,222	5,333,000
Operating Income (Loss)	213,141	(52,451)
Non-Operating Revenues/(Expense):		
Investment and Interest Income	280,738	241,829
Interest Income from Leasing Arrangements	121,488	43,546
Interest Expense	(423,591)	(424,751)
Total Non-Operating Revenues/(Expenses)	(21,365)	(139,376)
Change in Net Position	191,776	(191,827)
Net Position - Beginning of Year	1,216,608	1,408,435
Net Position - End of Year	\$ 1,408,384	\$ 1,216,608

The accompanying notes to the financial statements are an integral part of this statement

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Statements of Cash Flows
For the years ended December 31, 2024 and 2023

	2024	2023 (Restated)
Cash Flows from Operating Activities:		
Cash Received from Customers and Users	\$ 3,128,088	\$ 2,629,351
Cash Received from Grants	1,556,108	2,044,572
Cash Paid to Employees	(2,451,621)	(2,265,853)
Cash Paid to Subcontractor and Vendors	(2,921,013)	(2,747,169)
Net Cash Flows from Operating Activities	<u>(688,438)</u>	<u>(339,099)</u>
Cash Flows from Investing Activities:		
Investment and Interest Income	228,175	241,829
Interest Income from Leasing Arrangements	121,488	43,546
Net Cash Flows from Investing Activities	<u>349,663</u>	<u>285,375</u>
Cash Flows From Capital And Related Financing Activities:		
Acquisitions of Capital Assets	(147,338)	(112,542)
Payments Paid on Long-term Debt	(190,000)	(180,000)
Interest Paid on Long-term Debt	(423,591)	(424,751)
Net Cash Flows from Capital and Related Financing Activities	<u>(760,929)</u>	<u>(717,293)</u>
Change in Cash and Cash Equivalents	(1,099,704)	(771,017)
Cash and Cash Equivalents - Beginning of Year	9,973,449	10,744,466
Cash and Cash Equivalents - End of Year	<u><u>\$ 8,873,745</u></u>	<u><u>\$ 9,973,449</u></u>
Reconciliation to Statements of Net Position:		
Unrestricted Cash	\$ 4,918,404	\$ 4,717,579
Restricted Cash	3,955,341	5,255,870
Total Cash and Cash Equivalents	<u><u>\$ 8,873,745</u></u>	<u><u>\$ 9,973,449</u></u>
	2024	2023
Reconciliation of Operating Income to Net Cash		
Flows from Operating Activities:		
Operating Income (Loss)	\$ 213,141	\$ (52,451)
Adjustments to Reconcile Operating Income to		
Net Cash Flows from Operating Activities:		
Depreciation	430,617	433,380
Changes in Assets and Liabilities:		
Accounts Receivable	(553,367)	(568,716)
Lease Receivable	(2,954,686)	675,384
Accounts Payable and Accrued Expenses	(755,510)	23,109
Unearned Program Revenue	(5,744)	(35,177)
Accrued Sick and Vacation	53,311	194,153
Net Pension Liability	(88,207)	(254,395)
Other Post-employment Benefits Liability	(27,623)	(76,269)
Deferred Outflows of Resources Related to Lease Receivables	2,999,630	(678,117)
Net Cash Flows from Operating Activities	<u><u>\$ (688,438)</u></u>	<u><u>\$ (339,099)</u></u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements

NOTE 1: ORGANIZATION

The Atlantic County Improvement Authority, hereafter referred to as the "Authority", is a component unit of the County of Atlantic, New Jersey, hereafter referred to as the "County" and was created pursuant to a resolution adopted by the Board of Chosen Freeholders of the County on February 8, 1961.

The Authority is a public body corporate and public, constituting a political subdivision of the state, established to exercise public and essential governmental functions to provide for the public convenience, benefit and welfare, by financing public facilities and certain housing developments within Atlantic County. Under existing statute, the Authority is exempt from both federal and state taxes.

The Authority assists in the financing of projects by issuing bonds and notes. Outstanding bonds that were issued prior to 2020 include 501(c)3 bonds that financed loans to certain Atlantic County non-profits including the Egg Harbor Township Golf Corporation, ARC of Atlantic County, Faith Baptist Church Community Center, and St. Augustine High School (see note 10: *Conduit Debt* for additional information). In 2016, the Authority issued Lease Revenue Bonds to finance a portion of the construction of the Stockton University Island Campus Redevelopment Project Campus, a note to finance the initial portion of the development of the first building at the Stockton Aviation Research and Technology Park and a Loan Revenue Bond to create a Pooled Financing Program for three municipalities to permanently finance Bond Anticipation Notes and unfunded capital improvements and acquisitions.

In 2019, the Authority renewed the note that also provided additional capital needed to continue the construction of the Aviation Park Building and issued a bond to refund the outstanding portion of the Egg Harbor Township Golf Corporation Bond.

Through its Community Development Division, the Authority administers Atlantic County's Community Development Block Grant Program and HOME Investment Partnership Program. Included in the activities is funding various Community Development projects in the participating municipalities as well as the implementation of a first-time homebuyer program, a housing rehabilitation program, and an affordable housing program. The Authority also administers a housing rehabilitation program and first-time homebuyer programs funded by the Atlantic City Development Fund.

A new program initiated in 2016 was the Foreclosure Registry Program with PROCHAMPS. Through a Shared Services agreement with twenty participating municipalities the program was designed to facilitate code enforcement for abandoned properties that are in some stage of foreclosure. On July 13, 2023, the Board of Commissioners of the Authority authorized the termination of an agreement with PROCHAMPS as they ceased operations, became insolvent and entered into an Assignment for the Benefit of Creditors. After an RFP process, the program was resumed after the Board of Commissioners authorized an award to HERA Property Registry on August 10, 2023.

In 2014, the Authority undertook a new Economic Development Initiative. In 2022, activities under that initiative included the continuation of a Redevelopment Program where the Authority provides funds and technical assistance to six municipalities in advancing redevelopment projects. In addition to the administration of the HUD CDBG Section 108 Business Loan Program, support provided to the newly formed Atlantic County Economic Alliance and oversight of the construction of the Building at the Aviation Research and Technology Park, which was completed May 2019, the Authority's Project Management Division undertakes projects on behalf of governments, school districts and other authorities under shared services agreements.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 1: ORGANIZATION (continued)

In 2023, the Authority managed several projects for Atlantic Cape Community College, managed several projects for Atlantic County Facilities Department, managed a tenant fit out at Aviation Research and Technology Park, managed construction for Cape May County Government Services District project, and continued managing a Demolition Program for the City of Atlantic City.

Since 2007, the Authority has operated Atlantic County's John F. Gaffney Green Tree Golf Course "Golf Course". In 2016, the Authority also entered into a shared services agreement with the City of Brigantine to operate the City-owned Links at Brigantine Golf Course.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The Authority, as a component unit of the County, is financially accountable to the County. The Authority, as a component unit, issues separate financial statements from the County. If the County presented its financial statements in accordance with GAAP, these financial statements would be included with the County's on a blended basis.

Basis of Financial Statements

The Authority's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to proprietary (enterprise) funds of state and local governments. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (deficit), financial position and cash flows. GASB is responsible for establishing GAAP for state and local governments through its pronouncements.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or change in net position (deficit) is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net positions (i.e., total assets and total deferred outflows of resources net of total liabilities and total deferred inflows of resources) are segregated into "investment in capital assets net of related debt", "reserve for unemployment", and "unrestricted" components.

Budgets and Budgetary Accounting

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenses in accordance with *N.J.S.A. 40A:5A*. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for the operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Restricted assets represent cash, investments and receivables maintained in accordance with bond resolutions, or grant awards, or by agreement for the purpose of funding certain debt service payments.

Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, cash and cash equivalents include cash on deposit in checking and money market accounts, investments in U.S. government obligations, and certificates of deposit with original maturities of ninety (90) days or less from the date of acquisition.

New Jersey authorities are required by *N.J.S.A. 40A:5-14* to deposit public funds in banks or trust companies located in the State of New Jersey and organized under the laws of the United States, the State of New Jersey, or the New Jersey Cash Management Fund.

Investments are governed by *N.J.S.A. 40A:5-15.1*, which limits the Authority's investments to certain authorized securities, including obligations of or guaranteed by the United States Government and other investments permitted by statute. The Authority's investment policy is to comply with all applicable State investment requirements.

Pursuant to *N.J.S.A. 17:9-41* and the Governmental Unit Deposit Protection Act ("GUDPA"), the Authority deposits public funds only in qualified public depositories. GUDPA provides protection against loss of public funds in the event of a bank failure through a collateralization and pooled security system established under New Jersey law. It is the Authority's policy to maintain deposits in compliance with all State collateralization requirements.

Restricted cash, cash equivalents, and investments represent amounts legally restricted or designated for specific purposes and are therefore not available for general operating activities.

Fair Value Measurement

The Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III).

If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Authority may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Accounts and Grant Receivables

Accounts receivable consists primarily of amounts due from federal, state, county, and local governmental agencies under various grant, program, and operating agreements, as well as other amounts due to the Authority.

Management evaluates the collectability of receivables on a periodic basis and records an allowance for doubtful accounts when collection of all or a portion of an outstanding balance is considered unlikely. In assessing collectability, management considers factors such as historical collection experience, the financial condition of the funding agency or other debtor, the age of outstanding balances, and other relevant circumstances. Amounts deemed uncollectible are charged against the allowance when all reasonable collection efforts have been exhausted.

Mortgages Receivables

Mortgages receivables are stated at unpaid principal balances, less the allowance for loan losses as estimated by management. These mortgages are deed restricted, and the Authority will not collect against them unless the terms of the deed restriction are violated. The Authority does not anticipate any violations in the terms, and therefore does not anticipate collections on those removed balances.

The Authority's policy on income recognition on impaired loans is to record the entire change in loan value during the year as bad debt expense or allowance for loan losses that otherwise would be reported. All cash receipts are first applied to accrued interest.

Leases

The Authority's is a lessor for noncancellable leases of excess space in its central office building to various intergovernmental agencies and other tenants. The Authority recognizes a lease receivable in its financial statements. The Authority recognizes lease receivables for leases with a term greater than 12 months. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments related to leases include how the Authority determines: 1) the discount rate it uses to discount the expected lease receivable to present value, 2) lease term, and 3) lease revenue:

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

- The Authority uses a rate of 8.50% at the lease inception date as the discount rate.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed and variable payments expected to be received during the lease period.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets

Capital assets are recorded at actual cost or estimated historical cost if actual historical cost is not available and are reported in the Administrative Fund. The Authority's policy is to capitalize assets with a cost of greater than \$1,000. Capital assets consist primarily of buildings and improvement, equipment, furniture, and vehicles. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

<u>Description:</u>	<u>Estimated Useful Life:</u>
Buildings and improvements	40 Years
Equipment, furniture, and vehicles	5 to 7 Years

Compensated Absences

Compensated absences represent leave time earned by employees that is expected to be paid out upon separation or use in future periods. In accordance with GASB Statement No. 101, *Compensated Absences*, the Authority recognizes a liability for compensated absences when earned, rather than when paid. The liability for compensated absences is reported in the statements of net position. The entire liability is classified as non-current, as the portion expected to be paid within one year is not considered material in relation to total fund liabilities and, therefore, is not presented separately from the long-term portion.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue. For the Authority this is primarily recognized with grants.

Pension and Other Post-employment Benefits

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* requires participating employers, including the Authority, in the State of New Jersey Public Employees Retirement System (PERS) plan to recognize their proportionate share of the collective total pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense based on the ratio of plan members of an individual employer to the total members of the plan. See Note 12: *Pension Obligations* for more information about the plan.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension and Other Post-employment Benefits (continued)

GASB Statement No. 75, *Accounting and Financial Reporting for the Post-employment Benefits Other Than Pensions* requires participating employers in the New Jersey State Health Benefit Local Government Retired Employees (OPEB Plan) plan to recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense based on the ratio of plan members of an individual employer to the total members of the plan. See Note 13: *Other post-employment Benefits Other Than Pension* for more information about the plan.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position reports on a separate section on the statement of net position for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. In addition to liabilities, the statement of net position reports on a separate section on the statement of net position for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenues) until that time.

Revenue Recognition

Revenue is recognized when revenue recognition criteria has been satisfied. Revenues for the authority include bond fees, project management fees, grants, and various project expense reimbursements. Project management revenue and grant revenue is recognized when billed to the grantor or third party. Project expense revenue is recorded when project expenses are incurred.

Net Position

Net Position represents the difference between summation of assets and deferred outflows of resources and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

Investment in Capital Assets, Net of Related Debt – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted for Unemployment – Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with policies and an event, which may exceed policy coverage limits.

Leave Policies

Vacation leave earned by Authority employees expires after one year. Accrued vacation is recorded in the Administrative Fund and includes unused and unexpired vacation leave of the Authority's employees. Accrued vacation is paid out at the employee's current rate when employment is terminated. At retirement, employees of the Authority will be reimbursed for 50% of accrued sick leave up to 180 days with a maximum not to exceed \$15,000. Retirement for this purpose is defined as follows:

- 25 years of pensioned Authority employment; or
- 20 years of pensioned Authority employment if the employee is at least 60 years of age at the time of retirement.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net position and reported amounts of revenues and expenses during the reporting period. These estimates and assumptions include depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Pronouncements

Accounting Pronouncements Adopted in Current Year

The following GASB statements became effective for the fiscal year ended December 31, 2024:

- Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement 62*.
- Statement No. 101, *Compensated Absences*.

Management has determined that the implementation of GASB Statement No. 100, *Accounting Changes and Error Corrections*, and GASB Statement No. 101, *Compensated Absences*, had a significant impact on the Authority's financial statements. Accordingly, a prior period restatement was recorded to reflect the cumulative effect of adopting these standards and to ensure the financial statements are presented in accordance with generally accepted accounting principles. Additional information regarding the nature and effect of the restatement is presented in Note 18, *Prior Period Restatement*.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of Recently Issued Accounting Pronouncements (continued)

Accounting Pronouncements Effective in Future Reporting Periods

The following accounting pronouncements will become effective in future reporting periods:

- Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.
- Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.
- Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.

Management has not yet determined the potential impact these Statements will have on the Authority's financial statements.

Reclassification

Certain amounts reported in the 2023 financial statements have been reclassified to conform to the 2024 presentation. These reclassifications had no effect on previously reported net position, changes in net position, or cash flows.

Subsequent Events

The Authority has evaluated subsequent events occurring after December 31, 2024 through July 22, 2026, which is the date the financial statements were available to be issued. See Note 17: *Subsequent Events* for additional information.

NOTE 3: CASH AND CASH EQUIVALENTS

The New Jersey Governmental Unit Deposit Protection Act (NJGUDPA) permits the deposit of public funds in the State of New Jersey Cash Management Fund or in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits. NJGUDPA requires public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

- Each deposit participating in the NJGUDPA system must pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million. The minimum 5% pledge applies to institutions that are categorized as "well capitalized" by Federal banking standards. The percentage of the required pledge will increase for institutions that are less than "well capitalized."
- No collateral is required for amounts covered by FDIC or National Credit Union Share Insurance Fund ("NCUSIF") insurance. The collateral which may be pledged to support these deposits includes obligations of the State and Federal governments, insured securities and other collateral approved by the Department of Banking and Insurance. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

If a governmental depository fails and the FDIC or NCUSIF insurance does not insure or pay out the full amount of public deposits, the collateral pledged to protect these funds would first be liquidated and paid out. If this amount is insufficient, other institutions holding public funds would be assessed pro rata up to 4% of their uninsured public funds. Although these protections do not constitute a 100% guarantee of the safety of all funds, no governmental unit under NJGUDPA has ever lost protected deposits. The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2024 and 2023, and reported at fair value are shown below.

Type:	Carrying Value	
	2024	2023
Deposits:		
Demand deposits	\$ 8,873,745	\$ 9,973,449
Total deposits	<u>\$ 8,873,745</u>	<u>\$ 9,973,449</u>
Reconciliation to the Statements of Net Position:		
Governmental-type Activities:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 4,918,404	\$ 4,717,579
Current restricted assets:		
Cash and cash equivalents	<u>3,955,341</u>	<u>5,255,870</u>
Total cash and cash equivalents	<u>\$ 8,873,745</u>	<u>\$ 9,973,449</u>

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the GUDPA or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. However, GUDPA does not protect intermingled trust funds such as trust and agency funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as uninsured and uncollateralized in the schedule below. As of December 31, 2024 and 2023, the Authority's bank balances of \$9,756,669 and \$10,963,330, respectively were exposed to custodial credit risk as follows:

	2024	2023
Insured by FDIC and GUDPA	\$ 6,220,457	\$ 6,236,147
Collateralized not in the Authority's name (New Jersey Cash Management)	35,208	36,847
Uninsured and uncollateralized	<u>3,501,004</u>	<u>4,690,336</u>
Total	<u>\$ 9,756,669</u>	<u>\$ 10,963,330</u>

NOTE 4: INVESTMENTS

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 4: INVESTMENTS

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name.

The Authority's investments are held in the Authority's name or invested through pooled investment vehicles. Accordingly, the Authority was not exposed to custodial credit risk at December 31, 2024.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At December 31, 2024 and 2023, the Authority's investment portfolio consisted entirely of investments in the New Jersey Asset & Rebate Management Program (NJ ARM) Term Fund. Management monitors the maturity structure and performance of these investments as part of its overall cash and investment management practices.

As of December 31, 2024, and 2023, the Authority had the following investments:

Investments Held at Fair Value as of December 31, 2024				
	Level I	Level II	Level III	Total
Fixed income securities:				
NJ ARM Term Fund	\$ -	\$ 1,052,561	\$ -	\$ 1,052,561
Total investments held at fair value	\$ -	\$ 1,052,561	\$ -	\$ 1,052,561

Investments Held at Fair Value as of December 31, 2023				
	Level I	Level II	Level III	Total
Fixed income securities:				
NJ ARM Term Fund	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Total investments held at fair value	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2024 and 2023, consists of the following:

	2024	2023
Unrestricted:		
Accounts receivable – Other	\$ 906,605	\$ 274,970
Restricted:		
Accounts receivable – Other	798,590	143,679
Accounts receivable – Grants	423,758	1,141,009
Subtotal	1,222,348	1,284,688
Total	\$ 2,128,953	\$ 1,559,658

The Authority believes that all receivables are collectible and has not established an allowance for doubtful accounts.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 6: LEASE RECEIVABLE

The Authority has entered into various agreements to lease the Authority's central office building (approximately 86% of the total square footage). The lease terms range from three to forty years including the noncancelable period of the lease and any extensions that the Authority is reasonably certain to exercise and vary with every agreement. Various agreements allow for a two to three percent annual increase to the lease payments on the anniversary of the agreements. The required payments to be received range from \$2,765 to \$54,409. During the years ended December 31, 2024 and 2023, the Authority recognized \$341,233 and \$723,282 in lease revenues and \$121,488 and \$43,543 in interest income related to these agreements, respectively. Also, the Authority has deferred inflows of resources associated with these leases that will be recognized as revenues over the lease terms.

The deferred inflows of resources related to lease receivables are amortized on a straight-line basis over the terms of the related lease. Deferred inflows of resources related to lease receivables for the year ended December 31, 2024 and 2023, was \$3,958,590 and \$958,960, respectively. The following is a schedule of the remaining future minimum rent payments to be received under these lease obligations as of December 31:

	Principal	Interest	Total
2025	\$ 391,170	\$ 320,522	\$ 711,692
2026	420,393	288,018	708,411
2027	410,997	252,260	663,257
2028	412,677	215,980	628,657
2029	339,373	184,443	523,816
2030 – 2034	1,947,017	477,961	2,424,978
2035	42,219	299	42,518
Total	<u>\$ 3,963,846</u>	<u>\$ 1,739,483</u>	<u>\$ 5,703,329</u>

NOTE 7: CAPITAL ASSETS

A summary of changes in capital assets for the years ended December 31, 2024 and 2023 is as follows:

	For the Year Ended December 31, 2024			
	Beginning Balance	Additions	Adjustments /Retirements	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	\$ 16,431,486	\$ 106,377	\$ -	\$ 16,537,863
Equipment, furniture, and vehicles	177,811	40,961	-	218,772
Total capital assets being depreciated	16,609,297	147,338	-	16,756,635
Less: accumulated depreciation:	(1,751,351)	(430,617)	-	(2,181,968)
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 14,857,946</u>	<u>\$ (283,279)</u>	<u>\$ -</u>	<u>\$ 14,574,667</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
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Notes to the Financial Statements (continued)

NOTE 7: CAPITAL ASSETS (continued)

	For the Year Ended December 31, 2023			
	Beginning Balance	Additions	Adjustments /Retirements	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	\$ 16,347,546	\$ 83,940	\$ -	\$ 16,431,486
Equipment, furniture, and vehicles	149,209	28,602	-	177,811
Total capital assets being depreciated	16,496,755	112,542	-	16,609,297
Less: accumulated depreciation:	(1,317,971)	(433,380)	-	(1,751,351)
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 15,178,784</u>	<u>\$ (320,838)</u>	<u>\$ -</u>	<u>\$ 14,857,946</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$430,617 and \$433,380, respectively.

NOTE 8: MORTGAGES RECEIVABLE

The following represents a summary of mortgages and interest receivable held by the Authority as of December 31, 2024 and 2023, which are considered impaired:

	2024	2023
Mortgages receivable – scheduled to be forgiven if conditions are met	\$ 25,890,165	\$ 25,206,179
Mortgage interest receivable	1,041,463	1,013,749
Allowance for loan forgiveness	(26,879,682)	(26,167,982)
Total mortgages receivable, net	<u>\$ 51,946</u>	<u>\$ 51,946</u>

NOTE 9: MORTGAGE RECEIVABLE – IMPAIRED ASSETS

The following represents the activity of the valuation allowance for loan losses during 2024 and 2023:

	2024	2023
Balance of valuation allowance for loan losses, as of January 1,	\$ 26,167,982	\$ 25,673,652
Increases:		
Issuance of new mortgages	1,279,748	764,922
Decreases:		
Recoveries and write-offs	(568,048)	(270,592)
Balance of valuation allowance for loan losses, as of December 31,	<u>\$ 26,879,682</u>	<u>\$ 26,167,982</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
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Notes to the Financial Statements (continued)

NOTE 10: OTHER LONG-TERM LIABILITIES

Long-term liabilities as of December 31, 2024 and 2023, consisted of the following:

For the Year Ended December 31, 2024					
	Beginning Balance	Additions	Reductions	Ending Balance	Balance Due Within One Year
Compensated absences	\$ 280,320	\$ 53,311	\$ -	\$ 333,631	\$ -
Bonds payable	15,155,000	-	(190,000)	14,965,000	160,000
Net pension liability	1,742,175	271,466	-	2,013,641	-
Net other post-employment benefits liability	3,290,034	478,525	-	3,768,559	-
Total	<u>\$ 20,467,529</u>	<u>\$ 803,302</u>	<u>\$ (190,000)</u>	<u>\$ 21,080,831</u>	<u>\$ 160,000</u>

For the Year Ended December 31, 2023					
	Beginning Balance	Additions	Reductions	Ending Balance	Balance Due Within One Year
Compensated absences	\$ 248,281	\$ 32,039	\$ -	\$ 280,320	\$ -
Bonds payable	15,335,000	-	(180,000)	15,155,000	190,000
Net pension liability	2,093,852	-	(351,677)	1,742,175	-
Net other post-employment benefits liability	2,735,741	554,293	-	3,290,034	-
Total	<u>\$ 20,412,874</u>	<u>\$ 586,332</u>	<u>\$ (531,677)</u>	<u>\$ 20,467,529</u>	<u>\$ 190,000</u>

Compensated Absences

The Authority previously followed GASB Statement No. 16, *Accounting for Compensated Absences*, which was originally adopted in 1995. As of December 31, 2024, the Authority has implemented the provisions of GASB Statement No. 101, *Compensated Absences*. Under this standard, a liability is recognized for compensated absences when the leave is earned by employees and is attributable to services already rendered, regardless of whether the leave vests or accumulates. This includes all leave expected to be used and compensated in the future. The liability is measured using current pay rates in effect as of the financial statement date, or the pay rates expected to be applied at the time of leave usage, if applicable. Additionally, the liability includes salary-related payments directly associated with the leave, such as the employer's share of Social Security and Medicare contributions. As of December 31, 2024 and 2023, the Authority recognized \$333,631 and \$280,320, of long-term liabilities, respectively.

Bonds Payable

Under a Bond Authorization of \$15,500,000 to facilitate the financing, construction and operation of a portion of the Stockton Aviation Research and Technology Park of New Jersey, Inc. on September 27, 2016, the Authority issued a note in an original amount of \$8,000,000 to provide the initial funding to begin construction of the first building. In September of 2017, the Authority issued a note in the amount of \$11,000,000 to refund the 2016 note and provide additional capital required for the construction of the building.

In 2018, the Authority issued a note in the amount of \$15.5 million that refunded the initial \$11 million and provided additional capital required for the construction of the project. In 2021, the bond anticipation note was converted to County guaranteed revenues bonds, series 2021B.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
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Notes to the Financial Statements (continued)

NOTE 10: OTHER LONG-TERM LIABILITIES

Bonds Payable (continued)

The following is a schedule of the remaining future minimum payments to be made under these bond obligations at December 31,

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 160,000	\$ 421,996	\$ 581,996
2026	175,000	420,012	595,012
2027	190,000	417,496	607,496
2028	205,000	414,347	619,347
2029	220,000	410,449	630,449
2030 – 2034	1,380,000	1,969,777	3,349,777
2035 – 2039	2,685,000	1,729,877	4,414,877
2040 – 2044	3,715,000	1,245,400	4,960,400
2045 – 2049	4,315,000	640,533	4,955,533
2050 – 2051	1,920,000	60,140	1,980,140
Total	<u>\$ 14,965,000</u>	<u>\$ 7,730,027</u>	<u>\$ 22,695,027</u>

Net Pension Liability

For details on the net pension liability, see Note 12: *Pension Obligations*. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Other Postemployment Benefits Liability

For details on the other postemployment benefits liability, see Note 13: *Postemployment Benefits Other Than Pensions*. The Authority's contribution into the postemployment benefits plan is budgeted and paid on an annual basis.

NOTE 11: CONDUIT DEBT

The Authority issued debt or assisted certain third parties with the issuance of bonds and other debt to finance the construction of various public facilities and housing development projects within Atlantic County. These bonds are considered conduit debt as permitted under GASB Interpretation No. 2.

None of the Authority's revenues, fees, rates, charges or other income and receipts derived by the Authority from its operation or ownership of any of its projects are pledged or assigned to the payment of the principal or redemption price of and interest on such bonds. The debt is paid solely by the third parties.

Conduit debt at December 31, 2024 and 2023, consists of the following and is excluded from the financial statements of the Authority:

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 11: CONDUIT DEBT (continued)

	<u>2024</u>	<u>2023</u>
Conduit debt:		
Stockton University Series A	\$ 77,375,000	\$ 77,925,000
Stockton University Series A	53,975,000	54,550,000
Stockton University Series B	22,190,000	27,060,000
St. Augustine Preparatory School	7,175,951	7,772,595
Egg Harbor Township	3,655,000	4,170,000
Pooled Financing	3,560,000	4,505,000
The ARC of Atlantic City	752,957	799,940
Faith Baptist Church	-	157,090
Total conduit debt	<u>\$ 168,683,908</u>	<u>\$ 176,939,625</u>

Egg Harbor Township Guaranteed Revenue Bonds

In 2000, the Authority issued bonds in the original amount of \$10,880,000. The bonds are special and limited obligations of the Authority, and the principal or redemption price of and interest on the Bonds are payable from properties and funds pledged under the bond resolution ("Resolution") and are secured by a guaranty agreement with the Township of Egg Harbor dated as of September 1, 2000.

The guaranty agreement is authorized by a Township ordinance finally adopted July 26, 2000, under which the Township is required to pledge its full faith and credit to the punctual payment of the principal of and interest on the bonds so that the debt service reserve fund (as defined in the Resolution) is maintained at the debt service reserve fund requirement (as defined in the Resolution), to the extent that revenues or certain other funds under the Resolution are not available to pay the principal of or interest on the bonds.

The proceeds of the bonds have been lent to the Egg Harbor Township Golf Corporation ("Golf Corporation") by the Authority, pursuant to a loan agreement dated as of September 1, 2000. The Golf Corporation is a non-profit corporation and organized in accordance with Revenue Ruling 63-20, as supplemented by Revenue Procedure 82-26, of the Internal Revenue Service. The Golf Corporation is a component unit of the Township of Egg Harbor. The proceeds of the loan were used by the Golf Corporation to finance: (i) the acquisition and construction of an eighteen-hole public golf course, clubhouse, other golf-related facilities and the acquisition of the necessary equipment and supplies; (ii) capitalized interest; (iii) a debt service reserve fund; and (iv) the cost to issue the bonds. The golf course and clubhouse are located in the Township.

Egg Harbor Township Golf Corporation Trustee Activity

The following represents the Egg Harbor Township Golf Corporation's trustee activity during the years ended December 31, 2024 and 2023:

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
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Notes to the Financial Statements (continued)

NOTE 11: CONDUIT DEBT (continued)

Egg Harbor Township Golf Corporation Trustee Activity (continued)

	<u>2024</u>	<u>2023</u>
Opening cash and cash equivalents, January 1	\$ 1,259,209	\$ 1,061,380
Increases:		
Interest earned	71,307	66,804
Payment from Egg Harbor Township Golf Course	686,275	691,025
Transfer	-	133,025
Subtotal	<u>757,582</u>	<u>890,854</u>
Decreases:		
Administrative costs	(23,000)	(2,000)
Interest paid	(171,275)	(196,025)
Principal paid	(515,000)	(495,000)
Subtotal	<u>(709,275)</u>	<u>(693,025)</u>
Ending cash and cash equivalents, December 31	<u>\$ 1,307,516</u>	<u>\$ 1,259,209</u>

St. Augustine Preparatory School

On January 5, 2007, the Authority issued bonds in an original amount of \$15,000,000 to provide funds for a portion of the St. Augustine Preparatory School building program in Buena Vista. The proceeds of the bonds have been lent to the St. Augustine Preparatory School and are secured by a mortgage note dated January 5, 2007. On March 25, 2015, the bond was refunded in an amount not to exceed \$12,500,000, as the monthly payment was reduced to \$67,369 from \$80,843.

The ARC of Atlantic County

On September 22, 2005, the Authority issued bonds in an original amount of \$2,400,000 to provide funds to purchase a building for the ARC of Atlantic County. The proceeds of the bonds have been lent to ARC and are secured by a mortgage note dated September 22, 2005. Principal and interest payments are due monthly. The note requires that the interest rate be reset every 5 years based upon the current outstanding principal balance. In 2011, a modification adjusted interest rates to 3.25% as of December 21, 2010. In September of 2016 they modified again. The modification swapped the method of interest rate calculation to be calculated based on the principal of approximately \$1.6 million as follows: the sum of 70% of 2.35% plus 70% of LIBOR. Future interest payments are calculated monthly by TD bank based on the swap interest rate.

Faith Baptist Church

On September 22, 2006, the Authority issued bonds in an original amount of \$1,000,000 to provide funds for a portion of the Faith Baptist Church building program in Pleasantville. The proceeds of the bonds have been lent to the Faith Baptist Church and are secured by a mortgage note dated September 22, 2006. The note for this loan was paid in full in December, 2024.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
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Notes to the Financial Statements (continued)

NOTE 11: CONDUIT DEBT (continued)

Stockton University

The Authority issued \$54,550,000 Stockton University General Obligation Lease Revenue Bonds on May 4, 2021. The proceeds of the bonds will be loaned to Atlantic City University Housing Associates LLC., pursuant to a loan agreement between the Authority and the LLC. The funds will finance the costs of the development and construction of a 135,000 square foot building that will provide additional student housing for students.

On September 30, 2016 the Authority issued \$78,980,000 Stockton University General Obligation Lease Revenue Bonds Series A and \$48,025,000 Stockton University General Obligation Lease Revenue Bonds Series B. The Proceeds of the bonds were loaned to Island Campus Redevelopment Urban Renewal Associates, LLC pursuant to a loan agreement between the Authority and the LLC. The funds financed the costs of the development and construction of 217,000 SF building for student housing and an approximately 885-space multi-story parking structure.

Pooled Financing

On October 16, 2016 the Authority issued \$10,775,000 County Guaranteed Governmental Pooled Loan Revenue Bonds Series 2016. The proceeds of the fund were loaned to the City of Northfield, Mullica Township and Egg Harbor Township for the municipality's Capital Improvement Projects (roads, sewers and drainage), Public Safety Vehicles and other various improvements and equipment.

NOTE 12: PENSION OBLIGATIONS

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's annual financial statements, which can be found at <http://www.nj.gov/treasury/pensions/financialreports.shtml>. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service. The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 12: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS)(continued)

Plan Description (continued)

Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation

The schedules of employer and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions

The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2023, the State's pension contribution was more than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2024, the Authority's contractually required contribution to PERS plan was \$201,648.

Components of Net Pension Liability

At December 31, 2024, the Authority's proportionate share of the PERS net pension liability was \$2,013,641. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2024.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 12: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS)(continued)

Components of Net Pension Liability (continued)

The Authority's proportion measured as of June 30, 2024, was 0.0148192082% which was an increase of 0.0027912455% from its proportion measured as of June 30, 2023.

	Balance December 31,	
	2024	2023
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Actuarial valuation date (including roll forward)		
Deferred Outflows of Resources	\$ 459,688	\$ 143,133
Deferred Inflows of Resources	342,189	426,198
Net Pension Liability	2,013,641	1,742,175
Authority's portion of the plan's total Net Pension Liability	0.01482%	0.01203%

Pension Expense (Benefit) and Deferred Outflows/Inflows of Resources

On December 31, 2024, the Authority's proportionate share of the PERS (benefit) expense, calculated by the plan as of June 30, 2024, measurement date is \$72,549. At December 31, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,337	\$ 5,361
Changes of assumptions	2,502	22,911
Net difference between projected and actual earnings on pension plan investments	-	93,367
Changes in proportion and differences between the Authority's contributions and proportion share of contributions	416,849	220,550
	<u>\$ 459,688</u>	<u>\$ 342,189</u>

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

Year Ending December 31,	Amount
2025	\$ (46,234)
2026	105,413
2027	1,201
2028	17,289
2029	39,830
Total	<u>\$ 117,499</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
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Notes to the Financial Statements (continued)

NOTE 12: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS)(continued)

Special Funding Situation

Under *N.J.S.A. 43:15A-15*, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State, are Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employers as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer. Additionally, the State has no proportionate share of the PERS net pension liability attributable to the Authority as of December 31, 2024. At December 31, 2024, the State's proportionate share of the PERS expense, associated with the Authority, calculated by the plan as of June 30, 2024, measurement date was \$6,492.

Actuarial Assumptions

The total pension asset (liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with updated procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Inflation:	
Price	2.75%
Wage	3.25%
Salary Increases:	
	2.75% - 6.55%
	Based on Years of Service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 12: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS)(continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the July 1, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2018, to June 30, 2021.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long –Term Expected Real Rate of Return
U.S. Equity	28.00%	8.63%
Non-U.S. Developed Markets Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 12: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS)(continued)

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1 % Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the Net Pension Liability	\$ 2,698,156	\$ 2,013,641	\$ 1,462,497

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.

Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in *N.J.S.A 52:14-17.32i*, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (continued)

General Information about the OPEB Plan (continued)

Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

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

Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles.

Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense (benefit). The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2024, were \$4,833,833,875 and \$12,914,432,673, respectively.

The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2023, through June 30, 2024. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Net OPEB Liability

The components of the collective net OPEB liability of the plan as of June 30, 2024 is as follows:

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (continued)

Net OPEB Liability (continued)

Total OPEB liability	\$ 17,748,257,548
Plan fiduciary net position	<u>(157,187,957)</u>
Net OPEB liability	<u>\$ 17,905,445,505</u>

The total OPEB liability as of June 30, 2024, was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases*:

Public Employee's Retirement System (PERS)

Rate for all future years 2.75% to 6.55%

PFRS:

Rate of all future years 3.25% to 16.25%

* Salary increases are based on years of service within the respective plan

Pre-retirement Healthy Mortality

Pre-retirement mortality rates for PERS were based on the PUB-2010 General classification Headcount-weighted mortality table with fully generational improvement projections from the central year using Scale MP-2021. Pre-retirement mortality rates for PFRS were based on the PUB-2010 Safety classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Post-retirement Healthy Mortality

Post-retirement mortality rates for Chapter 330 retirees were based on the PUB-2010 Safety classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Post-retirement mortality rates for other retirees is based on the PUB-2010 General classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Disabled Retiree Mortality

Disabled retiree mortality rates for PERS future disabled retirees were based on the PUB-2010 General classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disabled retiree mortality rates for PFRS future disabled retirees were based on the PUB-2010 Safety classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (continued)

Net OPEB Liability (continued)

Disabled retiree mortality rates for Chapter 330 current retirees were based on the PUB-2010 Safety classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disabled retiree mortality rates for other current retirees were based on the PUB-2010 General classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Actuarial assumptions used in the July 1, 2023 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

100% of active members are considered to participate in the Plan upon retirement.

OPEB Obligation and OPEB (Benefit) Expense

The Authority's proportionate share of the total Other Postemployment Benefits Obligations was \$3,768,559. The OPEB Obligation was measured as of June 30, 2024, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. The State's proportionate share of the OPEB Obligation associated with the Authority was based on projection of the State's long-term contributions to the OPEB plan associated with the Authority relative to the projected contributions by the State associated with all participating entities, actuarially determined.

At June 30, 2024, the State proportionate share of the OPEB Obligation attributable to the Authority was 0.021047%, which was a decrease of 0.000877% from its proportion measured as of June 30, 2023. For the fiscal year ended June 30, 2024, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$69,671 for the State's proportionate share of the OPEB (benefit) expense attributable to the Authority. This OPEB (benefit) expense was based on the OPEB plans June 30, 2024, measurement date.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.50% and decreases to a 4.5% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend rate is increasing to 14.8% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO, the trend is increasing to 17.4% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.50% decreasing to a 4.5% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate for June 30, 2024, was 3.93%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability as of June 30, 2024, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1 % Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
State's proportionate share of the Net OPEB Liability associated with the Authority	\$ 3,187,432	\$ 3,768,559	\$ 4,515,726
State's Total Nonemployer OPEB Liability	<u>\$ 15,144,352,142</u>	<u>\$ 17,095,445,505</u>	<u>\$ 21,455,435,620</u>

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2024, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>1 % Decrease (2.93%)</u>	<u>Current Discount Rate (3.93%)</u>	<u>1% Increase (4.93%)</u>
State's proportionate share of the Net OPEB Liability associated with the Authority	\$ 4,389,965	\$ 3,768,559	\$ 3,270,868
State's Total Nonemployer OPEB Liability	<u>\$ 20,857,914,273</u>	<u>\$ 17,905,445,505</u>	<u>\$ 15,540,780,410</u>

Additional Information

The following is a summary of the deferred outflows of resources, deferred inflows of resources, and net OPEB liability balances as of June 30, 2024:

	<u>Balance December 31,</u>	
	<u>2024</u>	<u>2023</u>
	June 30, 2024	June 30, 2023
Actuarial valuation date (including roll forward)		
Deferred Outflows of Resources	\$ 1,908,414	\$ 1,921,691
Deferred Inflows of Resources	1,675,169	2,194,594
Net OPEB Liability	3,768,559	3,290,034
Authority's portion of the plan's total Net OPEB Liability	0.02105%	0.02192%

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Deferred Outflows/Inflows of Resources

At December 31, 2024, the Authority's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2024 measurement date is \$1,908,414 and \$1,675,169, respectively. At December 31, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 190,851	\$ 638,524
Changes of assumptions	630,032	625,557
Net difference between projected and actual earnings on pension plan investments	-	1,706
Changes in proportion	1,087,531	409,382
	<u>\$ 1,908,414</u>	<u>\$ 1,675,169</u>

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in future periods:

Year Ending December 31,	<u>Amount</u>
2025	\$ (139,685)
2026	(4,969)
2027	79,376
2028	3,569
2029	37,431
Thereafter	257,523
Total	<u>\$ 233,245</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 7.89, 7.89, 7.82, 7.82, 7.87, 8.05, 8.14 and 8.04 years for the 2024, 2023, 2022, 2021, 2020, 2019, 2018 and 2017 amounts, respectively.

Plan Membership

At July 1, 2023, the Program membership consisted of the following:

Active plan members	60,691
Retirees currently receiving benefits	28,899
Total plan members	<u>89,590</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (continued)

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2024, is as follows:

Service cost	\$ 545,086,159
Interest on Total OPEB Liability	558,448,470
Changes in benefit terms	107,670,542
Differences in expected and actual experience	408,491,660
Changes in assumptions	1,735,990,164
Contributions from the employer	(399,436,504)
Contributions from non-employer contributing entities	(62,827,411)
Net investment income	(1,636,336)
Administrative expenses	11,119,284
Net changes	<u>(2,898,906,028)</u>
 Total OPEB Liability (Beginning)	 <u>15,006,539,477</u>
 Total OPEB Liability (Ending)	 <u><u>\$ 17,905,445,505</u></u>

NOTE 14: CONTINGENCIES

In the normal course of business, the Authority may periodically be named as a defendant in litigation. In the opinion of management, supported by legal counsel, the impact of any such matters, if adversely determined, would not have a material adverse effect on the financial statement or operations of the Authority.

NOTE 15: ECONOMIC DEPENDENCY

The administrative operations of the Authority are dependent upon management agreements with various governing bodies and agencies for projects in Atlantic County.

NOTE 16: RELATED-PARTY TRANSACTIONS

As of February 2022, the Authority moved locations and its primary office space is now located at 600 Aviation Research Boulevard, Egg Harbor Township, New Jersey, NARTP Building No. 3.

The Authority entered into an agreement with the County for the Authority to operate the Green Tree Golf Course (the "Golf Course") effective June 1, 2007, for a renewable one-year term ending May 31, 2008. On July 14, 2008, the Authority and County amended the initial agreement to December 31, 2007, and enter into a renewal agreement for one year commencing January 1, 2008, and ending December 31, 2008. A renewed agreement was finalized on December 27, 2013, that was substantially comparable to the previous agreement and is still effective to date. The Authority performs the day-to-day operation of the Golf Course including the Golf Course's pro shop and club house.

All of the Golf Course equipment which is currently owned by the County shall remain County property but shall be made available for the use and benefit of the Authority. At the discretion of the County Treasurer, the Authority makes one annual payment of revenue and interest to the County if net proceeds are available.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 16: RELATED-PARTY TRANSACTIONS (continued)

The net revenue shall be based upon the gross revenues of the Golf Course (including green fees, net pro shop sales, and any other revenue generated in connection with Golf Course operations) less operating and management expenses that are incurred by the Authority pursuant to the agreement. For the years ended December 31, 2024 and 2023, one payment of \$110,000 was made to the County due to having net proceeds at December 2024.

NOTE 17: SUBSEQUENT EVENTS

Subsequent to year-end, the Authority entered into several significant construction contracts for various projects. These projects included 1) Atlantic County Canale Training Center Fire Gear Storage and Maintenance Drive & Inlet Repair projects funded by Atlantic County 2) Atlantic County Civil Courthouse ADA Toilet Renovations project funded by the Atlantic County 3) Atlantic County Meadowview Loading Dock project funded by the Atlantic County 4) Atlantic County Sheriff Residence Rehabilitation and Porch Reconstruction funded by the Atlantic County 5) Atlantic County EHT Family Success Center HVAC System Upgrades funded by the Atlantic County 6) Atlantic County Lake Lenape East Ranger Station Improvements funded by the Atlantic County 7) Hamilton Township Joseph Shaner Preschool Classroom Additions funded by the Hamilton Township School District 8) Pleasantville Senior Center Building Improvements and Sitework funded by CDBG 9) Atlantic City Board of Education Administrative Building funded by the Atlantic City Board of Education, and 10) Woodbine Elementary School 2026 Bond Referendum Renovations funded by Woodbine Board of Education.

NOTE 18: RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During the fiscal year ended December 31, 2024, the Authority implemented the provisions of GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 101 establishes a unified recognition and measurement model for compensated absences and requires liabilities to be recognized for leave that has been earned and is attributable to services already rendered. The standard also clarifies the accounting for various types of leave, including certain leave that may not vest but is more likely than not to be used or otherwise paid.

The implementation of GASB Statement No. 101 resulted in a restatement of the financial statements for the year ended December 31, 2023, to recognize the cumulative effect of adopting the new accounting guidance. The impact of the adoption is presented below.

Impact of the Restatement

As a result of implementing GASB Statement No. 101, the Authority recorded a restatement of beginning net position to recognize and measure compensated absences in accordance with the provisions of the standard. The adoption impacted the compensated absences liability, unrestricted net position, compensated absences expense, and related statement of cash flows activity. The effect of the implementation on the Authority's financial statements is summarized below:

1. *Statements of Net Position:* Compensated absences payable was increased by \$232,758 to reflect the recognition and measurement of the liability under the new accounting guidance for compensated absences.
2. *Statements of Revenue, Expenses, and Changes in Net Position:* Operating expenses (cost of operations) were increased by \$232,758 as a result of the restatement related to compensated absences.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)
Notes to the Financial Statements (continued)

NOTE 18: RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS (continued)

3. *Statements of Cash flows:* The implementation of the new accounting guidance also affected the presentation of the statement of cash flows. As a result, cash flows at the beginning of the earliest comparative period increased by \$232,758 to reflect the cumulative effect of the restatement. The adjustment had no impact on total cash and cash equivalents or the overall net change in cash for any period presented.

A summary of the restatement's effect on the relevant financial statement line items is presented below:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>as Restated</u>
Statements of Net Position:			
Accrued Sick and Vacation			
(Non-current restricted liabilities)	\$ 47,562	\$ 232,758	\$ 280,320
Statements of Revenues, Expenses, and Changes in Net Position:			
Operating expenses – fringe benefits	283,973	232,758	516,731
Change in net position	40,931	(232,758)	(191,827)
Statement of Cash Flows:			
Change in liability	(38,605)	232,758	194,153

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Schedule of the Authority's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System
Last Ten Fiscal Years

	Measurement Date Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.0148192082%	0.0120279627%	0.0138744915%	0.0128830936%	0.0135899318%	0.0135724542%	0.0138253932%	0.0137627319%	0.0105092655%	0.0086302495%
Authority's proportionate share of net pension liability	\$ 2,013,641	\$ 1,742,175	\$ 2,093,852	\$ 1,526,196	\$ 2,216,162	\$ 2,445,550	\$ 2,722,151	\$ 3,203,744	\$ 3,112,549	\$ 1,937,318
Authority's covered-employee payroll	\$ 1,116,729	\$ 1,012,307	\$ 999,451	\$ 966,434	\$ 927,927	\$ 963,895	\$ 878,871	\$ 687,836	\$ 558,071	\$ 588,636
Authority's proportionate share of net pension liability as a % of payroll	180.32%	172.10%	209.50%	157.92%	238.83%	253.72%	309.73%	465.77%	557.73%	329.12%
Plan fiduciary net position as a % of total pension liability	68.22%	65.23%	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Schedule of the Authority's Contributions - Public Employees' Retirement System
Last Ten Fiscal Years

	Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 201,648	\$ 160,757	\$ 174,964	\$ 150,876	\$ 148,667	\$ 132,020	\$ 137,518	\$ 127,497	\$ 93,363	\$ 74,197
Contributions in relation to the contractually required contribution	\$ 201,648	\$ 160,757	\$ 174,964	\$ 150,876	\$ 148,667	\$ 132,020	\$ 137,518	\$ 127,497	\$ 93,363	\$ 74,197
Agency's covered employee payroll	\$ 1,242,467	\$ 1,116,729	\$ 1,012,307	\$ 999,451	\$ 966,434	\$ 927,927	\$ 963,895	\$ 878,871	\$ 687,836	\$ 558,071
Contributions as a % of covered employee payroll	16.23%	14.40%	17.28%	15.10%	15.38%	14.23%	14.27%	14.51%	13.57%	13.30%

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Schedule of the Authority's Proportionate Share of the Net Other Post-employment Benefits Liability
Last Ten Fiscal Years*

	Measurement Date Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	
Proportion of the net OPEB liability	0.021050%	0.021924%	0.016940%	0.015159%	0.015355%	0.015201%	0.019312%	0.018110%	0.016853%	
Proportionate share of net OPEB liability	\$ 3,768,559	\$ 3,290,034	\$ 2,735,741	\$ 2,728,587	\$ 2,755,702	\$ 2,059,138	\$ 3,025,537	\$ 3,697,299	\$ 3,660,044	
Plan fiduciary net position (deficit) as a percentage of the total OPEB liability	(0.89%)	(0.79%)	(0.36%)	0.28%	0.91%	1.98%	1.97%	1.03%	69.00%	

* Note: In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Contributions, however, only eight years of data are available at this time.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Notes to the Required Supplementary Information

Public Employees' Retirement System (PERS)

Changes in Benefit Terms

None noted.

Changes of Assumptions

The discount rate used as of June 30; measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2024	7.00%	2019	6.28%
2023	7.00%	2018	5.66%
2022	7.00%	2017	5.00%
2021	7.00%	2016	3.98%
2020	7.00%	2015	4.90%

The long-term expected rate of return used as of June 30; measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2024	7.00%	2019	7.00%
2023	7.00%	2018	7.00%
2022	7.00%	2017	7.00%
2021	7.00%	2016	7.65%
2020	7.00%	2015	7.90%

The mortality assumption was updated upon the direction from the Division of Pensions and Benefits.

Other Post-Employment Benefits (OPEB)

Changes in Benefits

The change in benefit terms from June 30, 2023, to June 30, 2024, was a result of employers adopting and or changing Chapter 48 provisions.

Differences Between Expected and Actual Experiences

The differences between expected and actual experiences from June 30, 2023, to June 30, 2024, is a result of an update in census information, and premiums and claims experience.

Changes of Assumptions

The increase in changes in assumptions from June 30, 2023, to June 30, 2024, is a result of a change in the discount rate, trend update, and an experience study update.

The discount rate used as of June 30, measurement date for the last nine fiscal years is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2024	3.93%	2021	2.16%	2018	3.87%
2023	3.65%	2020	2.21%	2017	3.58%
2022	3.54%	2019	3.50%	2016	2.85%

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Schedule of Revenues and Expenses - Budget to Actual
For the year ended December 31, 2024

	2024 Budget (Unaudited)	2024 Final Budget (Unaudited)	2024 Actual	Variance Favorable/ (Unfavorable)
Operating Revenues:				
Project Administration Fees	\$ 1,257,102	\$ 1,257,102	\$ 1,668,408	\$ 411,306
Bond Fees	206,419	206,419	206,419	-
Grant and Agency Fund Fees	596,657	596,657	345,620	(251,037)
Reimbursement and Other	1,825,072	1,825,072	1,426,195	(398,877)
Rent Income	75,085	75,085	341,233	266,148
Total Operating Revenues	<u>3,960,335</u>	<u>3,960,335</u>	<u>3,987,875</u>	<u>27,540</u>
Operating Expenses:				
Payroll Expenses	1,819,631	1,819,631	1,748,438	71,193
Employee Benefits	810,038	810,038	742,139	67,899
Professional Fees	350,800	350,800	229,184	121,616
Insurance	126,720	126,720	117,290	9,430
Administrative and General	785,815	785,815	608,541	177,274
Total Operating Expenses	<u>3,893,004</u>	<u>3,893,004</u>	<u>3,445,592</u>	<u>447,411</u>
Other Income/(Expenses):				
Investment Income	2,100	2,100	280,738	278,638
Total Other Income/(Expenses)	<u>2,100</u>	<u>2,100</u>	<u>280,738</u>	<u>278,638</u>
Net Income	<u>\$ 69,431</u>	<u>\$ 69,431</u>	823,021	<u>\$ 753,589</u>

**Reconciliation to Change in Net Position per Statements of Revenues,
Expenses and Changes in Net Position:**

Unbudgeted Pension and Other Post-employment Benefit Revenue	101,475
Interest Income from Leasing Arrangements	121,488
Deprecation Expense	(430,617)
Interest Expense	(423,591)
Subtotal	<u>(631,245)</u>
Change in Net Position per Statement of Revenue, Expenses, and Change in Net Position	<u>\$ 191,776</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Schedule of Revenues and Expenses - Budget to Actual
For the year ended December 31, 2023

	2023 Budget (Unaudited)	2023 Final Budget (Unaudited)	2023 Actual (Restated)	Variance Favorable/ (Unfavorable)
Operating Revenues:				
Project Administration Fees	\$ 942,500	\$ 942,500	\$ 1,025,619	\$ 83,119
Bond Fees	212,750	212,750	213,144	394
Grant and Agency Fund Fees	526,204	526,204	308,393	(217,811)
Reimbursement and Other	1,948,730	1,948,730	1,273,932	(674,798)
Rent Income	-	-	723,282	723,282
Total Operating Revenues	<u>3,630,184</u>	<u>3,630,184</u>	<u>3,544,370</u>	<u>(85,814)</u>
Operating Expenses:				
Payroll Expenses	1,661,011	1,661,011	1,612,611	48,400
Employee Benefits	772,656	772,656	833,190	(60,534)
Professional Fees	291,600	291,600	261,922	29,678
Insurance	106,500	106,500	115,200	(8,700)
Administrative and General	741,627	741,627	656,977	84,650
Total Operating Expenses	<u>3,573,394</u>	<u>3,573,394</u>	<u>3,479,900</u>	<u>93,493</u>
Other Income/(Expenses):				
Investment Income	<u>2,100</u>	<u>2,100</u>	<u>241,829</u>	<u>239,729</u>
Total Other Income/(Expenses)	<u>2,100</u>	<u>2,100</u>	<u>241,829</u>	<u>239,729</u>
Net Income	<u>\$ 58,890</u>	<u>\$ 58,890</u>	<u>306,299</u>	<u>\$ 247,408</u>

**Reconciliation to Change in Net Position per Statements of Revenues,
Expenses and Changes in Net Position:**

Unbudgeted Pension and Other Post-employment Benefit Revenue	316,459
Interest Income from Leasing Arrangements	43,546
Depreciation Expense	(433,380)
Interest Expense	(424,751)
Subtotal	<u>(498,126)</u>

Change in Net Position per Statement of Revenue, Expenses, and Change in Net Position	<u>\$ (191,827)</u>
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ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Combining Statement of Net Position
December 31, 2024

	Total	General and Administrative Fund	Grant Fund	Bond Fund	Housing and Other Projects	Mortgages
ASSETS						
Unrestricted Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 4,918,404	\$ 4,918,404	\$ -	\$ -	\$ -	\$ -
Investments	1,052,561	1,052,561	-	-	-	-
Accounts Receivable	906,605	906,605	-	-	-	-
Total Unrestricted Current Assets	6,877,570	6,877,570	-	-	-	-
Restricted Assets:						
Current Assets:						
Cash and Cash Equivalents	3,955,341	35,117	247,207	947,248	2,725,769	-
Accounts Receivable	798,590	-	-	-	798,590	-
Grant Receivable	423,758	-	423,758	-	-	-
Current Portion of Lease Receivable	391,170	-	-	391,170	-	-
Mortgage Interest Receivable	1,041,463	-	-	-	112,925	928,538
Total Restricted Current Assets	6,610,322	35,117	670,965	1,338,418	3,637,284	928,538
Non-Current Assets:						
Mortgages Receivable	25,890,165	-	8,221,581	-	5,052,535	12,616,049
Valuation Allowance for Loan Losses	(26,879,682)	-	(8,221,581)	-	(5,113,514)	(13,544,587)
Mortgages Receivable, net	(989,517)	-	-	-	(60,979)	(928,538)
Lease Receivable, Net of Current Portion	3,572,676	-	-	3,572,676	-	-
Total Restricted Non-Current Assets	2,583,159	-	-	3,572,676	(60,979)	(928,538)
Total Restricted Assets	9,193,481	35,117	670,965	4,911,094	3,576,305	-
Capital Assets, Net of Depreciation	14,574,667	75,691	-	14,498,976	-	-
Total Assets	30,645,718	6,988,378	670,965	19,410,070	3,576,305	-
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows Related to Pensions	459,688	459,688	-	-	-	-
Deferred Outflows Related to Other Post-employment Benefits	1,908,414	1,908,414	-	-	-	-
Total Deferred Outflows of Resources	2,368,102	2,368,102	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 33,013,820	\$ 9,356,480	\$ 670,965	\$ 19,410,070	\$ 3,576,305	\$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Combining Statement of Net Position (continued)
December 31, 2024

	Total	General and Administrative Fund	Grant Fund	Bond Fund	Housing and Other Projects	Mortgages
LIABILITIES						
Unrestricted Liabilities:						
Current Liabilities:						
Accounts Payable and Accrued Expenses	\$ 76,989	\$ 76,989	\$ -	\$ -	\$ -	\$ -
Pension Payable	201,648	201,648	-	-	-	-
Total Unrestricted Current Liabilities	278,637	278,637	-	-	-	-
Restricted Liabilities:						
Current Liabilities:						
Accounts Payable and Accrued Expenses	657,770	-	414,746	-	243,024	-
Interfund - Due To (From)	-	157,362	-	(134,612)	(22,750)	-
Due to Various Agencies	3,612,250	-	256,219	-	3,356,031	-
Current Portion of Bonds Payable	160,000	-	-	160,000	-	-
Total Current Liabilities Payable from Restricted Liabilities	4,430,020	157,362	670,965	25,388	3,576,305	-
Long-Term Liabilities:						
Accrued Sick and Vacation	333,631	333,631	-	-	-	-
Bonds Payable, net of Current Portion	14,805,000	-	-	14,805,000	-	-
Net Pension Liability	2,013,641	2,013,641	-	-	-	-
Net Other Post-employment Benefits Liability	3,768,559	3,768,559	-	-	-	-
Total Long-Term Liabilities	20,920,831	6,115,831	-	14,805,000	-	-
Total Liabilities	25,629,488	6,551,830	670,965	14,830,388	3,576,305	-
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows Related to Lease Receivables	3,958,590	-	-	3,958,590	-	-
Deferred Inflows Related to Pensions	342,189	342,189	-	-	-	-
Deferred Inflows Related to Other Post-employment Benefits	1,675,169	1,675,169	-	-	-	-
Total Deferred Inflows of Resources	5,975,948	2,017,358	-	3,958,590	-	-
NET POSITION						
Investment in Capital Assets, Net of Related Debt	(390,333)	75,691	-	(466,024)	-	-
Restricted for Unemployment	35,208	35,208	-	-	-	-
Unrestricted	1,763,509	676,393	-	1,087,116	-	-
Total Net Position	1,408,384	787,292	-	621,092	-	-
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 33,013,820	\$ 9,356,480	\$ 670,965	\$ 19,410,070	\$ 3,576,305	\$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Combining Statement of Net Position
December 31, 2023 - Restated

ASSETS	Total	General and Administrative Fund	Grant Fund	Bond Fund	Housing and Other Projects	Mortgages
Unrestricted Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 4,717,579	\$ 4,717,579	\$ -	\$ -	\$ -	\$ -
Investments	1,000,000	1,000,000	-	-	-	-
Accounts Receivable	274,970	274,970	-	-	-	-
Total Unrestricted Current Assets	5,992,549	5,992,549	-	-	-	-
Restricted Assets:						
Current Assets:						
Cash and Cash Equivalents	5,255,870	36,760	152,051	1,236,496	3,830,563	-
Accounts Receivable	143,679	-	-	-	143,679	-
Grant Receivable	1,141,009	-	1,141,009	-	-	-
Current Portion of Lease Receivable	813,454	-	-	813,454	-	-
Mortgage Interest Receivable	1,013,749	-	-	-	116,138	897,611
Due from Various Agencies	15,928	-	-	-	15,928	-
Total Restricted Current Assets	8,383,689	36,760	1,293,060	2,049,950	4,106,308	897,611
Non-Current Assets:						
Mortgages Receivable	25,206,179	-	8,265,688	-	4,324,442	12,616,049
Valuation Allowance for Loan Losses	(26,167,982)	-	(8,265,688)	-	(4,388,634)	(13,513,660)
Mortgage Receivable, net	(961,803)	-	-	-	(64,192)	(897,611)
Lease Receivable, Net of Current Portion	195,706	-	-	195,706	-	-
Total Restricted Non-Current Assets	(766,097)	-	-	195,706	(64,192)	(897,611)
Total Restricted Assets	7,617,592	36,760	1,293,060	2,245,656	4,042,116	-
Capital Assets, Net of Depreciation	14,857,946	54,560	-	14,803,386	-	-
Total Assets	28,468,087	6,083,869	1,293,060	17,049,042	4,042,116	-
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows Related to Pensions	143,133	143,133	-	-	-	-
Deferred Outflows Related to Other Post-employment Benefits	1,921,691	1,921,691	-	-	-	-
Total Deferred Outflows of Resources	2,064,824	2,064,824	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 30,532,911</u>	<u>\$ 8,148,693</u>	<u>\$ 1,293,060</u>	<u>\$ 17,049,042</u>	<u>\$ 4,042,116</u>	<u>\$ -</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Combining Statement of Net Position (continued)
December 31, 2023 - Restated

	Total	General and Administrative Fund	Grant Fund	Bond Fund	Housing and Other Projects	Mortgages
LIABILITIES						
Unrestricted Liabilities:						
Current Liabilities:						
Accounts Payable and Accrued Expenses	\$ 86,456	\$ 86,456	\$ -	\$ -	\$ -	\$ -
Unearned Program Income	5,744	-	5,744	-	-	-
Pension Payable	160,757	160,757	-	-	-	-
Total Unrestricted Current Liabilities	252,957	247,213	5,744	-	-	-
Restricted Liabilities:						
Current Liabilities:						
Accounts Payable and Accrued Expenses	1,286,063	-	973,949	-	312,114	-
Interfund - Due To (From)	-	(313,367)	313,367	-	-	-
Due to Various Agencies	3,730,002	-	-	-	3,730,002	-
Current Portion of Bonds Payable	190,000	-	-	190,000	-	-
Total Current Liabilities Payable from Restricted Liabilities	5,206,065	(313,367)	1,287,316	190,000	4,042,116	-
Long-Term Liabilities:						
Accrued Sick and Vacation	280,320	280,320	-	-	-	-
Bonds Payable, Net of Current Portion	14,965,000	-	-	14,965,000	-	-
Net Pension Liability	1,742,175	1,742,175	-	-	-	-
Net Other Post-employment Benefits Liability	3,290,034	3,290,034	-	-	-	-
Total Long-Term Liabilities	20,277,529	5,312,529	-	14,965,000	-	-
Total Liabilities	25,736,551	5,246,375	1,293,060	15,155,000	4,042,116	-
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows Related to Lease Receivables	958,960	-	-	958,960	-	-
Deferred Inflows Related to Pensions	426,198	426,198	-	-	-	-
Deferred Inflows Related to Other Post-employment Benefits	2,194,594	2,194,594	-	-	-	-
Total Deferred Inflows of Resources	3,579,752	2,620,792	-	958,960	-	-
NET POSITION						
Investment in Capital Assets, Net of Related Debt	(297,054)	54,560	-	(351,614)	-	-
Restricted for Unemployment	36,846	36,846	-	-	-	-
Unrestricted	1,476,816	190,120	-	1,286,696	-	-
Total Net Position	1,216,608	281,526	-	935,082	-	-
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 30,532,911	\$ 8,148,693	\$ 1,293,060	\$ 17,049,042	\$ 4,042,116	\$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2024

	Total	General and Administrative Fund	Grant Fund	Bond Fund	Housing and Other Projects	Mortgages
Operating Revenues:						
Project Administration Fees	\$ 1,668,408	\$ 1,668,408	\$ -	\$ -	\$ -	\$ -
Bond Fees	206,419	206,419	-	-	-	-
Grant and Agency Fund Fees	-	-	-	-	-	-
Grant Income - Program Revenue	345,620	-	345,620	-	-	-
Grant Income - Project Costs	1,210,488	-	1,210,488	-	-	-
Reimbursement and Other	1,426,195	1,426,195	-	-	-	-
Rent Income	341,233	-	-	341,233	-	-
Total Operating Revenues	5,198,363	3,301,022	1,556,108	341,233	-	-
Operating Expenses:						
Payroll Expenses	1,748,438	1,748,438	-	-	-	-
Employee Benefits	640,664	640,664	-	-	-	-
Professional Fees	229,184	229,184	-	-	-	-
Insurance	117,290	117,290	-	-	-	-
Administrative and General	608,541	608,541	-	-	-	-
Project Costs	1,210,488	-	1,210,488	-	-	-
Depreciation	430,617	19,830	-	410,787	-	-
Total Operating Expenses	4,985,222	3,363,947	1,210,488	410,787	-	-
Operating Income (Loss)	213,141	(62,925)	345,620	(69,554)	-	-
Non-Operating Revenues/(Expense):						
Investment and Interest Income	280,738	223,071	-	57,667	-	-
Interest Income from Leasing Arrangements	121,488	-	-	121,488	-	-
Interest Expense	(423,591)	-	-	(423,591)	-	-
Total Non-Operating Revenues/(Expenses)	(21,365)	223,071	-	(244,436)	-	-
Change in Net Position	\$ 191,776	\$ 160,146	\$ 345,620	\$ (313,990)	\$ -	\$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the year ended December 31, 2023 - Restated

	Total	General and Administrative Fund	Grant Fund	Bond Fund	Housing and Other Projects	Mortgages
Operating Revenues:						
Project Administration Fees	\$ 627,638	\$ 627,638	\$ -	\$ -	\$ -	\$ -
Bond Fees	213,144	213,144	-	-	-	-
Grant and Agency Fund Fees	397,981	397,981	-	-	-	-
Grant Income - Program Revenue	308,393	-	308,393	-	-	-
Grant Income - Project Costs	1,736,179	-	1,736,179	-	-	-
Reimbursement and Other	1,273,932	1,273,932	-	-	-	-
Rent Income	723,282	198,486	-	524,796	-	-
Total Operating Revenues	5,280,549	2,711,181	2,044,572	524,796	-	-
Operating Expenses:						
Payroll Expenses	1,612,611	1,612,611	-	-	-	-
Employee Benefits	516,731	516,731	-	-	-	-
Professional Fees	261,922	261,922	-	-	-	-
Insurance	115,200	115,200	-	-	-	-
Administrative and General	656,977	656,977	-	-	-	-
Project Costs	1,736,179	-	1,736,179	-	-	-
Depreciation	433,380	24,691	-	408,689	-	-
Total Operating Expenses	5,333,000	3,188,132	1,736,179	408,689	-	-
Operating Income (Loss)	(52,451)	(476,951)	308,393	116,107	-	-
Non-Operating Revenues/(Expense):						
Investment and Interest Income	241,829	205,640	-	36,189	-	-
Interest Income from Leasing Arrangements	43,546	-	-	43,546	-	-
Interest Expense	(424,751)	-	-	(424,751)	-	-
Total Non-Operating Revenues/(Expenses)	(139,376)	205,640	-	(345,016)	-	-
Change in Net Position	\$ (191,827)	\$ (271,311)	\$ 308,393	\$ (228,909)	\$ -	\$ -

**INDEPENDENT AUDITOR'S 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***

Board of Commissioners
Atlantic County Improvement Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of Atlantic County Improvement Authority (hereafter referred to as the "Authority") a component unit of the County of Atlantic, State of New Jersey, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 22, 2026.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as finding 2024-001, that we consider a *material weakness*.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit

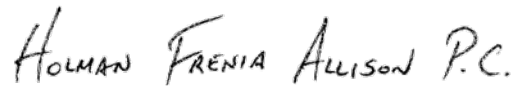
requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as findings 2024-001, 2024-002 and 2024-003.

Atlantic County Improvement Authority's Response to Findings

The Authority's response to findings identified in our audit is described in the schedule of findings and questioned costs. The Authority's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "HOLMAN FRENIA ALLISON P.C." in a cursive, slightly slanted script.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 22, 2026
Lakewood, New Jersey

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Commissioners
Atlantic County Improvement Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Atlantic County Improvement Authority (hereafter referred to as the Authority) a component unit of the County of Atlantic, State of New Jersey, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards, the Uniform Guidance is further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in

accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with Uniform Guidance and which is described in the schedule of findings and questioned costs as finding 2024-003 Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Authority's response to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a

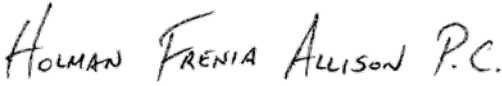
federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2024-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 22, 2026
Lakewood, New Jersey

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2024

Federal Grantor/Pass-through Grantor/ Program or Cluster Title

U.S. Department of Housing and Urban Development

Passed through Atlantic County, New Jersey

Home Investment Partnership Act (HOME) - 2018
Home Investment Partnership Act (HOME) - 2019
Home Investment Partnership Act (HOME) - 2020
Home Investment Partnership Act (HOME) - 2021
Home Investment Partnership Act (HOME) - 2022
Home Investment Partnership Act (HOME) - 2023
Home Investment Partnership Act (HOME) - 2024
Home Investment Partnership Act (HOME) - American Rescue Plan
Total Home Investment Partnership Act (HOME)

Passed through Atlantic County, New Jersey

Community Development Block Grant (CDBG) - Entitlement Grant Cluster*:

Community Development Block Grant (CDBG) - 2017
Community Development Block Grant (CDBG) - 2018
Community Development Block Grant (CDBG) - 2019
Community Development Block Grant (CDBG) - 2020
Community Development Block Grant (CDBG) - 2021
Community Development Block Grant (CDBG) - 2022
Community Development Block Grant (CDBG) - 2023
Community Development Block Grant (CDBG) - 2024
Community Development Block Grant (CDBG) - CV I
Community Development Block Grant (CDBG) - CV II
Community Development Block Grant (CDBG) - CV III

Total Community Development Block Grant (CDBG) - Entitlement Grant Cluster

Total U.S. Department of Housing and Urban Development

Total Federal Awards

Federal Assistance Listing Number	Pass-through Grantor Number	Grant Period	Current Year Expenditures	Passed to Sub-Recipients	Total Expenditures	Cumulative Total Expenditures
14.239	21-6000049	9/1/2018 - 8/31/2025	\$ -	\$ 98,198	\$ 98,198	\$ 723,427
14.239	21-6000049	9/1/2019 - 8/31/2026	-	166,092	166,092	314,326
14.239	21-6000049	9/1/2020 - 8/31/2027	-	-	-	69,413
14.239	21-6000049	9/1/2021 - 8/31/2028	-	-	-	76,901
14.239	21-6000049	9/1/2022 - 8/31/2029	-	-	-	70,956
14.239	21-6000049	9/1/2023 - 8/31/2030	40,029	-	40,029	70,608
14.239	21-6000049	9/1/2024 - 8/31/2031	43,662	-	43,662	43,662
14.239	21-6000049	9/20/2021 - 9/30/2030	17,291	-	17,291	17,291
			100,982	264,290	365,272	1,386,584
14.218	21-6000049	9/1/2017 - 8/31/2024	-	17,875	17,875	1,084,196
14.218	21-6000049	9/1/2018 - 8/31/2025	-	152,781	152,781	1,013,594
14.218	21-6000049	9/1/2019 - 8/31/2026	-	140,708	140,708	774,058
14.218	21-6000049	9/1/2020 - 8/31/2027	-	127,283	127,283	475,676
14.218	21-6000049	9/1/2021 - 8/31/2028	-	58,631	58,631	279,710
14.218	21-6000049	9/1/2022 - 8/31/2029	-	66,727	66,727	276,815
14.218	21-6000049	9/1/2023 - 8/31/2030	162,693	110,528	273,221	342,676
14.218	21-6000049	9/1/2024 - 8/31/2031	47,990	-	47,990	47,990
14.218	21-6000049	10/16/2020 - 10/15/2026	9,006	-	9,006	2,016,198
14.218	21-6000049	9/1/2020 - 8/31/2027	16,669	271,665	288,334	1,453,318
14.218	21-6000049	9/1/2020 - 8/31/2028	8,280	-	8,280	8,280
			244,638	946,198	1,190,836	7,772,511
			345,620	1,210,488	1,556,108	9,159,095
			\$ 345,620	\$ 1,210,488	\$ 1,556,108	\$ 9,159,095

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the Authority. The Authority is defined in Note 1 of the basic financial statements. The information in these schedules is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies is included on the schedule of expenditures of federal awards.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedules of expenditures of federal awards is presented using the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 3: SUB-RECIPIENTS

The Authority provided \$1,210,488 of federal assistance to sub-recipients for the year ended December 31, 2024.

NOTE 4: INDIRECT COSTS

The Authority does not have negotiated indirect cost rate, nor has it elected to use the 10% de minimis indirect cost rate.

NOTE 5: RELATIONSHIP TO FEDERAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal financial reports.

NOTE 6: FEDERAL AND STATE LOANS OUTSTANDING

As of December 31, 2024, the Authority is not the guarantor of any loans outstanding.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Schedule of Findings and Questioned Costs
For the year ended December 31, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness(es) identified?	<u> X </u> Yes <u> </u> None Reported
2) Significant deficiency(ies) identified?	<u> </u> Yes <u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> X </u> Yes <u> </u> None Reported

Federal Awards

Internal control over major programs:	
1) Material weakness(es) identified?	<u> </u> Yes <u> X </u> None Reported
2) Significant deficiency(ies) identified?	<u> X </u> Yes <u> </u> None Reported
Type of auditor's report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of Uniform Guidance?	<u> X </u> Yes <u> </u> None Reported

Identification of major programs:

<u>Assistance Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.218</u>	<u>Not applicable</u>	<u>Community Development Block Grant</u>
Dollar threshold used to determine Type A programs		<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?		<u> </u> Yes <u> X </u> No

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Finding 2024-001: General Ledger Maintenance

The Authority does not currently have a formal close process and does not maintain its general ledger in accordance with generally accepted accounting principles (GAAP). We specifically noted the following issues:

Formal Close Process

Criteria: Generally accepted accounting principles in the United States of America provides that the design or operation of an internal control structure over financial reporting allows management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. This includes the need for an individual, not directly involved in the preparation of transactions or financial statement amounts, to provide a review of the work performed. There appears to be a general lack of control consciousness within the Authority.

Condition and context: The financial information for the year ended December 31, 2024, included errors in certain accounts that were the result of ineffective monitoring procedures and/or closing processes throughout the year. These errors can cause misstatements in the financial statements, and in certain circumstances resulted in proposed audit adjustments.

Cause: Because these errors were not detected prior to the information being provided for audit, there is an indication that the closing procedures, specifically the monitoring and review of financial information by management, is not being effectively performed. This will ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to possibly exist without notice.

Effect: The extent of the adjusting journal entries proposed by the auditor and accepted by management was material to the financial statements.

Recommendation: We recommend the Authority implement a formalized closing process at least on an annual basis for all financial statement areas. The close process should include an in-depth analysis of all significant accounts, including recording all prior-year audit entries. All significant accounts should have supporting schedules that are prepared and reviewed by separate individuals within the Authority to ensure proper segregation of duties. Furthermore, supporting schedules should agree to the corresponding general ledger accounts. Implementation of these recommendations will improve financial reporting processes and internal controls of the Authority and result in a financial close with minimal proposed adjusting entries.

Management's response: Management will ensure proper segregation of duties and enhanced oversight, providing improved internal controls. Financial procedures and standard operating procedures will be revised, formalized and put into place.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

Finding 2024-002: Lateness in Filing of Audited Financial Statements

Criteria: The Division of Local Government Services (DLGS), Department of Community Affairs, State of New Jersey, requires audited financial statement to be filed timely within the established deadline of September 30, 2025.

Condition and Context: The financial information for the year ended December 31, 2024, included errors in certain accounts that were the result of ineffective monitoring procedures and/or closing processes throughout the year. These errors can cause misstatements in the financial statements, and in certain circumstances resulted in proposed audit adjustments.

Cause: Because these errors were not detected prior to the information being provided for audit, there is an indication that the closing procedures, specifically the monitoring and review of financial information by management, is not being effectively performed. This will ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to possibly exist without notice.

Effect: The timeliness of filing the audited financial statements of the Authority as required by Division of Local Government Services (DLGS), Department of Community Affairs, State of New Jersey, was not filed timely within the established deadline of September 30, 2025.

Recommendation: The Authority should implement a formalized close process to ensure the Authority's financial statements are filed with the established deadline with the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Management's Response: Management recognizes the need to submit their audit report to the Division of Local Government Services, Department of Community Affairs, State of New Jersey within established deadlines to remain compliant with requirements. Management will make an effort to correct their timeliness and file their audits within the appropriate deadlines going forward.

Section III – Federal Expenditures and Findings and Questioned Costs

This section identifies the reportable conditions, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required by Uniform Guidance.

Finding 2024-003: Lateness in Submission of Single Audit

Criteria: Uniform Guidance requires a federal single audit to be submitted to the Federal Audit Clearing House (FAC) in accordance with federal guidelines within nine months of year end.

Condition and Context: The financial information for the year ended December 31, 2024, included errors in certain accounts that were the result of ineffective monitoring procedures and/or closing processes throughout the year. These errors can cause misstatements in the financial statements, and in certain circumstances resulted in proposed audit adjustments.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Schedule of Findings and Questioned Costs (continued)

Section III – Federal Expenditures and Findings and Questioned Costs (continued)

Finding 2024-003: Lateness in Submission of Single Audit (continued)

Cause: Because these errors were not detected prior to the information being provided for audit, there is an indication that the closing procedures, specifically the monitoring and review of financial information by management, is not being effectively performed. This will ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to possibly exist without notice.

Effect: The Authority did not submit the federal single audit for the year ended December 31, 2024, within the established deadline of September 30, 2025.

Recommendation: The federal single audit report must be submitted to the FAC in accordance with the deadlines set forth in the federal guidelines.

Management's Response: Management recognizes the need to submit federal single audit reports to the FAC in accordance with federal deadlines in order to remain compliant with requirements. Management will make an effort to correct their timeliness and file their federal single audits within the appropriate deadlines going forward.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County Atlantic, State of New Jersey)
Summary Schedule of Prior Year Audit Findings and Questioned Costs

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards* and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance).

FINANCIAL STATEMENT FINDINGS

Finding 2023-001: General Ledger Maintenance

The Authority does not currently have a formal close process and does not maintain its general ledger in accordance with generally accepted accounting principles (GAAP). We specifically noted the following issues:

Formal Close Process

Criteria: Generally accepted accounting principles in the United States of America provides that the design or operation of an internal control structure over financial reporting allows management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. This includes the need for an individual, not directly involved in the preparation of transactions or financial statement amounts, to provide a review of the work performed. There appears to be a general lack of control consciousness within the Authority.

Condition and context: The financial information for the year ended December 31, 2023, included errors in certain accounts that were the result of ineffective monitoring procedures and/or closing processes throughout the year. These errors can cause misstatements in the financial statements, and in certain circumstances resulted in proposed audit adjustments.

Cause: Because these errors were not detected prior to the information being provided for audit, there is an indication that the closing procedures, specifically the monitoring and review of financial information by management, is not being effectively performed. This will ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to possibly exist without notice.

Effect: The extent of the adjusting journal entries proposed by the auditor and accepted by management was material to the financial statements.

Recommendation: We recommend the Authority implement a formalized closing process at least on an annual basis for all financial statement areas. The close process should include an in-depth analysis of all significant accounts, including recording all prior-year audit entries. All significant accounts should have supporting schedules that are prepared and reviewed by separate individuals within the Authority to ensure proper segregation of duties. Furthermore, supporting schedules should agree to the corresponding general ledger accounts. Implementation of these recommendations will improve financial reporting processes and internal controls of the Authority and result in a financial close with minimal proposed adjusting entries.

Results: This has not been corrected as of the date the audit report. Finding 2023-001 is a repeat finding in the accompanying schedule of findings and questioned costs as finding 2024-001.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County Atlantic, State of New Jersey)
Summary Schedule of Prior Year Audit Findings and Questioned Costs (continued)

Finding 2023-002: Lateness in Filing of Audited Financial Statements

Criteria: The Division of Local Government Services (DLGS), Department of Community Affairs, State of New Jersey, requires audited financial statement to be filed timely within the established deadline of September 30, 2024.

Condition and Context: The financial information for the year ended December 31, 2023, included errors in certain accounts that were the result of ineffective monitoring procedures and/or closing processes throughout the year. These errors can cause misstatements in the financial statements, and in certain circumstances resulted in proposed audit adjustments.

Cause: Because these errors were not detected prior to the information being provided for audit, there is an indication that the closing procedures, specifically the monitoring and review of financial information by management, is not being effectively performed. This will ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to possibly exist without notice.

Effect: The timeliness of filing the audited financial statements of the Authority as required by Division of Local Government Services (DLGS), Department of Community Affairs, State of New Jersey, was not filed timely within the established deadline of September 30, 2024.

Recommendation: The Authority should implement a formalized close process to ensure the Authority's financial statements are filed with the established deadline with the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Results: This has not been corrected as of the date the audit report. Finding 2023-002 is a repeat finding in the accompanying schedule of findings and questioned costs as finding 2024-002.

FEDERAL EXPENDITURES AND FINDINGS AND QUESTIONED COSTS

Finding 2023-003: Lateness in Submission of Single Audit

Criteria: Uniform Guidance requires a federal single audit to be submitted to the Federal Audit Clearing House (FAC) in accordance with federal guidelines within nine months of year end.

Condition and Context: The financial information for the year ended December 31, 2023, included errors in certain accounts that were the result of ineffective monitoring procedures and/or closing processes throughout the year. These errors can cause misstatements in the financial statements, and in certain circumstances resulted in proposed audit adjustments.

Cause: Because these errors were not detected prior to the information being provided for audit, there is an indication that the closing procedures, specifically the monitoring and review of financial information by management, is not being effectively performed. This will ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to possibly exist without notice.

Effect: The Authority did not submit the federal single audit for the year ended December 31, 2023, within the established deadline of September 30, 2024.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County Atlantic, State of New Jersey)
Summary Schedule of Prior Year Audit Findings and Questioned Costs (continued)

Finding 2023-003: Lateness in Submission of Single Audit (continued)

Recommendation: The federal single audit report must be submitted to the FAC in accordance with the deadlines set forth in the federal guidelines.

Results: This has not been corrected as of the date the audit report. Finding 2023-003 is a repeat finding in the accompanying schedule of findings and questioned costs as finding 2024-003.

To the Board of Commissioners of
Atlantic County Improvement Authority

We have audited the financial accounts and transactions of the Atlantic County Improvement Authority (hereafter referred to as the Authority), a component unit of, County of Atlantic, State of New Jersey for the year ended December 31, 2024. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments and Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised by *N.J.S.A.40A:11-4*

N.J.S.A.40A:11-4 – Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$44,000 except by contract or agreement.

The Authority has a qualified purchasing agent on staff and therefore may award contracts up to \$44,000 without competitive bids.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising and awarded by resolution.

The minutes also indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

In as much as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results of our examination did not disclose any discrepancies.

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$17,500 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of *N.J.S.A.40A:11-6.1*.

The supporting documentation indicates that quotes were requested for all items that required them.

Examination of Cash Receipts

A test check of cash receipts was performed. The results of the test did not disclose any discrepancies.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a partial payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Examination of Payroll

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies. The results of the examination did not disclose any discrepancies.

Examination of Capital Assets

The capital asset subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority introduced its operating and capital budget on November 9, 2023, and formally adopted its operating and capital budget on December 14, 2023.

Current Year Findings:

Finding 2024-001: General Ledger Maintenance

The Authority does not currently have a formal close process and does not maintain its general ledger in accordance with generally accepted accounting principles (GAAP). We specifically noted the following issues:

Formal Close Process

Criteria: Generally accepted accounting principles in the United States of America provides that the design or operation of an internal control structure over financial reporting allows management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. This includes the need for an individual, not directly involved in the preparation of transactions or financial statement amounts, to provide a review of the work performed. There appears to be a general lack of control consciousness within the Authority.

Condition and context: The financial information for the year ended December 31, 2024, included errors in certain accounts that were the result of ineffective monitoring procedures and/or closing processes throughout the year. These errors can cause misstatements in the financial statements, and in certain circumstances resulted in proposed audit adjustments.

Cause: Because these errors were not detected prior to the information being provided for audit, there is an indication that the closing procedures, specifically the monitoring and review of financial information by management, is not being effectively performed. This will ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to possibly exist without notice.

Effect: The extent of the adjusting journal entries proposed by the auditor and accepted by management was material to the financial statements.

Recommendation: We recommend the Authority implement a formalized closing process at least on an annual basis for all financial statement areas. The close process should include an in-depth analysis of all significant accounts, including recording all prior-year audit entries. All significant accounts should have supporting schedules that are prepared and reviewed by separate individuals within the Authority to ensure proper segregation of duties. Furthermore, supporting schedules should agree to the corresponding general ledger accounts. Implementation of these recommendations will improve financial reporting processes and internal controls of the Authority and result in a financial close with minimal proposed adjusting entries.

Management's response: Management will ensure proper segregation of duties and enhanced oversight, providing improved internal controls. Financial procedures and standard operating procedures will be revised, formalized and put into place.

Finding 2024-002: Lateness in Filing of Audited Financial Statements

Criteria: The Division of Local Government Services (DLGS), Department of Community Affairs, State of New Jersey, requires audited financial statement to be filed timely within the established deadline of September 30, 2025.

Condition and Context: The financial information for the year ended December 31, 2024, included errors in certain accounts that were the result of ineffective monitoring procedures and/or closing processes throughout the year. These errors can cause misstatements in the financial statements, and in certain circumstances resulted in proposed audit adjustments.

Cause: Because these errors were not detected prior to the information being provided for audit, there is an indication that the closing procedures, specifically the monitoring and review of financial information by management, is not being effectively performed. This will ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to possibly exist without notice.

Effect: The timeliness of filing the audited financial statements of the Authority as required by Division of Local Government Services (DLGS), Department of Community Affairs, State of New Jersey, was not filed timely within the established deadline of September 30, 2025.

Recommendation: The Authority should implement a formalized close process to ensure the Authority's financial statements are filed with the established deadline with the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Management's Response: Management recognizes the need to submit their audit report to the Division of Local Government Services, Department of Community Affairs, State of New Jersey within established deadlines to remain compliant with requirements. Management will make an effort to correct their timeliness and file their audits within the appropriate deadlines going forward.

Finding 2024-003: Lateness in Submission of Single Audit

Criteria: Uniform Guidance requires a federal single audit to be submitted to the Federal Audit Clearing House (FAC) in accordance with federal guidelines within nine months of year end.

Condition and Context: The financial information for the year ended December 31, 2024, included errors in certain accounts that were the result of ineffective monitoring procedures and/or closing processes throughout the year. These errors can cause misstatements in the financial statements, and in certain circumstances resulted in proposed audit adjustments.

Cause: Because these errors were not detected prior to the information being provided for audit, there is an indication that the closing procedures, specifically the monitoring and review of financial information by management, is not being effectively performed. This will ultimately cause significant errors in the financial records and financial statements as well as allow possible irregularities, including fraud, to possibly exist without notice.

Effect: The Authority did not submit the federal single audit for the year ended December 31, 2024, within the established deadline of September 30, 2025.

Recommendation: The federal single audit report must be submitted to the FAC in accordance with the deadlines set forth in the federal guidelines.

Management's Response: Management recognizes the need to submit federal single audit reports to the FAC in accordance with federal deadlines in order to remain compliant with requirements. Management will make an effort to correct their timeliness and file their federal single audits within the appropriate deadlines going forward.

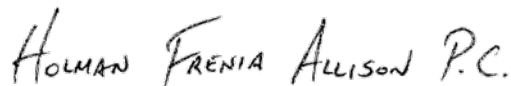
Follow-Up of Prior Years' Findings

In accordance with *Government Auditing Standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. During the current year, it was noted that the Authority had prior year findings 2023-001, 2023-002 and 2023-003 (current year 2024-001, 2024-002 and 2024-003, respectively) which were not corrected in the current year.

Acknowledgment

We received the complete cooperation of all the Authority officials and employees, and we greatly appreciate the courtesies extended to the members of the audit team. During our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions concerning our comments, please call us.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 22, 2026
Lakewood, New Jersey