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

Financial Statements and Supplementary Information

For the years ended December 31, 2012 and 2011

(With Independent Auditors' Report thereon)

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(A Component Unit of the County of Atlantic, New Jersey)
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(A Component Unit of the County of Atlantic, New Jersey)
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INTRODUCTORY SECTION

ACIA
Atlantic County Improvement Authority
5909 Main Street, 2nd Floor, Mays Landing, N.J. 08330
Phone: 609-645-5838 Fax: 609-645-5813

John C. Lamey, Jr.
Executive Director

March 8, 2013

Chairperson Foster and Authority Commissioners:

Presented to you are the audited financial statements for the 2012 year. There are separate financial statements for the Administrative, Bond, Grant and Agency Funds, consistent with prior years. The financial statements are presented separately for the Administrative Fund, each bond issue and each grant and agency fund because each is separate and distinct.

The report is presented in three sections: introductory, financial and single audit. The introductory section consists of this transmittal letter. The financial section includes the basic financial statements and schedules, management's discussion and analysis as well as the independent auditors' report thereon. The Authority is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133. Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

Government Auditing Standards and New Jersey statutes require that the Atlantic County Improvement Authority publish a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America and audited in accordance with generally accepted auditing standards. The financial statements for the 2012 year are presented as required.

The Management Discussion & Analysis ("MD&A") report consists of management's representations concerning the finances of the Administrative, Bonds, Grant, and Agency Funds. Management assumes full responsibility for the completeness and reliability of all the information presented in the MD&A.

Regarding the reliability of the statements presented, a reasonable internal control framework and procedures exist to protect the Authority's assets from loss, theft or misuse. This internal control framework provides a basis that allows staff to compile sufficient and reliable information for the preparation of the Authority's financial statements in conformity with GAAP and for the audit by the Authority's independent auditor. Because the cost of internal controls should not outweigh their benefits, the internal controls cannot provide an absolute assurance, but can provide reasonable assurance as to the credibility and accuracy of the financial statements.

The Authority's staff prepared the basic financial statements and the supplemental financial statements and schedules as discussed above. Holman Frenia Allison, PC, a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors and assessing the overall financial statements presentation. The auditors have opined that the basic financial statements, which were prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards present fairly, in all material respects, the financial position of the Atlantic County Improvement Authority as of December 31, 2012.

Sincerely,

John C. Lamey, Jr.
Executive Director

FINANCIAL SECTION

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Certified Public Accountants & Consultants

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the
Atlantic County Improvement Authority

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Atlantic County Improvement Authority, a component unit of the County of Atlantic, State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Atlantic County Improvement Authority as of December 31, 2012, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-10 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Atlantic County Improvement Authority's basic financial statements. The accompanying *schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and other information such as the introductory section and supplementary information contained in schedules 2 through 24 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and supplementary information contained in schedules 2 through 24 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and supplementary information contained in schedules 2 through 24 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2013 on our consideration of the Atlantic County Improvement 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Atlantic County Improvement Authority's internal control over financial reporting and compliance.

Other Matter

The financial statements of Atlantic County Improvement Authority as of December 31, 2011, were audited by other auditors whose report dated March 29, 2012, expressed an unmodified opinion on those statements.

Holman. Frenia. Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 8, 2013
Toms River, New Jersey

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the Authority's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

The following are key financial highlights:

- Total assets at year-end were $43,754,800 and exceeded liabilities and deferred inflow of resources in the amount of $695,625 (i.e. net position). $657,130 was available to support short-term operations.

- Prior to 2011, the Administrative Fund had previously increased net position for five consecutive years. Unrestricted net position decreased $174,391 over fiscal year 2012. This resulted from the Administrative Funds inability to generate enough revenues to cover all operating expenses.

- Operating revenues were $3,735,392, a decrease from year 2011 in the amount of $78,337. The Project Administration Fees decreased due to a lack of work with the failing economy in 2012.

- Operating expenses decreased $27,327 from 2011, which was a result of a decrease in payroll and related employee costs, as well as a decrease in project costs related to grant administration and reduced grant funding.

Overview of Annual Financial Report

Management's Discussion and Analysis ("MD&A") serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplemental information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's capital plan, budget, bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Financial Position presents the financial position of the Authority on a full accrual historical cost basis. The Statement of Financial Position presents information on all of the Authority's assets, liabilities and deferred inflow of resources, with the difference reported as net positions. Over time, increases and decreases in net positions are one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Financial Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses, and Changes in Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This Statement also provides certain information about the Authority's recovery of its costs.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This Statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the Statements. The Notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Supplementary Information comparing the budget to actual expenses, as well as combining statements are included to provide additional information to the reader of the financial statements.

Summary of the Organization and Business

The Authority was created pursuant to a resolution adopted by the Board of Chosen Freeholders of the County of Atlantic on February 8, 1961. The Authority is a component unit of the County of Atlantic.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

The Authority has no taxing power. Operational costs are funded from fees charged to administer grants, mortgages and agency funds.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

Condensed Financial Statements

Condensed Statement of Net Position

	December 31, 2012	2011	2010
Noncurrent Assets:			
Net Mortgage and Note Receivable	$ 24,200,449	$ 25,085,404	$ 25,931,965
Net Lease Payments Receivable	11,879,067	16,955,810	21,673,116
Cash and Investments	6,081,989	6,344,841	6,348,806
Current Assets (Less Cash) And Capital Assets, Net	1,593,295	1,449,289	1,471,135
Total Assets	$ 43,754,800	$ 49,835,344	$ 55,425,022
Current Liabilities	$ 7,009,367	$ 6,589,296	$ 6,328,883
Long Term Liabilities:			
Other	104,076	130,590	141,219
Certificates of Participation	11,670,000	16,985,000	21,930,000
Bonds Payable	24,200,449	25,085,404	25,931,965
Total Liabilities	42,983,892	48,790,290	54,332,067
Deferred Inflow of Resources:			
Deferred Program Income	75,283	135,046	82,610
Net Position:			
Restricted or Net Invested in Capital Assets	38,495	78,487	66,136
Unrestricted	657,130	831,521	944,209
Total Net Position	695,625	910,008	1,010,345
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 43,754,800	$ 49,835,344	$ 55,425,022

Condensed Statement of Activities

	2012 Actual	2011 Actual	2010 Actual
Revenues:			
Fees	$ 864,510	$ 1,228,683	$ 1,339,152
Grants	2,502,394	2,208,365	2,346,743
Other Revenues	368,488	376,681	172,298
Total Operating Revenues	3,735,392	3,813,729	3,858,193
Expenses:			
Project Costs	2,114,640	1,740,227	2,004,000
Service Fees	387,754	468,138	342,743
Depreciation	2,696	4,716	4,841
General and Administrative	1,385,926	1,705,262	1,509,326
Total Operating Expenses	3,891,016	3,918,343	3,860,910
Operating Gain (Loss)	(155,624)	(104,614)	(2,717)
Non-Operating Revenue, Net	(58,759)	4,277	6,453
(Decrease)/Increase in Net Positions	$ (214,383)	$ (100,337)	$ 3,736

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General Trends and Significant Events

There was no material change in the operations of the Authority in 2012. The Authority continues to implement the CDBG and HOME Programs on behalf of Atlantic County, provide various services to other agencies, administer bond issues, and undertake its other responsibilities.

Financial Condition

The Authority's financial condition remained strong at year-end with adequate liquid assets and a reasonable level of unrestricted net assets. The current financial condition, support staff capabilities and operating plans are well balanced and under control. The following summarizes the Balance Sheet with comparisons to the prior year:

Total assets decreased $6.1 million or 12.2%. The decrease was primarily related to the annual bond payments.

Noncurrent assets decreased $6.3 million or 17.0%. The decrease is proportional to the decrease in long-term liabilities which decreased $6.3 million or 14.8%.

Results of Operations

Operating Revenues: Revenues from operations fall into three general categories: administrative fees, grants, and other.

In comparison with the prior year, the fees for grant administration decreased by $62,080. This is primarily due to grant funding cuts, directly resulting in reduced grant administration fees for the Authority.

Expenses: Total operating expenses of the Authority decreased $27,327 from fiscal year 2011.

The following chart provides percentage changes in system expenses with and without project costs and service fees expenses.

	Actual Amounts in 000's 2012	2011	2010
Operating Expenses:			
Total	$ 3,891	$ 3,918	$ 3,861
Excluding Project Costs	1,776	2,187	1,857
Excluding Project Costs and Service Fees	1,389	1,710	1,514

The following table shows the composition of operating expenses by major classification of expense for the last three years:

	Actual Amounts 2012		2011		2010	
Salaries	$ 814,937	20.94%	$ 1,021,487	26.01%	$ 959,923	24.86%
Fringe & Payroll Taxes	331,290	8.50	391,314	9.96	300,557	7.78
Professional Services	88,548	2.28	80,678	2.05	102,150	2.65
Insurance	93,228	2.40	98,044	2.50	86,308	2.24
Rent & Administrative & General	57,923	1.49	113,739	3.13	60,388	1.56
Project Costs	2,114,640	54.35	1,740,227	44.31	2,004,000	51.90
Service Fees	387,754	9.97	468,138	11.92	342,743	8.88
Depreciation	2,696	0.07	4,716	0.12	4,841	0.13
Total	$ 3,891,016	100.00%	$ 3,918,343	100.00%	$ 3,860,910	100.00%

Project costs increased by $374,413 or 21.5%. Grant project costs increased for 2012.

Cash Flow Activity

The following table shows the Authority's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

	2012	2011	2010
Total Operating Revenues	$ 3,735,392	$ 3,813,729	$ 3,858,193
Net Cash Provided/ (Used) by Operations	(155,624)	(104,614)	(2,717)
Net Operating Cash as a % of Operating Revenue	-4.17%	-2.74%	-0.07%

Capital Assets and Debt Administration

Capital Assets The Authority has financed housing projects by issuing bonds, and public facilities through bonds, certificates of participation, guaranteed notes, and mortgages.

In 2005, the Authority issued the ARC Bond; in 2006, the Faith Baptist Bond; and in 2007, the St. Augustine Bond. At the end of 2012, the Authority had two Certificates of Participation for Atlantic City and Atlantic County, one Guaranteed Note for the Egg Harbor Township Golf Course, and mortgage-backed bonds from ARC, Faith Baptist and St. Augustine.

Each debt is paid off solely from the project financed by the proceeds of the debt. The Certificates of Participation are paid by lease payments from Atlantic City and Atlantic County, plus interest on investments on the Atlantic County Certificates of Participation. The Egg Harbor Township Golf Corporation Guaranteed Note is paid from the Egg Harbor Township Golf Corporation, plus interest on investments. The ARC, Faith Baptist and St. Augustine Bonds are paid by ARC, Faith Baptist and St. Augustine mortgage payments.

No payments are made to the Authority; payments are made to the respective bond trustees or bond holders. All investments are held by the bond trustees. The bond trustees also have the primary responsibility of insuring that all bond requirements are met. The bond trustees also pay the interest on and principal of the Authority's debt. The Authority is responsible for maintaining accounting records based on trust statements prepared by the trustees.

Contacting the Authority's Financial Management

This financial report is designed to provide the citizens of Atlantic County, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have questions about this report or need additional financial information, contact Mr. John Lamey, Executive Director, 5909 Main Street, Mays Landing, NJ 08330 or at 609-645-5838.

BASIC FINANCIAL STATEMENTS

Exhibit A

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statements of Net Position

December 31, 2012 and 2011

ASSETS	2012	2011
Unrestricted Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 484,460	$ 660,821
Other Receivables	299,965	331,802
Total Unrestricted Current Assets	784,425	992,623
Restricted Assets:		
Current Assets:		
Cash and Cash Equivalents	5,597,529	5,684,021
Interest Receivable	120,762	124,743
Accounts Receivable - HUD	286,357	142,583
Mortgages Receivable	545,009	521,262
Guaranteed Note Receivable	340,000	325,000
Net Lease Payments Receivable	5,403,269	5,058,082
Total Restricted Current Assets	12,292,926	11,855,691
Non-Current Assets:		
Mortgages Receivable	22,483,017	22,751,549
Valuation Allowance for Loan Losses	(7,042,568)	(6,766,124)
Guaranteed Note Receivable	8,760,000	9,100,000
Net Lease Payments Receivable	6,475,798	11,897,728
Total Restricted Non-Current Assets	30,676,247	36,983,153
Total Restricted Assets	42,969,173	48,838,844
Capital Assets, Net of Depreciation	1,202	3,899
Total Assets	$ 43,754,800	$ 49,835,366

LIABILITIES AND NET POSITION	2012	2011
Unrestricted Liabilities:		
Current Liabilities:		
Accounts Payable	$ 7,787	$ 7,012
Total Unrestricted Current Liabilities	7,787	7,012
Restricted Liabilities:		
Current Liabilities:		
Accounts Payable	296,240	149,967
Interest Payable	505,331	641,056
Current Portion of Long-Term Debt	6,200,009	5,791,262
Total Current Liabilities Payable From Restricted Assets	7,001,580	6,582,285
Long-Term Liabilities:		
Accrued Sick and Vacation	104,076	130,046
Certificates of Participation	11,670,000	16,985,000
Bonds Payable	24,200,449	25,085,425
Total Long-Term Liabilities	35,974,525	42,200,471
Total Liabilities	42,983,892	48,789,768
Deferred Inflow of Resources:		
Deferred Program Income	75,283	135,590
Net Position:		
Invested in Capital Assets, Net of Related Debt	1,202	3,899
Restricted for Capital Activity and Debt Service	37,293	74,588
Unrestricted	657,130	831,521
Total Net Position	695,625	910,008
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 43,754,800	$ 49,835,366

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit B

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statements of Revenues, Expenses and Changes in Net Position

For the years ended December 31, 2012 and 2011

	2012	2011
Operating Revenues:		
Project Administration Fees	$ 439,734	$ 741,827
Bond Fees	21,000	21,000
Grant and Agency Fund Fees	403,776	465,856
Grants	2,502,394	2,208,365
Reimbursement and Other	368,488	376,681
Total Operating Revenues	3,735,392	3,813,729
Operating Expenses:		
Payroll Expenses	814,937	1,021,487
Employee Benefits	331,290	391,314
Rent	29,717	29,717
Professional Fees	88,548	80,678
Insurance	93,228	98,044
Administrative and General	28,206	84,022
Project Costs	2,114,640	1,740,227
Service Fees	387,754	468,138
Depreciation	2,696	4,716
Total Operating Expenses	3,891,016	3,918,343
Operating Deficit	(155,624)	(104,614)
Non-Operating Revenues/(Expenses):		
Investment and Interest Income	997,010	1,093,661
Lease Rental	1,136,868	1,507,873
Bond and Note Interest Expense	(2,192,637)	(2,597,257)
Total Non-Operating (Expenses)/Revenues	(58,759)	4,277
Decrease in Net Positions	(214,383)	(100,337)
Total Net Position - Beginning of Year	910,008	1,010,345
Total Net Position - End of Year	$ 695,625	$ 910,008

The accompanying Notes to Financial Statements are an integral part of this statement.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Project Administration Fees	$ 444,802	$ 745,019
Bond Fees	21,000	21,000
Grant and Agency Fees	370,542	515,364
Grants	2,362,522	2,083,962
Reimbursement and Other	428,491	306,108
Payroll Expenses	(844,934)	(1,030,385)
Employee Benefits	(332,875)	(391,085)
Rent	(29,717)	(29,717)
Professional Fees	(87,416)	(77,149)
Insurance	(93,228)	(98,044)
Administrative and General	(28,563)	(96,547)
Cash Paid To Subcontractor and Vendors	(2,394,677)	(2,124,795)
Net Cash Flows From Operating Activities	(184,053)	(176,269)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment and Interest Income	1,505	4,655
Net Cash Flows From Investing Activities	1,505	4,655
CASH FLOWS FLOWS CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Payments Received on Mortgages	94,829	144,781
Mortgages Issued	(89,545)	(30,249)
Principal Payments Made on Bonds	(4,945,000)	(4,595,000)
Fees Paid To ACIA	(22,325)	(38,052)
Interfunds Agency	(62,923)	91,550
Lease Rental	6,213,610	6,225,180
Interest Paid on Bonds	(1,268,951)	(1,630,560)
Net Cash Flows From Capital and Related Financing Activities	(80,305)	167,650
Decrease in Cash and Cash Equivalents	(262,853)	(3,964)
Cash and Cash Equivalents - Beginning of Year	6,344,842	6,348,806
Cash and Cash Equivalents - End of Year	$ 6,081,989	$ 6,344,842
Reconciliation To Statements of Net Position:		
Unrestricted Cash	$ 484,460	$ 660,821
Restricted Cash	5,597,529	5,684,021
	$ 6,081,989	$ 6,344,842

The accompanying Notes to Financial Statements are an integral part of this statement.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	2012	2011
Reconciliation of Operating Income To Net Cash Flows From Operating Activities:		
Operating Loss	$ (155,624)	$ (104,614)
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:		
Depreciation	2,696	4,716
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	(111,937)	54,251
(Decrease)/Increase in Accounts Payable	131,951	(95,950)
Decrease Due to Atlantic County	(25,168)	(23,500)
Increase in Accrued Sick and Vacation	(25,971)	(11,172)
Net Cash Flows From Operating Activities	$ (184,053)	$ (176,269)

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit D

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statements of Net Position - Agency Fund

For the years ended December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash	$ 2,539,725	$ 658,754
Mortgage Interest Receivable	5,152,670	4,986,474
Accounts Receivable - Other	1,805	90,795
Mortgages Receivable	15,921,480	15,743,133
Mortgages Receivable - Valuation Allowance	(20,978,671)	(20,626,729)
Total Assets	$ 2,637,009	$ 852,427
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 1,805	$ 46,048
Due To:		
Various Agencies	2,635,204	806,379
Total Liabilities	$ 2,637,009	$ 852,427

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

NOTE 1. ORGANIZATION

General

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. The bonds are paid by lease rentals for certificates of participation, repayments of municipalities' loans for the Pooled Loan Program bonds, loan repayments on the Egg Harbor Township Golf Course bonds and non-profit bonds

The Authority also administers various housing projects funded by the Atlantic City Development Fund. The Authority also undertakes public facilities projects on behalf of governments, school districts and other authorities. The Authority implements the Community Development Block Grant and HOME Programs on behalf of Atlantic County and operates the County's Golf Course.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Authority, as a component unit, issues separate financial statements from the County.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Financial Statements

The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standard Board ("GASB") pronouncements as well as Financial Accounting Standards Boards ("FASB") statements and interpretations, and the Accounting Principles Board ("APB") of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Authority has adopted GASB No. 33 through 65, and related interpretations issued through December 31, 2012. Statement No. 33 required contributions to be recorded in the Statements of Activities. Statement 34 and subsequent Statements and Interpretations required certain other changes in terminology, format and content, as well as inclusion of the Management's Discussion and Analysis supplementary information.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, the Authority has implemented this Statement for the year ended December 31, 2012.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Although the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, the Authority elected to early implement it in fiscal year 2012.

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 net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Financial Statements (continued)

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 net of total liabilities and total deferred inflow of resources) are segregated into "invested in capital assets, net of related liabilities"; "restricted for capital activity and debt service"; 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 expenditures in accordance with N.J.S.A. 40A:5A. The operating budget adopted annually covers the Administrative Fund activity only. 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.

Custodial Funds

State Unemployment Trust - accounts for amount withheld from employee wages in accordance with State requirements, held for the purpose of paying unemployment claims to the State.

Agency Funds - The Agency Funds held by the Authority account for projects administered by the Authority and assets held in the Authority's name on behalf of others. Cash, cash equivalents, and investments held in these funds are considered restricted in accordance with the terms of the individual contracts and agreements.

Bond Fund - The Bond Fund accounts for all assets and corresponding liabilities of the Authority as they relate to the payment of debt service on outstanding loans and bond issues of the Authority. Reserves established in connection with certain bond issues are included in this fund. The debt of the various bond accounts is collateralized primarily by the respective facilities, reserves and revenues established within each bond account. Assets of an individual bond account are restricted and not available to meet the obligations of any other account or purpose.

Restricted Assets

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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

Post-Retirement Benefits

In July 2004, GASB adopted Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions." This Statement became effective for entities on a phased-in basis beginning with fiscal years beginning after December 15, 2006. This Statement requires governmental entities to report the future cost of other post-employment benefits ("OPEB") on a present-value basis instead of the present "pay as you go" method. See note 16 for additional information.

The Authority will also pay up to three years' post-retirement health insurance premiums for the same coverage the employee had before retirement, under the following conditions:

> Post-retirement health insurance premiums will not be paid to the extent the employee or his/her dependents are eligible for coverage afforded by the State in which they reside or the United States, such as Federal Medicare Program.
>
> To be eligible for post-retirement health benefits, the employee must 1) have at least 10 years of service with the Authority and retired on an ordinary disability pension; 2) have retired on accidental disability; 3) have retired with 25 years of service with the Authority; or 4) have retired at the age of 62 or older with at least 15 years of service with the Authority,

As of December 31, 2012 the Authority has recorded $104,076 in accrued sick & vacation leave liability and has not recorded a liability for post-retirement health insurance.

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.

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.

Cash and Cash Equivalents

Cash and cash equivalents include various checking and money market accounts, U.S. obligations and certificates of deposit with maturities of three months or less.

Investments

Investments are carried at fair market value with associated premiums and discounts amortized over the term of the investment held.

Purchase of investments is limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of or guaranteed by the Federal government and to bonds or other obligations of federal or local units. These investments are required to have a maturity date not more than twelve months from the date of purchase.

Cash, Cash Equivalents and Investments - Restricted

Restricted cash and cash equivalents and investments held by the Authority represent funds designated for specific purposes and not available for general use.

Other Asset Restrictions

In accordance with the terms of the various bond resolutions, substantially all of the assets of the Authority are restricted. Although the financial statements are combined, each bond issue outstanding has a designated investment security. None of the assets of any bond issue are available for the payment of any other bond issue.

Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: Invested in capital assets, net of related debt; Restricted for capital activity and debt service; and Unrestricted net position. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt service consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other net positions not included in the above categories.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mortgages Receivable

Mortgages receivable 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. There has been no allowance for loan losses recorded for mortgages receivable held as security for bond repayments or first mortgages held in the Agency Fund.

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.

Net Lease Payments Receivables

The Authority has various direct financing leases receivable, which are held as security and guarantee repayment of certificates of participation outstanding. The receivable balances are reported net of unearned income and balances held by the Authority for repayment of the debt issues.

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. In connection with GASB Statement No. 34, the Authority's policy is to capitalize assets with a cost of $1,000.

Capital assets consist primarily of furniture and equipment. 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 lives:

Furniture and equipment	5 years

Depreciation expense for 2012 and 2011 was $2,696 and $4,716, respectively.

Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2012 and March 8, 2013, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Authority that would require disclosure.

NOTE 3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act ("GUDPA") or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. The carrying amount of cash as of December 31, 2012 was $8,621,713. As of December 31, 2012, the Authority's bank balance of $8,620,180 was not exposed to custodial credit risk. Of that bank balance, $787,371 was covered by FDIC Insurance.

NOTE 4. INVESTMENTS

As of December 31, 2012, the Authority had no investments.

Interest Rate Risk - 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. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk - New Jersey Statutes 40A:5-15.1(a) limits the Authority's investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk - The Authority places no limit on the amount the Authority may invest in any one issuer.

NOTE 5. GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA)

The Authority had deposited cash in 2012 and 2011 with an approved public fund depository qualified under the provisions of the Governmental Unit Deposit Protection Act. In addition to savings and checking accounts, the Board invests monies in certificates of deposits.

The Governmental Unit Deposit Protection Act P.L. 1970, Chapter 236 was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-42 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the six month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the six month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by the FDIC or any other U.S. agency which insures public depository funds.

NOTE 5. GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA) (continued)

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

In the event of a default, the Commissioner of Banking within 20 days after default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months (June 30 and December 31) with the Commissioner of Banking. Any public depository which refuses or neglects to give any such information so requested may be excluded from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The municipality should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2012, follows:

	Furniture & Equipment	Accumulated Depreciation	Fixed Assets Net
Balance: January 1, 2012	$ 32,523	$ 28,624	$ 3,899
Additions	-	2,697	2,697
Balance: December 31, 2012	$ 32,523	$ 31,321	$ 1,202

NOTE 7. LEASE PAYMENT RECEIVABLE

The investment in direct financing leases as of December 31, 2012 and 2011, assuming related bonds payable are held to maturity, is as follows:

	2012	2011
Gross lease Payments Receivable	$ 18,652,682	$ 24,866,633
Less:		
Unearned Income	(1,283,113)	(2,420,321)
Net Debt Service Funds	(5,490,502)	(5,490,502)
Subtotal	(6,773,615)	(7,910,823)
Net Lease Payments Receivable	$ 11,879,067	$ 16,955,810

At December 31, 2012, minimum lease payments receivable (principal and interest), assuming related bonds payable are held to maturity, are approximately as follows:

2013	$ 6,227,478
2014	6,218,469
2015	6,206,735
	$ 18,652,682

NOTE 8. INTERFUNDS

The following represents Interfund activity as of December 31, 2012:

There is an interfund payable for the HOME Grant Fund, payable to the Administrative Fund in the amount of $3,000 at December 31, 2012.

There is an interfund receivable for the Administrative Fund, to be received from the HOME Grant Fund in the amount of $3,000 at December 31, 2012.

NOTE 9. MORTGAGES RECEIVABLE - BOND FUNDS

The following represents a summary of mortgages receivable held in Bond Funds:

	2012	2011
Balance: January 1, 2012	$ 16,506,687	$ 17,008,005
Add: Mortgages Issued	-	-
Subtotal	16,506,687	17,008,005
Less: Repayments	(521,229)	(501,318)
Balance: December 31, 2012	$ 15,985,458	$ 16,506,687

The ARC of Atlantic County mortgage receivable balance as of December 31, 2012 was $1,913,535. The original agreement earned interest at a rate of 3.93% with fixed monthly payments due to the Authority of $12,653, maturing October 1, 2030. An amendment and restatement was executed on December 21, 2010, with an indicative swap interest rate of 3.25%. The "estimated" combined loan and swap monthly payment is $9,300.00, per TD Bank. The payment fluctuates each month due to the number of days in each month. This 2005 bond was amended and restated in accordance with the terms of the bond documents supporting the mortgages.

The Faith Baptist Church mortgage receivable balance as of December 31, 2012 was $785,578 and earned interest at a rate of 4.71% with interest-only payments due until May 2, 2007. Beginning at that time, there will be 225 fixed monthly payments of $6,738.80 due to the Authority until January 2, 2026.

The St. Augustine mortgage receivable balance as of December 31, 2012 was $13,286,345 and earned interest at a rate of 4.14%. The original agreement had interest-only payments due until it was converted to a permanent mortgage on June 1, 2008. Beginning June 1, 2008, there are 300 fixed monthly payments of $80,843.16 due to the Authority.

The following represents a summary of mortgages and interest receivable held in the Authority's Grant Fund as of December 31, 2012 and 2011 which are considered impaired:

	2012	2011
Mortgages Receivable - Schedule to be Forgiven if Conditions are Met	$ 7,042,568	$ 6,766,124
Total allowance for Loan Forgiveness	(7,042,568)	(6,766,124)
Net Loan Value: December 31	$ -	$ -

NOTE 10. MORTGAGES RECEIVABLE - IMPAIRED ASSETS

The following represents the activity of the allowance for mortgage losses in the Grant Fund during 2012 and 2011:

	2012	2011
Balance of Allowance for Mortgage Receivable Losses January 1	$ 6,766,124	$ 6,679,346
Increases:		
Allowance for Additional Mortgages	454,317	647,136
Subtotal Increases:	454,317	647,136
Subtotal:	7,220,441	7,326,482
Decreases:		
Forgiven	(104,052)	(397,529)
Recoveries-Amounts Previously Reserved	(73,821)	(146,004)
Amounts Reclassed from Mortgage Balances (not Mortgages)	-	(16,825)
Subtotal Decreases:	(177,873)	(560,358)
Balance of Allowance for Mortgage Receivable Losses: December 31	$ 7,042,568	$ 6,766,124

The following represents a summary of mortgages and interest receivable held in the Authority's Agency Fund as of December 31, 2012 and 2011 which are considered impaired:

	2012	2011
Mortgages Receivable - Collection: Deemed Doubtful	$ 21,074,150	$ 20,729,607
Subtotal Mortgages Receivable	21,074,150	20,729,607
Total Allowance	(20,978,671)	(20,626,729)
Net Mortgage Receivable - December 31	$ 95,479	$ 102,878

NOTE 10. MORTGAGES RECEIVABLE - IMPAIRED ASSETS (continued)

The following represents the activity of the allowance for mortgage losses in the Agency Fund during 2012 and 2011:

	2012	2011
Balance of Allowance for Mortgage Receivable Losses: January 1	$ 20,626,729	$ 20,316,805
Increases:		
Allowance for Interest Receivable	219,793	218,444
Allowance for Mortgages Receivable	197,440	163,089
Subtotal Increases:	417,233	381,533
Decreases:		
Reclassified Mortgages Receivable	(11,694)	(22,401)
Interest Paid	(53,597)	(49,208)
Subtotal Decreases:	(65,291)	(71,609)
Balance of Allowance for Mortgage Receivable Losses: December 31	$ 20,978,671	$ 20,626,729
Analysis of Balance:		
Interest Receivable	$ 5,152,670	$ 4,986,474
Mortgage Receivable	15,826,001	15,640,255
Balance:	$ 20,978,671	$ 20,626,729

NOTE 11. LONG-TERM DEBT

Bonds, notes and certificates of participation outstanding consist of debt issued by the Authority for specific projects or programs. The various obligations constitute debt of the Authority and are collateralized primarily by the respective facilities, reserves and revenue established within each bond fund. Assets of an individual bond fund are restricted and not available to meet the obligation of any other fund or purpose. Bond indentures contain significant requirements for annual debt service and flow of funds through various restricted accounts.

NOTE 11. LONG-TERM DEBT (continued)

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, requiring the Township 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 Guaranteed Revenue Refunding Bonds

In 2006, the Authority issued refunding bonds in the original amount of $9,785,000, under amended loan and guarantee documents. Bond proceeds were used to defease $9,145,000 of the 2000 bonds. The statements of net position ending balances and the statements of revenues expenses and changes in net position show only the 2006 Egg Harbor Township guaranteed revenue refunding bonds.

Egg Harbor Township Golf Corporation Trustee Activity

The summary on the following page represents the Egg Harbor Township Golf Corporation's trustee activity during the years ended December 31, 2012 and 2011:

NOTE 11. LONG-TERM DEBT (continued)

	2012	2011
Opening Cash and Cash Equivalents - January 1:	$ 761,735	$ 906,624
Increases:		
Interest Earned	219	337
Payment from Egg Harbor Township Golf Course	800,000	602,229
Subtotal Increases:	800,219	602,566
Revised Cash and Equivalents Balance:	1,561,954	1,509,190
Decreases:		
Administrative Costs	(218)	(10,180)
Interest Paid	(417,325)	(432,275)
Principal Paid	(325,000)	(305,000)
Subtotal Decreases:	(742,543)	(747,455)
Ending Cash and Cash Equivalents - December 31:	$ 819,411	$ 761,735

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 the ARC of Atlantic County and are secured by a mortgage note dated September 22, 2005. Principal and interest payments are due monthly. Variable interest rates were fixed for the first five-year period. A refunding adjusted interest rates to an indicative swap interest rate of 3.25% as of December 21, 2010, continuing through October 2030 in accordance with the bond issue documentation. A new amortization schedule was presented to the Authority in early 2012 by TD Bank showing only principal payments. Future interest payments are calculated monthly by TD bank based on the swap interest rate; however interest shown in the schedule below is estimated at $2,800 per month based on 2012 payments to TD Bank.

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 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. Principal and interest payments are due monthly.

NOTE 11. LONG-TERM DEBT (continued)

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 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.

Total General Debt

Principal and interest requirements for remaining terms of the debt are as follows:

	Principal	Interest	Total
2013	$ 886,912	$ 1,022,435	$ 1,909,347
2014	919,833	988,605	1,908,438
2015	958,721	953,497	1,912,218
2016	996,964	914,726	1,911,690
2017	1,049,502	871,305	1,920,807
2018-2022	5,961,386	3,689,271	9,650,657
2023-2027	7,192,117	2,408,381	9,600,498
2028-2032	6,745,161	830,099	7,575,260
2033	323,420	2,819	326,239
	$ 25,034,016	$ 11,681,138	$ 36,715,154

Atlantic City and Atlantic County Certificates of Participation

The Authority sold $72,210,000 certificates of participation in its leases with the City of Atlantic City (which secured the 1985 City Public Facility Lease Rental Bonds) and Atlantic County (which secured the 1986 County Public Facility Lease Rental Bonds) in 1991. Certificates of participation represent proportionate interest in the fixed rental payments from these leases. Proceeds from the sale of these certificates of participation were used to establish escrow accounts (with U.S. Government securities) public facility lease rental bonds, and the 1985 County completion bonds. As a result of these transactions, the bonds for these issues have been defeased and, accordingly, connection with the sales of the Certificates of participation, net of any debt issuance costs, were paid to the lessees in 1991, in accordance with the lease agreements. At the end of the lease terms and satisfaction of the certificates of participation, the lessees may purchase the buildings from the Authority for $1. The Authority's liability associated with these certificates of participation is limited to the associated lease revenue and income thereon.

NOTE 11. LONG-TERM DEBT (continued)

Principal and interest requirements for remaining terms of the certificates of participation are as follows:

	Principal	Interest	Total
2013	$ 5,315,000	$ 912,478	$ 6,227,478
2014	5,655,000	563,469	6,218,469
2015	6,015,000	191,734	6,206,734
	$ 16,985,000	$ 1,667,681	$ 18,652,681

Long-term debt as of December 31, 2012 consisted of the following:

	Beginning Balance	Additions	Adustments/ Payments	Ending Balance	Due in One Year
General	$ 25,845,109	$ -	$ (811,093)	$ 25,034,016	$ 885,009
Certificates of Participation	21,930,000	-	(4,945,000)	16,985,000	5,315,000
Bond Premium	86,578	-	(35,136)	51,442	-
Compensated Absences	130,046	-	(25,970)	104,076	-
	$ 47,991,733	$ -	$ (5,817,199)	$ 42,174,534	$ 6,200,009

NOTE 12. NET POSITION

Net Position presents the difference between assets, liabilities and deferred inflow of resources. The restricted net position amounts were as follows:

NOTE 12. NET POSITION (continued)

	2012	2011
Invested in Capital Assets, Net of Related Liabilities		
Net Plant and Equipment in Service	$ 1,202	$ 3,899
Restricted for Capital Activity and Debt Service:		
Restricted Cash and Equivalents	5,597,529	5,684,020
Other Current Restricted Assets	6,695,397	6,173,001
Non-Current Assets	30,676,247	36,947,792
Subtotal Restrictions	42,969,173	48,804,813
Subtotal	42,970,375	48,808,712
Deductions:		
Current Liabilities Payable from Restricted Assets	(6,986,148)	(6,583,615)
Long-Term Liabilities and Deferred Inflow of Resources	(35,945,732)	(42,146,610)
Subtotal Deductions	(42,931,880)	(48,730,225)
Subtotal	38,495	78,487
Unrestricted	657,130	831,521
Total Net Positions	$ 695,625	$ 910,008

NOTE 13. PENSION PLAN

All of the Authority's employees participate in the Public Employees' Retirement System ("PERS"). This system is sponsored and administered by the New Jersey Division of Pensions and Benefits and is considered a cost sharing multiple-employer plan.

NOTE 13. PENSION PLAN (continued)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 55, with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly-available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), changed the asset valuation method from market related value to full-market value. This legislation also contains a provision to reduce the employee contribution rates under PERS by 1/2 of 1 percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the entity's normal contributions of the fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of chapters 114 and 115, all unfunded accrued liabilities were eliminated.

Due to enactment of the legislation described above, the State of New Jersey's portion of the unfunded accrued liability under the retirement system was eliminated.

The contribution policy for the PERS is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1999, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. As of October 1, 2011, PERS increased the employee contribution rate to 6.5% of employees' annual compensation, as defined. A second phase of the contribution rate increase from 6.5% to 7.5% is to be phased in equally over a 7-year period beginning July 2012. The contribution rate will increase by 0.14% each year with the first payroll of July until the 7.5% contribution rate is reached in July 2018. Employers are required to contribute at an actuarially-determined rate. The actuarially-determined contribution includes funding for basic retirement allowances, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Authority's total payroll for the years ended December 31, 2012, 2011 and 2010 was $840,908, $1,032,660, and $969,123, respectively, and covered payroll was $690,015, $846,190, and $786,659, respectively. Information regarding contributions made by the State of New Jersey on behalf of the Authority is not available. Contributions to PERS for the years ended December 31 made by the employees and the Authority were as follows:

NOTE 13. PENSION PLAN (continued)

	Employees		Authority	
Year Ending	Amount	Percent of Covered Payroll	Amount	Percent of Covered Payroll
12/31/12	$ 35,775	6.5% & 6.64%*	$ 93,607	12.00%
12/31/11	50,844	5.5% & 6.5%*	92,479	8.00%
12/31/10	46,662	5.50%	61,571	6.00%

*5.5% until 9/30/11; 6.5% began 10/1/11; 6.64% began 7/1/12

The Authority had not been required to make a contribution to PERS for several years. Effective with 2005, the Authority's required contributions to PERS was being phased in at 20% per year. For 2010, 2011 and 2012, the Authority has made 100% of the required contribution. The Authority's required contribution to the PERS as a percentage of the total actuarially-determined contribution requirement for all employers covered by PERS is not available.

The "pension benefit obligation" is a standardized disclosure measure representing the present value of pension benefits adjusted for the effects of projected salary increases estimated to be payable in the future based on employee service credited to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the funding status of the retirement systems on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. This measure is independent of the actuarial funding method used to determine employer contributions to the systems.

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. COMPENSATED ABSENCES

Employees become eligible to receive sick leave in accordance with Note 2. The benefits are provided as the lesser of $15,000 or 50% of accrued sick leave. Management estimates that the unrecorded balance of accrued sick leave at December 31, 2012 and 2011, assuming all employees are eligible for accrued sick leave at termination, is approximately $104,076 and $130,046, respectively. In 2004, the payment was at management's discretion. During 2005, the Board voted to change the policy, thereby requiring the liability to be recorded.

NOTE 16. POST-RETIREMENT BENEFITS

The Authority has adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*. This Statement requires governmental entities to report the future cost of other post employment benefits ("OPEB") on a present-value basis instead of the present "pay as you go" method. At December 31, 2012, based on the eligible employees, the unfunded liability for the maximum three-year post-retirement benefit would be $90,182. This includes the present value at 5% of 3 years of insurance payments to all current employees assuming all will work until eligibility.

NOTE 17. 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 18. RELATED PARTY TRANSACTIONS

The Authority has a net lease receivable due from the County of Atlantic as of December 31, 2012 and 2011 with a balance of $9,620,798 and $14,062,728 respectively. The County remits payments equal to debt service on associated certificates of participation less earnings on reserves held.

The Authority leases its primary office space from the County under annual lease agreements. Rent expense paid to the County during 2012 and 2011 was $29,717 and $29,717, respectively.

The Authority entered into an agreement with the County for the Authority to operate the John F. Gaffney Green Tree Golf Course ("Golf Course") effective June 1, 2007 for 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. This agreement shall be renewable by mutual consent for successive terms of one year each through 2013. The Authority will perform 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. The Authority previously, at the end of each month, turned over the net revenue and interest to the County. Beginning in 2011, at the discretion of the County Treasurer, the Authority will be making one annual payment of revenue and interest to the County, if net proceeds are available. 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 2012, no payment was made to the County, as the net proceeds available as of December 31, 2012 were minimal.

NOTE 19. AGENCY FUND LITIGATION

As of December 31, 2012, the Authority is involved in pending litigation concerning the mortgage to Barlinvis Associates. The Authority is working with Barlinvis to resolve this issue and anticipates a resolution in 2013.

SUPPLEMENTARY INFORMATION

Schedule 1

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Schedule of Appropriations Compared to Budget - Administrative Fund

For the year ended December 31, 2012

	2012 Budget	2012 Final Budget	2012 Actual	Unexpended Balance/ (Excess)
Operating Revenues:				
Project Administration Fees	$ 668,001	$ 439,734	$ 439,734	$
Bond Fees	21,000	21,000	21,000	
Grant and Agency Fund Fees	414,410	403,776	403,776	
Reimbursement and Other	553,544	368,488	368,488	
Total Operating Revenues	1,656,955	1,232,998	1,232,998	
Operating Expenses:				
Payroll Expenses	868,907	814,937	814,937	
Employee Benefits	388,007	331,290	331,290	
Rent	29,717	29,717	29,717	
Professional Fees	214,000	88,548	88,548	
Insurance	93,200	93,228	93,228	
Administrative and General	62,340	50,834	50,834	
Depreciation	2,696	2,696	2,696	
Total Operating Expenses	1,658,867	1,411,250	1,411,250	
Other Income/(Expenses):				
Investment Income	2,426	1,165	1,165	
Total Other Income/(Expenses)	2,426	1,165	1,165	
Net Income/(Loss)	$ 514	$ (177,087)	$ (177,087)	$

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position

December 31, 2012

ASSETS

	Total	Administrative Fund	Bond Fund	Grant Fund
Unrestricted Assets:				
Current Assets:				
Cash	$ 484,460	$ 484,460		
Other Receivables	299,965	299,965		
Total Unrestricted Current Assets	784,425	784,425		
Restricted Assets:				
Current Assets:				
Cash	5,597,529	37,293	$ 5,490,502	$ 69,734
Interest Receivable	120,762		120,762	
Accounts Receivable - HUD	286,357			286,357
Guaranteed Note Receivable	340,000		340,000	
Interfund Receivable - HOME	3,000	3,000		
Net Lease Payments Receivable	5,403,269		5,403,269	
Mortgages Receivable	545,009		545,009	
Total Restricted Current Assets	12,295,926	40,293	11,899,542	356,091
Non-Current Assets:				
Mortgages Receivable	22,483,017		15,440,449	7,042,568
Valuation Allowance for Loan Losses	(7,042,568)			(7,042,568)
Guaranteed Note Receivable	8,760,000		8,760,000	
Net Lease Payments Receivable	6,475,798		6,475,798	
Total Restricted Non-Current Assets	30,676,247		30,676,247	
Total Restricted Assets	42,972,173	40,293	42,575,789	356,091
Capital Assets, Net of Depreciation	1,202	1,202		
Total Assets	$ 43,757,800	$ 825,920	$ 42,575,789	$ 356,091

Schedule 3

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position

December 31, 2012

LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

	Total	Administrative Fund	Bond Fund	Grant Fund
Unrestricted Liabilities:				
Current Liabilities:				
Accounts Payable	$ 7,787	$ 7,787		
Total Unrestricted Current Liabilities	7,787	7,787		
Restricted Liabilities:				
Current Liabilities:				
Accounts Payable	296,240	18,432		$ 277,808
Interfund Payable - Admin	3,000			3,000
Interest Payable	505,331		$ 505,331	
Current Portion of Long-Term Debt	6,200,009		6,200,009	
Total Current Liabilities Payable From Restricted Assets	7,004,580	18,432	6,705,340	280,808
Long-Term Liabilities:				
Accrued Sick and Vacation	104,076	104,076		
Certificates of Participation	11,670,000		11,670,000	
Bonds Payable	24,200,449		24,200,449	
Total Long-Term Liabilities	35,974,525	104,076	35,870,449	
Total Liabilities	42,986,892	130,295	42,575,789	280,808
Deferred Inflow of Resources:				
Deferred Program Income	75,283			75,283
Net Position:				
Invested in Capital Assets, Net of Related Debt	1,202	1,202		
Restricted for Capital Activity and Debt Service	37,293	37,293		
Unrestricted	657,130	657,130		
Total Net Positions	695,625	695,625		
Total Liabilities, Deferred Inflow of Resources and Net Positions	$ 43,757,800	$ 825,920	$ 42,575,789	$ 356,091

Schedule 4

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Bond Funds

December 31, 2012

ASSETS

	Total	Atlantic City Certificate of Participation Series 1991	Atlantic County Certificate of Participation Series 1991	Egg Harbor Township Golf Course Series 2006	ARC of Atlantic County	Faith Baptist Church	St. Augustine
Restricted Assets:							
Current Assets:							
Cash	$ 5,490,502		$ 5,490,502				
Interest Receivable	120,762			$ 67,388	$ 2,823	$ 3,186	$ 47,365
Guaranteed Note Receivable	340,000			340,000			
Net Lease Payments Receivable	5,403,269	$ 753,269	4,650,000				
Mortgages Receivable	545,009				80,214	44,315	420,480
Total Restricted Current Assets	11,899,542	753,269	10,140,502	407,388	83,037	47,501	467,845
Non-Current Assets:							
Guaranteed Note Receivable	8,760,000			8,760,000			
Net Lease Payments Receivable	6,475,798	1,505,000	4,970,798				
Mortgages Receivable	15,440,449				1,833,321	741,263	12,865,865
Total Restricted Non-Current Assets	30,676,247	1,505,000	4,970,798	8,760,000	1,833,321	741,263	12,865,865
Total Restricted Assets	42,575,789	2,258,269	15,111,300	9,167,388	1,916,358	788,764	13,333,710
Total Assets	$ 42,575,789	$ 2,258,269	$ 15,111,300	$ 9,167,388	$ 1,916,358	$ 788,764	$ 13,333,710

Schedule 5

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Bond Funds

December 31, 2012

LIABILITIES

	Total	Atlantic City Certificate of Participation Series 1991	Atlantic County Certificate of Participation Series 1991	Egg Harbor Township Golf Course Series 2006	ARC of Atlantic County	Faith Baptist Church	St. Augustine
Restricted Liabilities:							
Current Liabilities:							
Interest Payable	$ 505,331	$ 88,269	$ 296,300	$ 67,388	$ 2,823	$ 3,186	$ 47,365
Current Portion of Long-Term Debt	6,200,009	665,000	4,650,000	340,000	80,214	44,315	420,480
Total Current Liabilities Payable From Restricted Assets	6,705,340	753,269	4,946,300	407,388	83,037	47,501	467,845
Long-Term Liabilities:							
Certificates of Participation	11,670,000	1,505,000	10,165,000				
Bonds Payable	24,200,449			8,760,000	1,833,321	741,263	12,865,865
Total Long-Term Liabilities	35,870,449	1,505,000	10,165,000	8,760,000	1,833,321	741,263	12,865,865
Total Liabilities	$ 42,575,789	$ 2,258,269	$ 15,111,300	$ 9,167,388	$ 1,916,358	$ 788,764	$ 13,333,710

Schedule 6

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Grant Funds

December 31, 2012

ASSETS

	Total	CDBG	HOME Funds	Other Funds
Restricted Assets:				
Current Assets:				
Cash	$ 69,734	$ 53,904	$ 271	$ 15,559
Accounts Receivable - HUD	286,357	215,384	70,973	
Total Restricted Current Assets	356,091	269,288	71,244	15,559
Non-Current Assets:				
Mortgages Receivable	7,042,568	829,956	6,116,282	96,330
Valuation Allowance for Loan Losses	(7,042,568)	(829,956)	(6,116,282)	(96,330)
Total Restricted Non-Current Assets				
Total Restricted Assets	356,091	269,288	71,244	15,559
Total Assets	$ 356,091	$ 269,288	$ 71,244	$ 15,559

LIABILITIES AND DEFERRED INFLOW OF RESOURCES

	Total	CDBG	HOME Funds	Other Funds
Restricted Assets:				
Current Liabilities:				
Accounts Payable	$ 277,808	$ 233,483	$ 44,325	
Interfund Payable - Admin	3,000		3,000	
Total Current Liabilities Payable From Restricted Assets	280,808	233,483	47,325	
Total Liabilities	280,808	233,483	47,325	
Deferred Inflow of Resources:				
Deferred Program Income	75,283	35,805	23,919	$ 15,559
Total Liabilities and Deferred Inflow of Resources	$ 356,091	$ 269,288	$ 71,244	$ 15,559

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Grant Funds - CDBG

December 31, 2012

	Total	CDBG 2001-04 Entitlement	CDBG 2005 Entitlement	CDBG 2006 Entitlement	CDBG 2007 Entitlement	CDBG 2008 Entitlement	CDBG 2009 Entitlement	CDBG 2010 Entitlement	CDBG 2011 Entitlement	CDBG 2012 Entitlement	Small Cities	Program Income
ASSETS												
Cash	$ 53,904		$ 1								$ 6,513	$ 47,390
Accounts Receivable	215,384							$ 6,838	$ 2,029	$ 206,517		
Mortgages Receivable	829,956	$ 160,934	108,628	$ 96,388	$ 82,537	$ 84,891	$ 57,342				214,626	24,610
Mortgages Receivable Valuation Allowance	(829,956)	(160,934)	(108,628)	(96,388)	(82,537)	(84,891)	(57,342)				(214,626)	(24,610)
Total Assets	$ 269,288	$	$ 1	$	$	$	$	$ 6,838	$ 2,029	$ 206,517	$ 6,513	$ 47,390
LIABILITIES												
Accounts Payable and Accrued Expenses	$ 233,483		1	$	$	$	$	6,838	$ 2,029	$ 206,517		$ 18,098
Deferred Program Income	35,805										$ 6,513	29,292
Total Liabilities	$ 269,288	$	$ 1	$	$	$	$	$ 6,838	$ 2,029	$ 206,517	$ 6,513	$ 47,390

Schedule 8

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Grant Funds - HOME

December 31, 2012

	Total	1997-2004 Atlantic County HOME	2005 Atlantic County HOME	2006 Atlantic County HOME	2007 Atlantic County HOME	2008 Atlantic County HOME	2009 Atlantic County HOME	2010 Atlantic County HOME	2011 Atlantic County HOME	2012 Atlantic County HOME	Program Income HOME
ASSETS											
Cash	$ 271						$ (11,649)		$ (11,999)		$ 23,919
Accounts Receivable	70,973						11,649		16,499	$ 42,825	
Mortgages Receivable	6,116,282	$ 2,142,131	$ 396,247	$ 488,043	$ 508,452	$ 503,570	564,669	$ 540,679	435,843		536,648
Mortgages Receivable Valuation Allowance	(6,116,282)	(2,142,131)	(396,247)	(488,043)	(508,452)	(503,570)	(564,669)	(540,679)	(435,843)		(536,648)
Total Assets	$ 71,244	$	$	$	$	$	$	$	$ 4,500	$ 42,825	$ 23,919
LIABILITIES											
Accounts Payable and Accrued Expenses	$ 44,325								$ 1,500	$ 42,825	
Interfund Payable - Admin	3,000								3,000		
Total Liabilities	47,325								4,500	42,825	
DEFERRED INFLOW OF RESOURCES											
Deferred Program Income	23,919										$ 23,919
Total Liabilities and Deferred Inflow of Resources	$ 71,244	$	$	$	$	$	$	$	$ 4,500	$ 42,825	$ 23,919

Schedule 9

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Grant Funds - Other

December 31, 2012

	Total	USDA	Jobs Bill
ASSETS			
Cash	$ 15,559	$ 6,475	$ 9,084
Mortgages Receivable	96,330	51,045	45,285
Mortgages Receivable Valuation Allowance	(96,330)	(51,045)	(45,285)
Total Assets	$ 15,559	$ 6,475	$ 9,084
DEFERRED INFLOW OF RESOURCES			
Deferred Program Income	$ 15,559	$ 6,475	$ 9,084
Total Deferred Inflow of Resources	$ 15,559	$ 6,475	$ 9,084

Schedule 10

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds

December 31, 2012

	Housing Projects	Other	Mortgages	Total
ASSETS				
Cash	$ 2,165,279	$ 374,446		$ 2,539,725
Mortgage Interest Receivable	53,497		$ 5,099,173	5,152,670
Accounts Receivable - Other		1,805		1,805
Mortgages Receivable	1,705,431		14,216,049	15,921,480
Mortgages Receivable Valuation Allowance	(1,663,449)		(19,315,222)	(20,978,671)
Total Assets	$ 2,260,758	$ 376,251	$	$ 2,637,009
LIABILITIES				
Accounts Payable and Accrued Expenses		$ 1,805		$ 1,805
Due To Various Agencies	$ 2,260,758	374,446		2,635,204
Total Liabilities	$ 2,260,758	$ 376,251	$	$ 2,637,009

Schedule 11

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Housing Projects

December 31, 2012

	Grammercy Park Mortgage Subsidy	Habitat for Humanity	Westside Façade	Convention Hall Relocation	Atlantic City Downpayment Assistance Program	Atlantic City Rehabilitation Program	Brighton Towers	Total
ASSETS								
Cash	$ 142,636	$ 160,492		$ 153,635	$ 1,347,416	$ 300,014	$ 61,086	2,165,279
Mortgage Interest Receivable				31,301			22,196	53,497
Mortgages Receivable			$ 29,980	128,321	1,316,885		230,245	1,705,431
Mortgages Receivable Valuation Allowance			(29,980)	(64,143)	(1,316,885)		(252,441)	(1,663,449)
Total Assets	$ 142,636	$ 160,492	$	$ 249,114	$ 1,347,416	$ 300,014	$ 61,086	$ 2,260,758
LIABILITIES								
Due To Various Agencies	$ 142,636	$ 160,492	$	$ 249,114	$ 1,347,416	$ 300,014	$ 61,086	2,260,758
Total Liabilities	$ 142,636	$ 160,492	$	$ 249,114	$ 1,347,416	$ 300,014	$ 61,086	$ 2,260,758

Schedule 12

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Other

December 31, 2012

	Continuum of Care	Brights Villa	Green Tree Golf Course	AC Board of Education Penn Ave Relocation	Misc.	Total
ASSETS						
Cash		$ 35,336	$ 32,728	$ 3,274	$ 267	$ 71,605
Accounts Receivable - Other	$ 1,805					1,805
Total Assets	$ 1,805	$ 35,336	$ 32,728	$ 3,274	$ 267	$ 73,410
LIABILITIES						
Accounts Payable and Accrued Expenses	$ 1,805					$ 1,805
Due To Various Agencies		$ 35,336	$ 32,728	$ 3,274	$ 267	71,605
Total Liabilities	$ 1,805	$ 35,336	$ 32,728	$ 3,274	$ 267	$ 73,410

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Other

December 31, 2012

	Hammonton Affordable Housing	Linwood Affordable Housing	Somers Point Affordable Housing	Revel	Total
ASSETS					
Cash	$ 63,057	$ 20,792	$ 198,990	$ 20,002	$ 302,841
Total Assets	$ 63,057	$ 20,792	$ 198,990	$ 20,002	$ 302,841
LIABILITIES					
Accounts Payable and Accrued Expenses					
Due To Various Agencies	$ 63,057	$ 20,792	$ 198,990	$ 20,002	$ 302,841
Total Liabilities	$ 63,057	$ 20,792	$ 198,990	$ 20,002	$ 302,841

Schedule 13

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Mortgages

December 31, 2012

	Barlinvis Apartments	Garden Court Apartments	Vermont Plaza	Total
ASSETS				
Mortgage Interest Receivable	$ 4,541,762		$ 557,411	$ 5,099,173
Mortgages Receivable	1,600,000	$ 9,523,320	3,092,729	14,216,049
Mortgages Receivable Valuation Allowance	(6,141,762)	(9,523,320)	(3,650,140)	(19,315,222)
Total Assets	$	$	$	$
Total Liabilities	$	$	$	$

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities

For the year ended December 31, 2012

	Total	Administrative Fund	Bond Fund	Grant Fund
Operating Revenues:				
Project Administration Fees	$ 439,734	$ 439,734		
Bond Fees	21,000	21,000		
Grant and Agency Fund Fees	403,776	403,776		
Grants	2,502,394			$ 2,502,394
Reimbursement and Other	368,488	368,488		
Total Operating Revenues	3,735,392	1,232,998		2,502,394
Operating Expenses:				
Payroll Expenses	814,937	814,937		
Employee Benefits	331,290	331,290		
Rent	29,717	29,717		
Professional Fees	88,548	88,548		
Insurance	93,228	93,228		
Administrative and General	28,206	28,206		
Project Costs	2,114,640			2,114,640
Service Fees	387,754			387,754
Depreciation	2,696	2,696		
Total Operating Expenses	3,891,016	1,388,622		2,502,394
Operating Loss	(155,624)	(155,624)		
Non-Operating Revenues/(Expenses):				
Investment and Interest Income	1,056,934	1,165	$ 1,055,769	
Additions to Reserves-NJCM & SUI	(59,924)	(59,924)		
Lease Rental	1,136,868		1,136,868	
Bond and Note Interest Expense	(2,192,637)		(2,192,637)	
Total Non-Operating Revenues/(Expenses)	(58,759)	(58,759)		
Decrease in Net Positions	(214,383)	(214,383)		
Net Positions - Beginning of Year	910,008	910,008		
Net Positons - End of Year	$ 695,625	$ 695,625	$	$

Schedule 15

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Bond Funds

For the year ended December 31, 2012

	Total	Egg Harbor Township Golf Course Series 2006	Atlantic City Certificate of Participation Series 1991	Atlantic County Certificate of Participation Series 1991	ARC of Atlantic County	Faith Baptist Church	St. Augustine
Operating Expenses:							
Service Fees							
Total Operating Expenses							
Operating Loss							
Non-Operating Revenues/(Expenses):							
Investment and Interest Income	$ 1,055,769	$ 415,158		$ 340	$ 34,711	$ 38,549	$ 567,011
Lease Rental	1,136,868		$ 194,843	942,025			
Bond and Note Interest Expense	(2,192,637)	(415,158)	(194,843)	(942,365)	(34,711)	(38,549)	(567,011)
Total Non-Operating Revenues/(Expenses)							
Decrease in Net Positions							
Net Positions - Beginning of Year							
Net Positions - End of Year	$	$	$	$	$	$	$

Schedule 16

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Grant Fund

For the year ended December 31, 2012

	Total	CDBG	HOME Funds
Operating Revenues:			
Grants	$ 2,395,206	$ 1,701,666	$ 693,540
Program Income	107,188	42,463	64,725
Total Operating Revenues	2,502,394	1,744,129	758,265
Operating Expenses:			
Project Costs	2,114,640	1,493,680	620,960
Service Fees	387,754	250,449	137,305
Total Operating Expenses	2,502,394	1,744,129	758,265
Increase/(Decrease) in Net Positions			
Net Positions - Beginning of Year			
Net Positions - End of Year	$	$	$

Schedule 17

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Grant Fund - CDBG

For the year ended December 31, 2012

	CDBG 2003-2004 Entitlement	CDBG 2006 Entitlement	CDBG 2007 Entitlement	CDBG 2008 Entitlement	CDBG 2009 Entitlement	CDBG 2010 Entitlement	CDBG 2011 Entitlement	CDBG 2012 Entitlement	CDBG Program Income	Total
Operating Revenues:										
Grants	$ 35,421	$ 30,978	$ 31,748	$ 59,120	$ 293,957	$ 354,530	$ 689,395	$ 206,517		$ 1,701,666
Program Income									$ 42,463	42,463
Total Operating Revenues	35,421	30,978	31,748	59,120	293,957	354,530	689,395	206,517	42,463	1,744,129
Operating Expenses:										
Project Costs	35,421	30,978	31,748	59,120	293,957	354,530	513,374	148,291	26,261	1,493,680
Fees Paid To ACIA							176,021	58,226	16,202	250,449
Total Operating Expenses	35,421	30,978	31,748	59,120	293,957	354,530	689,395	206,517	42,463	1,744,129
Increase/(Decrease) in Net Positions										
Net Positions - Beginning of Year										
Net Positions - End of Year	$	$	$	$	$	$	$	$	$	$

Schedule 18

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Grant Fund - HOME

For the year ended December 31, 2012

	2009 Atlantic County HPRP	2007 Atlantic County HOME	2008 Atlantic County HOME	2009 Atlantic County HOME	2011 Atlantic County HOME	2012 Atlantic County HOME	Program Income HOME	Total
Operating Revenues:								
Grants	$ 10,494	$ 39,406	$ 104,141	$ 33,517	$ 413,787	$ 42,825	$ 49,370	$ 693,540
Program Income							64,725	64,725
Total Operating Revenues	10,494	39,406	104,141	33,517	413,787	42,825	114,095	758,265
Operating Expenses:								
Project Costs		39,406	104,141	33,517	351,626		92,270	620,960
Fees Paid To ACIA	10,494				62,161	42,825	21,825	137,305
Total Operating Expenses	10,494	39,406	104,141	33,517	413,787	42,825	114,095	758,265
Increase/(Decrease) in Net Positions								
Net Positions - Beginning of Year								
Net Positions - End of Year	$	$	$	$	$	$	$	$

Schedule 19

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows

For the year ended December 31, 2012

	Total	Administrative Fund	Bond Fund	Grant Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Project Administration Fees	$ 444,802	$ 444,802		
Bond Fees	21,000	21,000		
Grant and Agency Fees	370,542	370,542		
Grants	2,362,522			$ 2,362,522
Reimbursement and Other	428,491	428,491		
Payroll Expenses	(844,934)	(844,934)		
Employee Benefits	(332,875)	(332,875)		
Rent	(29,717)	(29,717)		
Professional Fees	(87,416)	(87,416)		
Insurance	(93,228)	(93,228)		
Administrative and General	(28,563)	(28,563)		
Cash Paid To Subcontractor and Vendors	(2,394,677)			(2,394,677)
Net Cash Flows From Operating Activities	(184,053)	(151,898)		(32,155)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment and Interest Income	1,505	1,165	$ 340	
Net Cash Flows From Investing Activities	1,505	1,165	340	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Payments Received on Mortgages	94,829			94,829
Mortgages Issued	(89,545)			(89,545)
Principal Payments Made on Bonds	(4,945,000)		(4,945,000)	
Fees Paid To ACIA	(22,325)			(22,325)
Interfunds Special Revenue	(62,923)	(62,923)		
Lease Rental	6,213,610		6,213,610	
Interest Paid on Bonds	(1,268,951)		(1,268,951)	
Net Cash Flows From Capital and Related Financing Activities	(80,305)	(62,923)	(341)	(17,041)
Increase/(Decrease) in Cash and Cash Equivalents	(262,853)	(213,656)	(1)	(49,196)
Cash and Cash Equivalents - Beginning of Year	6,344,842	735,409	5,490,503	118,930
Cash and Cash Equivalents - End of Year	$ 6,081,989	$ 521,753	$ 5,490,502	$ 69,734
Reconciliation To Statements of Net Positions:				
Unrestricted Cash	$ 484,460	$ 484,460		
Restricted Cash	5,597,529	37,293	$ 5,490,502	$ 69,734
	$ 6,081,989	$ 521,753	$ 5,490,502	$ 69,734
Reconciliation of Operating Income To Net Cash Flows From Operating Activities:				
Operating Loss	$ (155,624)	$ (155,624)	$	
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:				
Depreciation	2,696	2,696		
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	(111,937)	31,837		$ (143,774)
Increase/(Decrease) in Accounts Payable	131,951	(4,836)		136,787
Decrease in Due To Atlantic County	(25,168)			(25,168)
(Decrease) in Accrued Sick and Vacation	(25,971)	(25,971)		
	$ (184,053)	$ (151,898)	$	$ (32,155)

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Bond Fund

For the year ended December 31, 2012

	Total	Atlantic City Certificate of Participation Series 1991	Atlantic County Certificate of Participation Series 1991
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment and Interest Income	$ 340		$ 340
Net Cash Flows From Investing Activities	340		340
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payments Received on Bonds			
Principal Payments Made on Mortgages/Bonds	(4,945,000)	$ (610,000)	(4,335,000)
Lease Rental	6,213,610	829,655	5,383,955
Interest Paid on Bonds	(1,268,951)	(219,656)	(1,049,295)
Net Cash Flows From Capital and Related Financing Activities	(341)	(1)	(340)
(Decrease)/Increase in Cash and Cash Equivalents	(1)	(1)	
Cash and Cash Equivalents - Beginning of Year	5,490,503	1	5,490,502
Cash and Cash Equivalents - End of Year	$ 5,490,502	$	$ 5,490,502
Reconciliation To Statements of Net Positions:			
Restricted Cash	$ 5,490,502	$	$ 5,490,502
	$ 5,490,502	$	$ 5,490,502
Reconciliation of Operating Income To Net Cash Flows From Operating Activities:			
Operating Loss	$		
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:			
Decrease in Accounts Payable			
	$	$	$

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Grant Fund

For the year ended December 31, 2012

	Total	CDBG	HOME Funds	Other Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Grants	$ 2,362,522	$ 1,701,666	$ 660,856	
Cash Paid To Subcontractors and Vendors	(2,394,677)	(1,726,834)	(667,843)	
Net Cash Flows From Operating Activities	(32,155)	(25,168)	(6,987)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Payments Received on Mortgages	94,829	42,463	49,370	$ 2,996
Mortgages Issued	(89,545)		(89,545)	
Fees Paid To ACIA	(22,325)	(500)	(21,825)	
Net Cash Flows From Capital and Related Financing Activities	(17,041)	41,963	(62,000)	2,996
Increase/(Decrease) in Cash and Cash Equivalents	(49,196)	16,795	(68,987)	2,996
Cash and Cash Equivalents - Beginning of Year	118,930	37,109	69,258	12,563
Cash and Cash Equivalents - End of Year	$ 69,734	$ 53,904	$ 271	$ 15,559
Reconciliation To Statements of Net Position:				
Restricted Cash	$ 69,734	$ 53,904	$ 271	$ 15,559
	$ 69,734	$ 53,904	$ 271	$ 15,559
Reconciliation of Operating Income To Net Cash Flows From Operating Activities:				
Operating Income/(Loss)				
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:				
Decrease in Accounts Receivable	$ (143,774)	$ (125,188)	$ (18,586)	
Increase/(Decrease) in Accounts Payable	136,787	125,188	11,599	
(Decrease) in Due To Atlantic County	(25,168)	(25,168)		
	$ (32,155)	$ (25,168)	$ (6,987)	$

Schedule 22

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Grant Fund - CDBG

For the year ended December 31, 2012

	Total	CDBG 2001-2003 Entitlement	CDBG 2006 Entitlement	CDBG 2007 Entitlement	CDBG 2008 Entitlement	CDBG 2009 Entitlement	CDBG 2010 Entitlement	CDBG 2011 Entitlement	CDBG 2012 Entitlement	Small Cities	Program Income
CASH FLOWS FROM OPERATING ACTIVITIES:											
Grants	$ 1,701,666	$ 35,421	$ 30,978	$ 31,748	$ 59,120	$ 293,957	$ 354,530	$ 689,395	$ 206,517		
Program Income											
Cash Paid To Subcontractors and Vendors	(1,726,834)	(35,421)	(30,978)	(31,748)	(59,120)	(293,957)	(354,530)	(689,395)	(206,517)	$ (3,520)	$ (21,648)
Net Cash Flows From Operating Activities	(25,168)									(3,520)	(21,648)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:											
Principal Payments Received on Mortgages	42,463										42,463
Fees Paid To ACIA	(500)										(500)
Net Cash Flows From Capital and Related Financing Activities	41,963										41,963
Increase/(Decrease) in Cash and Cash Equivalents	16,795									(3,520)	20,315
Cash and Cash Equivalents - Beginning of Year	37,109		1							10,033	27,075
Cash and Cash Equivalents - End of Year	$ 53,904	$	$ 1	$	$	$	$	$	$	$ 6,513	$ 47,390
Reconciliation To Statements of Net Positions:											
Restricted Cash	$ 53,904		$ 1						$	$ 6,513	$ 47,390
	$ 53,904	$	$ 1	$	$	$	$	$	$	$ 6,513	$ 47,390
Reconciliation of Operating Income To Net Cash Flows From Operating Activities:											
Operating Income/(Loss)											
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:											
(Increase)/Decrease in Accounts Receivable	$ (125,188)			$ 23,915	$ 2,070		$ 11,222	$ 44,122	$ (206,517)		
Increase/(Decrease) in Accounts Payable	125,188			(23,915)	(2,070)		(11,222)	(44,122)	206,517		
Decrease in Due To Atlantic County	(25,168)									$ (3,520)	$ (21,648)
	$ (25,168)	$	$	$	$	$	$	$	$	$ (3,520)	$ (21,648)

Schedule 23

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Grant Fund - HOME

For the year ended December 31, 2012

	Total	1997 - 2002 Atlantic County HOME	2003 Atlantic County HOME	2005 Atlantic County HOME	2006 Atlantic County HOME	2007 Atlantic County HOME	2008 Atlantic County HOME	2009 Atlantic County HOME	2010 Atlantic County HOME	2011 Atlantic County HOME	2012 Atlantic County HOME	Program Income
CASH FLOWS FROM OPERATING ACTIVITIES:												
Grants	$ 660,856					$ 39,406	$ 104,141	$ 21,868		$ 452,616	$ 42,825	
Cash Paid To Subcontractors and Vendors	(667,843)					(39,406)	(104,141)	(33,517)		(447,954)	(42,825)	
Net Cash Flows From Operating Activities	(6,987)							(11,649)		4,662		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:												
Principal Payments Received on Mortgages	49,370	$ 15,000	$ 14,400	$ 7,845	$ 1,500				$ 10,625			
Transfer To Deferred Program Income		(15,000)	(14,400)	(7,845)	(1,500)				(10,625)			$ 49,370
Mortgages Issued	(89,545)											(89,545)
Fees Paid To ACIA	(21,825)											(21,825)
Net Cash Flows From Capital and Related Financing Activities	(62,000)											(62,000)
Increase/(Decrease) in Cash and Cash Equivalents	(68,987)							(11,649)		4,662		(62,000)
Cash and Cash Equivalents - Beginning of Year	69,258									(16,661)		85,919
Cash and Cash Equivalents - End of Year	$ 271	$	$	$	$	$	$	$ (11,649)	$	(11,999)	$	$ 23,919
Reconciliation To Statements of Net Positions:												
Restricted Cash	$ 271		$		$		$	$ (11,649)		(11,999)		$ 23,919
	$ 271	$	$	$	$	$	$	$ (11,649)	$	(11,999)	$	$ 23,919
Reconciliation of Operating Income To Net Cash Flows From Operating Activities:												
Operating Income/(Loss)												
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:												
Decrease/(Increase) in Accounts Receivable	$ (18,586)							$ (11,649)		$ 35,888	$ (42,825)	
Increase/(Decrease) in Accounts Payable	11,599									(31,226)	42,825	
	$ (6,987)	$	$	$	$	$	$	$ (11,649)	$	4,662	$	$

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Grant Fund - Other

For the year ended December 31, 2012

	Total	USDA	Jobs Bill
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments Received on Mortgages	$ 2,996	$ 2,980	$ 16
Net Cash Flows From Capital and Related Financing Activities	2,996	2,980	16
Increase/(Decrease) in Cash and Cash Equivalents	2,996	2,980	16
Cash and Cash Equivalents - Beginning of Year	12,563	3,495	$ 9,068
Cash and Cash Equivalents - End of Year	$ 15,559	$ 6,475	$ 9,084
Reconciliation To Statements of Net Position:			
Restricted Cash	$ 15,559	$ 6,475	$ 9,084
	$ 15,559	$ 6,475	$ 9,084
Reconciliation of Operating Income To Net Cash Flows From Operating Activities:			
Operating Income/(Loss)			
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:			
(Increase)/Decrease in Accounts Receivable			
Increase/(Decrease) in Accounts Payable			
Increase/(Decrease) in Interfunds Payable			
	$	$	$

SINGLE AUDIT SECTION

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

To the Board of Commissioners of the
Atlantic County Improvement Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Atlantic County Improvement Authority (herein referred to as "the Authority"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Holman, Frenia, Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 8, 2013
Toms River, New Jersey

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners of the
Atlantic County Improvement Authority
Mays Landing, New Jersey 08330

Report on Compliance for Each Major Federal Program

We have audited Atlantic County Improvement Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. Atlantic County Improvement Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Atlantic County Improvement Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Atlantic County Improvement Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Atlantic County Improvement Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Atlantic County Improvement 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, 2012.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of Atlantic County Improvement Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Atlantic County Improvement Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Atlantic County Improvement Authority's internal control over compliance.

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 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.

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Atlantic County Improvement Authority as of and for the year ended December 31, 2012, and have issued our report thereon dated March 8, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Holman, Frenia, Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 8, 2013
Toms River, New Jersey

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Schedule of Federal Financial Assistance

For the year ended December 31, 2012

Department/ Program Title	Federal CFDA Number	Pass - Through Grant Number	Program or Award Amount	Receipts or Revenue Recognized	Disbursements/ Expenditures
US Department of Housing and Urban Development:					
Passed Through The County of Atlantic					
Home Investment Partnership Act (HOME):					
Home - Program Income - (not in totals - information only)				$ 114,095	$ 114,095
Home Investment Partnership Act (HOME) - 2007	14.239	M-07-DC-34-0229	$ 731,074	$ 39,406	$ 39,406
Home Investment Partnership Act (HOME) - 2008	14.239	M-08-DC-34-0229	700,196	104,141	104,141
Home Investment Partnership Act (HOME) - 2009	14.239	M-09-DC-34-0229	773,958	33,517	33,517
Home Investment Partnership Act (HOME) - 2011	14.239	M-09-DC-34-0229	678,142	413,787	413,787
Home Investment Partnership Act (HOME) - 2012	14.239	M-09-DC-34-0229	428,254	42,825	42,825
Total Home Investment Partnership Act (HOME)				633,676	633,676
Community Development Block Grant Entitlement:					
CDBG - Program Income - (not in totals - information only)				$ 42,463	$ 42,463
Program Grant - 2003-2004	14.218	B-05-UC-34-0111	1,708,000	$ 35,421	$ 35,421
Program Grant - 2006	14.218	B-06-UC-34-0111	1,465,751	30,978	30,978
Program Grant - 2007	14.218	B-07-UC-34-0111	1,365,600	31,748	31,748
Program Grant - 2008	14.218	B-08-UC-34-0111	1,671,395	59,120	59,120
Program Grant - 2009	14.218	B-09-UC-34-0111	1,467,932	293,957	293,957
Program Grant - 2010	14.218	B-09-UC-34-0111	1,424,682	354,530	354,530
Program Grant - 2011	14.218	B-09-UC-34-0111	1,332,979	689,395	689,395
Program Grant - 2012	14.218	B-09-UC-34-0111	1,087,317	206,517	206,517
Total Community Development Block Grant Entitlement				1,701,666	1,701,666
Total Federal Financial Awards				$ 2,335,342	$ 2,335,342

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL AWARDS

For the year ended December 31, 2012

NOTE 1. GENERAL

The accompanying schedule of federal awards includes federal award activity of the Atlantic County Improvement Authority. The Atlantic County Improvement Authority is defined in Note 1 to the Authority's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies is included on the schedule of federal awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of federal awards is presented on the modified accrual basis of accounting. This basis of accounting is described in Note 1 to the Authority's basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Authority's financial statements.

	Federal
Grant Fund	$ 2,335,342
Less: Program Income	-0-
Total Financial Assistance	$ 2,335,342

NOTE 4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

ATLANTIC COUNTY IMPROVEMENT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2012

Section I – Summary of Auditor's Results

Financial Statements:

1. Type of auditors' report issued	Unmodified
2. Internal control over financial reporting:	
a. Material Weakness(es) Identified?	None Noted
b. Significant deficiencies identified that are not considered to be material weaknesses?	None Noted
3. Noncompliance material to the financial statements?	None Noted

Federal Awards:

1. Dollar threshold used to determine Type A Programs	$300,000
2. Auditee qualified as low-risk Auditee?	Yes
3. Type of auditors' report on compliance for major programs	Unmodified
4. Internal Control over compliance:	
a. Material weakness(es) identified?	None Noted
b. Significant deficiencies identified that are not considered to be material weaknesses?	None Noted
c. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?	None Noted

5. Identification of major programs:

C.F.DA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant

ATLANTIC COUNTY IMPROVEMENT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2012

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit.

No Current Year Findings

Section III – Federal Awards Finding & Questioned Costs

This section identifies audit findings required to be reported by section .510(a) of Circular A-133.

No Current Year Findings

ATLANTIC COUNTY IMPROVEMENT AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT

For the year ended December 31, 2012

This section identifies the status of prior findings related to the basic financial statements and federal awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards* or U.S. OMB Circular A-133 (section .315 (a)(b)).

No Prior Findings

GENERAL COMMENTS & RECOMMENDATIONS

HFA

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To the Board of Commissioners of the
Atlantic County Improvement Authority
Mays Landing, New Jersey 08330

We have audited the financial accounts and transactions of the Atlantic County Improvement Authority, a component unit of the County of Atlantic, State of New Jersey for the year ended December 31, 2012. 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 $17,500 except by contract or agreement.

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 for home rehabilitation.

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

We reviewed disbursements to determine whether any clear-cut violations of the bid and quote thresholds established by the Authority existed. The results of our examination did not disclose any discrepancies.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts or agreements in excess of $5,400 "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*).

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 part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

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.

Follow-up on Prior Years' Findings

In accordance with *Government Auditing Standards* we have included a review of all prior year findings. There were no findings in the prior 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.

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

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call me.

Holman Frenia Allison P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 8, 2013
Toms River, New Jersey