

**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, 2015 and 2014**

**(With Independent Auditor's Report thereon)**

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

**Table of Contents**

**For the years ended December 31, 2015 and 2014**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	2
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	4-6
Management's Discussion & Analysis	7-13
Basic Financial Statements:	<b><u>EXHIBIT</u></b>
Statements of Net Position	A 15
Statements of Revenues Expenses and Changes in Net Position	B 16
Statements of Cash Flows	C 17-18
Statements of Net Position – Agency Fund	D 19
Notes to Financial Statements	21-41
Required Supplementary Information:	<b><u>SCHEDULE</u></b>
Appropriations Compared to Budget – Administrative Fund	1a 43
Schedule of Authority's Proportionate Share of the Net Pension Liability – PERS	1b 44
Schedule of Authority Contributions – PERS	1c 45
Notes to the Required Supplemental Information	46
Supplementary Information:	
Combining Statements of Net Position – Assets	2 48
Combining Statements of Net Position – Liabilities and Net Position	3 49
Combining Statements of Net Position – Bond Funds	4 50
Combining Statements of Net Position – Bond Funds	5 51
Combining Statements of Net Position – Grant Funds	6 52
Combining Statements of Net Position – Grant Funds – CDBG	7 53
Combining Statements of Net Position – Grant Funds – HOME	8 54
Combining Statements of Net Position – Grant Funds – SSBG	9 55
Combining Statements of Net Position – Grant Funds – Other	10 56
Combining Statements of Net Position – Agency	11 57
Statements of Net Position – Agency Funds, Housing Projects	12 58
Statements of Net Position – Agency Funds, Other	13 59
Statements of Net Position – Agency Funds, Mortgages	14 60
Combining Statements of Activities	15 61
Combining Statements of Activities – Bond Fund	16 62
Combining Statements of Activities – Grant Fund	17 63
Combining Statements of Activities – Grant Fund – CDBG	18 64
Combining Statements of Activities – Grant Fund – Home	19 65
Combining Statements of Activities – Grant Fund – SSBG	20 66
Combining Statements of Activities – Grant Fund – Other	21 67

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Atlantic, New Jersey)**  
**Table of Contents (continued)**  
**For the years ended December 31, 2015 and 2014**

	<b><u>SCHEDULE</u></b>	<b><u>Page</u></b>
Supplementary Information (continued):		
Combining Statements of Cash Flows	22	68
Combining Statements of Cash Flows – Bond Fund	23	69
Combining Statements of Cash Flows – Grant Fund	24	70
Combining Statements of Cash Flows – Grant Fund – CDBG	25	71
Combining Statements of Cash Flows – Grant Fund – HOME	26	72
Combining Statements of Cash Flows – Grant Fund – SSBG	27	73
Combining Statements of Cash Flows – Grant Fund – Other	28	74

**SINGLE AUDIT SECTION**

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		76-77
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance		78-79
Schedule of Federal Financial Awards		80
Notes to Schedules of Federal Financial Awards		81
Schedule of Findings and Question Costs		82-83
Summary Schedule of Prior Audit Findings		84

**GENERAL COMMENTS AND RECOMMENDATIONS**

General Comments and Recommendations		86-87
--------------------------------------	--	-------

**INTRODUCTORY SECTION**



**Atlantic County Improvement Authority**  
1333 Atlantic Avenue, Suite 700 · Atlantic City, NJ 08401  
Phone: 609-343-2390 Fax: 609-343-2188

John C. Lamey, Jr.  
Executive Director

June 6, 2016

Chairperson Foster and Authority Commissioners:

Presented to you are the audited financial statements for the 2015 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 2015 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, 2015.

Sincerely,



John C. Lamey, Jr., Executive Director

**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S 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 years ended December 31, 2015 and 2014, 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, a component unit of the County of Atlantic, State of New Jersey, as of December 31, 2015 and 2014, 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.

## **Emphasis of Matter**

### ***Adoption of New Accounting Pronouncement***

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules relating to the Public Employees Retirement System as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The accompanying introductory section and supplementary information contained in schedules 2 through 28 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information contained in

schedules 2 through 28 and the schedule of expenditures of federal awards are 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 June 6, 2016 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.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

June 6, 2016  
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 and deferred outflows of resources at year-end were \$26,198,924 and exceeded liabilities and deferred inflows of resources in the amount of \$505,983 (i.e. net position).
- Unrestricted net position decreased \$1,993,387 over fiscal year 2015. This was a result of the Authority bringing a Net Pension Liability onto the financial statements to comply with GASB #68.
- Operating revenues were \$4,406,863, an increase from year 2014 in the amount of \$81,353. This resulted from an increase in Agency Fund Fees of \$89,118 compared to 2014.
- Operating expenses increased \$42,071 from 2014, which was a result of an increase in professional fees and grant related expenses.

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 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 and liabilities 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 for Project Management, grant administration, 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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash and Investments	\$ 644,013	\$ 6,119,410	\$ 6,187,986
Current Assets (Less Cash) And Capital Assets, Net	3,727,571	2,975,331	6,974,991
Noncurrent Assets:			
Net Mortgage and Note Receivable	21,573,070	22,326,028	23,282,632
Net Lease Payments Receivable	-	-	785,000
Deferred Outflows of Resources Related to Pension	254,270	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 26,198,924</u>	<u>\$ 31,420,769</u>	<u>\$ 37,230,609</u>
Current Liabilities	\$ 1,738,910	\$ 8,392,596	\$ 7,273,408
Long Term Liabilities:			
Other	100,130	85,826	106,870
Certificates of Participation	-	-	6,015,000
Bonds Payable	21,573,070	22,323,961	23,282,632
Net Pension Liability	1,937,318	-	-
Deferred Inflows of Resources Related to Pension	343,513	-	-
Total Liabilities and Deferred Inflows of Resources	<u>25,692,941</u>	<u>30,802,383</u>	<u>36,677,910</u>
Net Position:			
Restricted or Net Invested in			
Capital Assets	1,904,584	23,600	7,241
Unrestricted	<u>(1,398,601)</u>	<u>594,786</u>	<u>545,458</u>
Total Net Position	<u>505,983</u>	<u>618,386</u>	<u>552,699</u>
Total Liabilities and Net Position	<u>\$ 26,198,924</u>	<u>\$ 31,420,769</u>	<u>\$ 37,230,609</u>

## Condensed Statement of Activities

	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>
Revenues:			
Fees	\$ 1,132,081	\$ 819,114	\$ 729,759
Grants	1,981,017	2,912,555	1,288,533
Other Revenues	<u>1,293,765</u>	<u>593,841</u>	<u>448,984</u>
Total Operating Revenues	<u>4,406,863</u>	<u>4,325,510</u>	<u>2,467,276</u>
Expenses:			
Project Costs	1,741,271	2,832,122	998,111
Service Fees	239,746	80,433	290,422
Depreciation	29,047	920	801
General and Administrative	<u>2,294,076</u>	<u>1,348,594</u>	<u>1,276,781</u>
Total Operating Expenses	4,304,140	4,262,069	2,566,115
Operating Surplus/(Deficit)	102,723	63,441	(98,839)
Non-Operating Revenues (Expenses), Net	<u>1,901,545</u>	<u>2,246</u>	<u>(44,087)</u>
Increase/(Decrease) in Net Position	<u>\$ 2,004,268</u>	<u>\$ 65,687</u>	<u>\$ (142,926)</u>

-

## General Trends and Significant Events

For 2015 the Authority continued to implement the Community Development Block Grant (CDBG), the HOME Investment Partnership Program (HOME) and the Social Service Block Grant (SSBG) on behalf of Atlantic County, perform project management services to the County and other public entities, provide various services to other agencies, administer bond issues, and undertake its other responsibilities, including management of the County's Golf Course and the Economic Development Initiative.

In January of 2015 the Authority assumed ownership of the 68 unit Barlinvis Apartment Complex in Atlantic City and entered into an agreement with the Pleasantville Community Development Corporation for its operation.

In September of 2015 Angelouconomics completed the Atlantic County Economic Development Strategy and Action Plan for the Authority and we continue to advance the initiatives identified and play a leadership role in the Economic Development of the County.

On January 19th, 2016 the Authority closed on a \$12,000,000 loan from the Casino Reinvestment Development Authority. The proceeds of the loan are funding the Authority's Boardwalk Improvement Project. One phase of the project consists of safety and security components which include lighting improvements and security cameras. The second phase consists of a 3-D Light Show components and operation of the Boardwalk Hall Light Show. The revenue dedicated to paying the debt service for the loan is limited to the rent payments due to Atlantic City from the privately funded Atlantic City Matrix Project. This loan is a non-recourse loan to the Authority. Should revenue not be sufficient from the rent due to the City from the Matrix Project the Authority has no obligation to make the payments.

### GASB #68

As described in Note 16 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", the Authority has adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the year ended December 31, 2015. The adoption of this principle resulted in a restatement of the Authority's opening net position as of January 1, 2015 in the amount of \$2,116,671. Prior year balances reflected in this MD&A have been updated, for comparison purposes, to reflect the change where indicated.

### 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 \$5.4 million or 16.6%. The decrease was primarily related to the payment of the Atlantic County & Atlantic City Certificates of Participation.

Noncurrent assets decreased \$897,611 or 4.02%.

### Results of Operations

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

In comparison with the prior year, grants decreased by \$931,538 due to decrease in activity for CDBG and SSBG in the current year as well as a large influx of monies drawn down from the Economic Development fund in the prior year. However, the Agency fees for grant administration increased by \$89,118 in 2015.

Expenses: Total operating expenses of the Authority increased \$42,071 from fiscal year 2014 primarily due to an increase in utilization of professional fees as a result of the Economic/Redevelopment initiative in current year.

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

	<u>Actual Amounts in 000's</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Expenses:			
Total	\$ 4,304	\$ 4,262	\$ 2,566
Excluding Project Costs	2,563	1,430	1,568
Excluding Project Costs, Service Fees and Depreciation	2,294	1,349	1,278

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

	<u>Actual Amounts</u>					
	<u>2015</u>		<u>2014</u>		<u>2013</u>	
Salaries	\$ 892,082	20.73%	\$ 785,583	18.43%	\$ 744,017	28.99%
Fringe & Payroll Taxes	355,792	8.27%	271,929	6.38%	284,930	11.10
Professional Services	706,590	16.42%	143,591	3.37%	100,572	3.92
Insurance	86,605	2.01%	76,055	1.78%	84,430	3.29
Rent & Administrative & General	253,007	5.88%	71,436	1.68%	62,832	2.45
Project Costs	1,741,271	40.46%	2,832,122	66.45%	998,111	38.90
Service Fees	239,746	5.57%	80,433	1.89%	290,422	11.32
Depreciation	29,047	0.67%	920	0.02%	801	0.03
Total	<u>\$ 4,304,140</u>	<u>100.00%</u>	<u>\$ 4,262,069</u>	<u>100.00%</u>	<u>\$ 2,566,115</u>	<u>100.00%</u>

### 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.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Operating Revenues	\$4,406,863	\$4,325,510	\$2,467,276
Net Cash Provided/ (Used) by Operations	90,169	31,530	46,571
Net Operating Cash as a % of Operating Revenue	2.05%	0.73%	1.89%

## Capital Assets and Debt Administration

### Capital Assets

By accepting the deed in lieu of foreclosure, the Authority assumed ownership of the 68 unit Barlinvis Apartment Complex on January 23<sup>rd</sup>, 2015. The most recent appraisal performed in late 2011 valued the asset at \$1.9 Million based on the income approach.

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, St. Augustine issued a \$15,000,000 bond for the construction of certain school facilities to include a multi-use facility containing a 1,500 seat gymnasium, swimming pool and other athletic facilities. In March 2015, they refunded the bond not to exceed \$12,500,000. At the end of 2015, the Authority had a 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 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 ensuring 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, 1333 Atlantic Ave, Suite 700 Atlantic City, New Jersey 08401 or at 609-343-2390.

**BASIC FINANCIAL STATEMENTS**

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY

Statements of Net Position

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>LIABILITIES</u>		<u>2015</u>	<u>2014</u>
<b>ASSETS</b>						
Unrestricted Assets:			Unrestricted Liabilities:			
Current Assets:			Current Liabilities:			
Cash and Cash Equivalents	\$ 499,157	\$ 430,508	Accounts Payable	\$ 73,743	\$ 18,291	
Accounts Receivable	291,786	271,723	Unearned Program Income	131,127	129,542	
Total Unrestricted Current Assets	<u>790,943</u>	<u>702,231</u>	Pension Payable	74,197	-	
Total Unrestricted Current Assets			Total Unrestricted Current Liabilities	<u>279,067</u>	<u>147,833</u>	
Restricted Assets:			Restricted Liabilities:			
Current Assets:			Current Liabilities:			
Cash and Cash Equivalents	144,856	5,688,902	Accounts Payable	218,600	866,149	
Interest Receivable	131,673	112,487	Interest Payable	131,673	249,019	
Accounts Receivable	299,445	802,499	Notes Payable	257,518	-	
Mortgages Receivable	616,705	591,654	Due to Atlantic County	-	155,874	
Notes Receivable	257,518	-	Current Portion of Long-Term Debt	996,705	6,973,721	
Guaranteed Note Receivable	380,000	365,000	Total Current Liabilities Payable From			
Net Lease Payments Receivable	-	816,932	Restricted Assets	<u>1,604,496</u>	<u>8,244,763</u>	
Total Restricted Current Assets	<u>1,830,197</u>	<u>8,377,474</u>				
Non-Current Assets:			Long-Term Liabilities:			
Mortgages Receivable	21,944,744	22,081,494	Accrued Sick and Vacation	100,130	85,826	
Valuation Allowance for Loan Losses	(8,181,327)	(7,800,466)	Bonds Payable	21,428,417	22,323,961	
Guaranteed Note Receivable	7,665,000	8,045,000	Net Pension Liability	1,937,318	-	
Total Restricted Non-Current Assets	<u>21,428,417</u>	<u>22,326,028</u>	Total Long-Term Liabilities:	<u>23,465,865</u>	<u>22,409,787</u>	
Total Restricted Assets	<u>23,258,614</u>	<u>30,703,502</u>	Total Liabilities	<u>25,349,428</u>	<u>30,802,383</u>	
Capital Assets, Net of Depreciation	1,895,097	15,036	<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total Assets	<u>25,944,654</u>	<u>31,420,769</u>	Deferred inflows related to pensions	343,513	-	
			Total deferred inflow of resources	<u>343,513</u>	<u>-</u>	
			<b>NET POSITION</b>			
			Invested in Capital Assets, Net of Related Debt	1,895,097	15,036	
			Restricted for Capital Activity and Debt Service	9,487	8,564	
			Unrestricted	(1,398,601)	594,786	
			Total Net Position	<u>505,983</u>	<u>618,386</u>	
			Total Liabilities, Deferred Inflows and Net Position	<u>\$ 26,198,924</u>	<u>\$ 31,420,769</u>	
			<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
			Deferred outflows related to pensions			
			Total deferred outflow of resources			
			Total Assets and Deferred Outflows			

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Statements of Revenues, Expenses and Changes in Net Position**

**For the years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Project Administration Fees	\$ 673,107	\$ 439,925
Bond Fees	11,667	21,000
Grant and Agency Fund Fees	447,307	358,189
Grants	1,981,017	2,912,555
Reimbursement and Other	1,293,765	593,841
	<hr/>	<hr/>
Total Operating Revenues	4,406,863	4,325,510
	<hr/>	<hr/>
Operating Expenses:		
Payroll Expenses	892,082	785,583
Employee Benefits	355,792	271,929
Rent	43,733	29,717
Professional Fees	706,590	143,591
Insurance	86,605	76,055
Administrative and General	209,274	41,719
Project Costs	1,741,271	2,832,122
Service Fees	239,746	80,433
Depreciation	29,047	920
	<hr/>	<hr/>
Total Operating Expenses	4,304,140	4,262,069
	<hr/>	<hr/>
Operating Surplus/(Deficit)	102,723	63,441
	<hr/>	<hr/>
Non-Operating Revenues/(Expenses):		
Investment and Interest Income	687,267	985,562
Lease Rental	55,105	382,831
Gain on Acquisition of Foreclosure	1,900,000	-
Bond and Note Interest Expense	(740,827)	(1,366,147)
	<hr/>	<hr/>
Total Non-Operating Revenues/(Expenses)	1,901,545	2,246
	<hr/>	<hr/>
Change in Net Position	2,004,268	65,687
	<hr/>	<hr/>
Total Net Position - Beginning of Year	618,386	552,699
Prior Period Restatement (see Note 16)	(2,116,671)	-
Total Net Position - Beginning of Year	<hr/>	<hr/>
	(1,498,285)	552,699
	<hr/>	<hr/>
Total Net Position - End of Year	<u>\$ 505,983</u>	<u>\$ 618,386</u>

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, 2015 and 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Project Administration Fees	\$ 671,302	\$ 439,925
Bond Fees	11,667	21,000
Grant and Agency Fees	350,792	318,082
Grants	1,941,718	2,318,372
Program Income	-	7,500
Reimbursement and Other	594,141	(1,208)
Payroll Expenses	(761,275)	(780,249)
Employee Benefits	(220,493)	(273,402)
Rent	(43,733)	(29,717)
Professional Fees	(706,590)	(149,824)
Insurance	(86,605)	(76,055)
Administrative and General	339,630	506,458
Cash Paid To Subcontractor and Vendors	<u>(2,000,385)</u>	<u>(2,269,352)</u>
Net Cash Flows From Operating Activities	<u>90,169</u>	<u>31,530</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment and Interest Income	<u>720</u>	<u>873</u>
Net Cash Flows From Investing Activities	<u>720</u>	<u>873</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal Payments Received on Mortgages	42,806	28,405
Mortgages Issued	(38,661)	(51,008)
Principal Payments Made on Bonds	(6,015,000)	(5,655,000)
Fees Paid To ACIA	(81,150)	(77,966)
Lease Rental	816,932	6,217,940
Interest Paid on Bonds	<u>(292,504)</u>	<u>(563,350)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(5,566,286)</u>	<u>(100,979)</u>
(Decrease)/Increase in Cash and Cash Equivalents	(5,475,397)	(68,576)
Cash and Cash Equivalents - Beginning of Year	<u>6,119,410</u>	<u>6,187,986</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 644,013</u></u>	<u><u>\$ 6,119,410</u></u>
<b>Reconciliation To Statements of Net Position:</b>		
Unrestricted Cash	\$ 499,157	\$ 430,508
Restricted Cash	<u>144,856</u>	<u>5,688,902</u>
Total Cash and Cash Equivalents	<u><u>\$ 644,013</u></u>	<u><u>\$ 6,119,410</u></u>

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, 2015 and 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
Reconciliation of Operating Deficit To Net Cash		
Flows From Operating Activities:		
Operating Income/(Loss)	\$ 86,810	\$ 63,441
Adjustments To Reconcile Operating Income To		
Net Cash Flows From Operating Activities:		
Depreciation	29,047	920
Unbudgeted pension expense	147,767	
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	(581,056)	(775,932)
(Decrease)/Increase in Accounts Payable	393,284	756,624
Decrease Due to Atlantic County	13	7,521
Increase in Accrued Sick and Vacation	14,304	(21,044)
	<u>90,169</u>	<u>31,530</u>
Net Cash Flows From Operating Activities	<u>\$ 90,169</u>	<u>\$ 31,530</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Statements of Net Position - Agency Fund**

**For the years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 1,707,739	\$ 1,949,148
Mortgage Interest Receivable	735,493	5,318,644
Accounts Receivable - Other	2,219	5,719
Mortgages Receivable	15,776,289	17,150,077
Mortgages Receivable - Valuation Allowance	<u>(16,459,835)</u>	<u>(22,416,775)</u>
Total Assets	<u>\$ 1,761,905</u>	<u>\$ 2,006,813</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 29,911	\$ 36,352
Due To:		
Various Agencies	<u>1,731,994</u>	<u>1,970,461</u>
Total Liabilities	<u>\$ 1,761,905</u>	<u>\$ 2,006,813</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2015 and 2014**

**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, 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. In 2014, a new initiative being undertaken by the Authority was the economic development on behalf of the County.

**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.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Financial Statements

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

For the year ended December 31, 2015, the Authority implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

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.

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.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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 14 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.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 2015 and 2014 the Authority has recorded \$100,130 and \$85,826, respectively, 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.

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.

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.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the Authority is eligible to realize the revenue.

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.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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. The allowance for loan losses recorded for mortgages receivable held as security for bond repayments or first mortgages held in the Agency Fund at December 31, 2015 totaled \$16,459,835.

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.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 buildings, 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:

Buildings	40 years
Furniture and equipment	5 years

Depreciation expense for the year ended December 31, 2015 and 2014 was \$29,047 and \$920, respectively.

Impact of Recently Issued Account Principles

Adopted Accounting Pronouncements

For the year ended December 31, 2015, the Authority implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – (Amendment to GASB Statement No. 27) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the Authority to report as an asset and/or a liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees' Retirement System (PERS). The implementation of the Statements also requires the Authority to report a deferred outflow and/or inflow for the effect of the net change in the Authority's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

The Authority has adopted and implemented all current standards of the Governmental Accounting Standards Board (GASB) that are applicable as of December 31, 2015.

Recently Issued and Adopted Accounting Pronouncements

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending December 31, 2016.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS (continued)  
For the years ended December 31, 2015 and 2014**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Impact of Recently Issued Account Principles (continued)

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending December 31, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending December 31, 2016.

The Authority will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2015 and June 06, 2016, 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.

<b>Type</b>	<b>Carrying Value</b>
<b>Deposits:</b>	
Demand Deposits	\$ 2,351,752
Total Deposits	<u>\$ 2,351,752</u>
 <b>Reconciliation of Statements of Net Position:</b>	
Governmental-Type Activity	\$ 644,013
Fiduciary Fund	<u>1,707,739</u>
Total Cash and Cash Equivalents	<u>\$ 2,351,752</u>

As of December 31, 2015 and 2014, the Authority's bank balance of \$2,418,259 and \$8,074,359, respectively was not exposed to custodial credit risk. Of the bank balances, \$509,566 and \$757,521 was covered by FDIC Insurance. As of December 31, 2015 and 2014, the remaining balances of \$1,908,693 and \$7,316,838 were collateralized in the Authority's name under GUDPA.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS (continued)  
For the years ended December 31, 2015 and 2014**

**NOTE 4: CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2015, follows:

	<u>Furniture &amp; Equipment</u>	<u>Barlinvis Apartments</u>	<u>Accumulated Depreciation</u>	<u>Fixed Assets Net</u>
Balance: January 1, 2015	\$ 48,078	\$ -	\$ 33,042	\$ 15,036
Additions	<u>9,108</u>	<u>1,900,000</u>	<u>29,047</u>	<u>1,880,061</u>
Balance: December 31, 2015	<u>\$ 57,186</u>	<u>\$ 1,900,000</u>	<u>\$ 62,089</u>	<u>\$ 1,895,097</u>

A summary of changes in capital assets for the year ended December 31, 2014, follows:

	<u>Furniture &amp; Equipment</u>	<u>Accumulated Depreciation</u>	<u>Fixed Assets Net</u>
Balance: January 1, 2014	\$ 32,523	\$ 32,122	\$ 401
Additions	<u>15,555</u>	<u>920</u>	<u>14,635</u>
Balance: December 31, 2014	<u>\$ 48,078</u>	<u>\$ 33,042</u>	<u>\$ 15,036</u>

During the year ended December 31, 2015, the Authority was involved in litigation concerning the mortgage to Barlinvis Associates. Prior to this transaction, the amounts due and owed to the Authority in order to satisfy the Second Mortgage comprised unpaid Principal in the amount of \$1,600,000 and accrued unpaid interest in the amount of \$4,622,342 for an aggregate amount of \$6,222,342. This mortgage was second to a US Department of Housing and Urban Development (HUD) mortgage which had been satisfied and discharged. The second mortgage was a no recourse mortgage secured by a 68 unit affordable housing project situated at 2006 Beach Avenue in Atlantic City, New Jersey (the "Property").

The Authority closed on the purchase of the Property on January 23, 2015 for \$1. As of the date of closing, Barlinvis Associates transferred to the Authority all funds on hand, with the exception of a retainage of \$65,000 to be held for a period of ninety days for the purpose of paying any prior incurred obligations. Following closing, the litigation was dismissed with prejudice and the lien of the second mortgage against the property was released but not satisfied.

The Authority plans to continue operating this Property as affordable housing to the residents of Atlantic City.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS (continued)  
For the years ended December 31, 2015 and 2014**

**NOTE 5: LEASE PAYMENT RECEIVABLE**

The investment in direct financing leases as of December 31, 2015 and 2014, assuming related bonds payable are held to maturity, is as follows:

	<u>2015</u>	<u>2014</u>
Gross Lease Payments Receivable	\$ -	\$ 6,206,735
Less:		
Unearned Income	-	(55,203)
Net Debt Service Funds	<u>-</u>	<u>(5,334,600)</u>
Subtotal	<u>-</u>	<u>(5,389,803)</u>
Net Lease Payments Receivable	<u>\$ -</u>	<u>\$ 816,932</u>

**NOTE 6: MORTGAGES RECEIVABLE - BOND FUNDS**

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

	<u>2015</u>	<u>2014</u>
Balance: January 1	\$ 14,872,682	\$ 15,440,482
Less: Repayments	<u>(492,560)</u>	<u>(567,800)</u>
Balance: December 31	<u>\$ 14,380,122</u>	<u>\$ 14,872,682</u>

The ARC of Atlantic County mortgage receivable balance as of December 31, 2015 was \$1,576,369. 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, 2015 was \$594,791 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, 2015 was \$11,736,910 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.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 6: MORTGAGES RECEIVABLE - BOND FUNDS (continued)**

The following represents a summary of mortgages and interest receivable held in the Authority's Grant Fund as of December 31, 2015 and 2014 which are considered impaired:

	<u>2015</u>	<u>2014</u>
Mortgages Receivable - Schedule to be Forgiven if Conditions are Met	\$ 8,181,327	\$ 7,800,466
Total allowance for Loan Forgiveness	<u>(8,181,327)</u>	<u>(7,800,466)</u>
Net Loan Value: December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**NOTE 7: MORTGAGES RECEIVABLE - IMPAIRED ASSETS**

The following represents the activity of the allowance for mortgage losses in the Grant Fund during 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Balance of Allowance for Mortgage Receivable Losses January 1	\$ 7,800,466	\$ 7,367,401
Increases:		
Allowance for Additional Mortgages	<u>380,861</u>	<u>488,346</u>
Subtotal Increases:	380,861	488,346
Subtotal:	8,181,327	7,855,747
Decreases:		
Forgiven	-	(5,038)
Recoveries-Amounts Previously Reserved	<u>-</u>	<u>(50,243)</u>
Subtotal Decreases:	<u>-</u>	<u>(55,281)</u>
Balance of Allowance for Mortgage Receivable Losses: December 31	<u><u>\$ 8,181,327</u></u>	<u><u>\$ 7,800,466</u></u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 7: MORTGAGES RECEIVABLE - IMPAIRED ASSETS (continued)**

The following represents a summary of mortgages and interest receivable held in the Authority's Agency Fund as of December 31, 2015 and 2014 which are considered impaired:

	<u>2015</u>	<u>2014</u>
Mortgages Receivable - Collection:		
Deemed Doubtful	\$ 16,511,782	\$ 22,468,721
Total Allowance	<u>(16,459,835)</u>	<u>(22,416,775)</u>
Net Mortgage Receivable - December 31	<u>\$ 51,947</u>	<u>\$ 51,946</u>

The following table represents the ending balance of the allowance for mortgage losses in the Agency Fund for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Balance of Allowance for Mortgage Receivable Losses: December 31	<u>\$ 16,459,835</u>	<u>\$ 22,416,775</u>
Analysis of Balance:		
Interest Receivable	\$ 735,493	\$ 5,318,644
Mortgage Receivable	<u>15,724,342</u>	<u>17,098,131</u>
Balance:	<u>\$ 16,459,835</u>	<u>\$ 22,416,775</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 8: 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.

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, 2015 and 2014:

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 8: LONG-TERM DEBT (continued)**

	<u>2015</u>	<u>2014</u>
Opening Cash and Cash Equivalents - January 1:	\$ 1,163,944	\$ 1,008,094
Increases:		
Interest Earned	313	172
Payment from Egg Harbor Township Golf Course	<u>725,000</u>	<u>900,000</u>
Subtotal Increases:	725,313	900,172
Revised Cash and Equivalents Balance:	1,889,257	1,908,266
Decreases:		
Administrative Costs	(17,598)	(3,597)
Interest Paid	(376,725)	(390,725)
Principal Paid	<u>(365,000)</u>	<u>(350,000)</u>
Subtotal Decreases:	<u>(759,323)</u>	<u>(744,322)</u>
Ending Cash and Cash Equivalents - December 31:	<u><u>\$ 1,129,934</u></u>	<u><u>\$ 1,163,944</u></u>

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 \$2,700 per month based on 2013 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.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 8: 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. On March 25, 2015 the bond was refunded in an amount not to exceed \$12,500,000.

Total General Debt

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 996,705	\$ 753,053	\$ 1,749,758
2017	1,042,067	717,056	1,759,123
2018	1,081,645	680,298	1,761,943
2019	1,117,844	645,739	1,763,583
2020	1,161,735	610,309	1,772,044
2021-2025	13,106,273	2,321,932	15,428,205
2026-2030	3,918,853	625,225	4,544,078
	<u>\$ 22,425,122</u>	<u>\$ 6,353,612</u>	<u>\$ 28,778,734</u>

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. For the year ended December 31, 2015, the certificates of participation were fully satisfied.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS (continued)  
For the years ended December 31, 2015 and 2014**

**NOTE 8: LONG-TERM DEBT (continued)**

Long-term debt as of December 31, 2015 consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Payments</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
General	\$ 23,282,682	\$ -	\$ (857,560)	\$ 22,425,122	\$ 996,705
Certificates of Participation	6,015,000	-	(6,015,000)	-	-
Net Pension Liability	1,661,797	275,521	-	1,937,318	-
Compensated Absences	85,826	14,304	-	100,130	-
	<u>\$ 31,045,305</u>	<u>\$ 289,825</u>	<u>\$ (6,872,560)</u>	<u>\$ 24,462,570</u>	<u>\$ 996,705</u>

**NOTE 9: PENSION OBLIGATIONS**

**A. Public Employees' Retirement System (PERS)**

**Plan Description** - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS (continued)  
For the years ended December 31, 2015 and 2014**

**NOTE 9: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

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

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014 and 2013, the State's pension contribution was less than the actuarial determined amount.

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

**Three-Year Trend Information for PERS**

<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/31/2015	\$ 74,197	100%	\$ 1,937,318
12/31/2014	\$ 73,171	100%	\$ 1,661,797
12/31/2013	\$ 82,509	100%	\$ 2,092,838

**Components of Net Pension Liability** - At December 31, 2015, the Authority reported a liability of \$1,937,318 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The Authority's proportion measured as of June 30, 2015, was .00863%, which was a decrease of .00025% from its proportion measured as of June 30, 2014.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS (continued)  
For the years ended December 31, 2015 and 2014**

**NOTE 9: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

Collective Balances at December 31, 2015 and December 31, 2014

Actuarial valuation date	<u>12/31/2015</u> July 1, 2014	<u>12/31/2014</u> July 1, 2013
Deferred Outflows of Resources	\$ 254,270	\$ 125,427
Deferred Inflows of Resources	\$ 343,513	\$ 433,959
Net Pension Liability	\$ 1,937,318	\$ 1,661,797
Authority's portion of the Plan's total net pension Liability	0.00863%	0.00888%

**Pension Expense and Deferred Outflows/Inflows of Resources** - For the year ended December 31, 2015, the Authority recognized pension expense of \$73,171. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 208,052	\$ -
Net difference between expected and actual experience	46,218	-
Net difference between projected and actual earnings on pension plan investments	-	31,148
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	312,365
Total	\$ 254,270	\$ 343,513

\$74,197 reported as pension payable resulting from the Authority's contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2015, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS (continued)  
For the years ended December 31, 2015 and 2014**

**NOTE 9: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

<u>Year Ended June 30:</u>	<u>PERS</u>
2016	\$ (29,367)
2017	(29,367)
2018	(29,367)
2019	(4,609)
2020	3,468
Thereafter	-

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

	<u>PERS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Investment rate of return	7.90%
Salary increases:	2012-2021 - 2.15-4.40% based on age Thereafter - 3.15-5.40% based on age
Inflation rate	3.04%

Mortality rates were based on the RP-2000 Combined Healthy Male or Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Long-Term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS (continued)  
For the years ended December 31, 2015 and 2014**

**NOTE 9: PENSION OBLIGATIONS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	<u>100%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	<u>1% Decrease (3.90%)</u>	<u>Current Discount Rate (4.90%)</u>	<u>1% Increase (5.90%)</u>
Authority's proportionate share of the net pension liability	\$ 2,407,849	\$ 1,937,318	\$ 1,542,828

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**For the years ended December 31, 2015 and 2014**

**NOTE 10: 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 11: 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, 2015 and 2014, assuming all employees are eligible for accrued sick leave at termination, is approximately \$100,130 and \$85,826, respectively.

**NOTE 12: 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 which changed to a pay-as-you-go basis beginning in Fiscal Year 1994. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. This would include the present value at 5% of 3 years of insurance payments to all current employees assuming all will work until eligibility, the contribution amount attributable to the Authority is available through the state pension system.

**NOTE 13: 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 14: RELATED PARTY TRANSACTIONS**

The Authority leases its primary office space from the County under annual lease agreements. Rent expense paid to the County during 2015 and 2014 was \$43,733 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. A renewed agreement was finalized on December 27, 2013 that was substantially comparable to the previous agreement. 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. At the discretion of the County Treasurer, the Authority began makes 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 2015 and 2014, no payments were made to the County, as net proceeds available as of December 31, 2015 and 2014, would need to be utilized for additional expenses paid by the Golf Course under the Authority’s management.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS (continued)  
For the years ended December 31, 2015 and 2014**

**NOTE 15: SUBSEQUENT EVENTS**

On January 19th, 2016 the Authority closed on a \$12,000,000 loan from the Casino Reinvestment Development Authority. The proceeds of the loan are funding the Authority's Boardwalk Improvement Project. One phase of the project consists of safety and security components which include lighting improvements and security cameras. The second phase consists of a 3-D Light Show components and operation of the Boardwalk Hall Light Show. The revenue dedicated to paying the debt service for the loan is limited to the rent payments due to Atlantic City from the privately funded Atlantic City Matrix Project. This loan is a non-recourse loan to the Authority. Should revenue not be sufficient from the rent due to the City from the Matrix Project the Authority has no obligation to make the payments.

**NOTE 16: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION**

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

		Governmental <u>Activities</u>
Net Position as previously reported at December 31, 2014	\$	618,386
Prior period adjustment -		
Implementation of GASB 68:		
Net Pension Liability (measurement date as of June 30, 2014)		(1,661,797)
PERS Pension Payable (2015 Authority PERS Pension Contribution)		(73,171)
Deferred Outflows (measurement date as of June 30, 2014)		52,256
Deferred Inflows (measurement date as of June 30, 2014)		(433,959)
Total prior period adjustment		<u>(2,116,671)</u>
Net Position as restated, January 1, 2015	\$	<u><u>(1,498,285)</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Schedule of Appropriations Compared to Budget - Administrative Fund**

**For the year ended December 31, 2015**

	<b>2015 Budget</b>	<b>2015 Final Budget</b>	<b>2015 Actual</b>	<b>Unexpended Balance/ (Excess)</b>
Operating Revenues:				
Project Administration Fees	\$ 430,500	\$ 673,107	\$ 673,107	\$ -
Bond Fees	14,000	11,667	11,667	-
Grant and Agency Fund Fees	572,366	447,307	447,307	-
Reimbursement and Other	1,541,426	1,293,765	1,293,765	-
	<u>2,558,292</u>	<u>2,425,846</u>	<u>2,425,846</u>	<u>-</u>
Total Operating Revenues				
	<u>2,558,292</u>	<u>2,425,846</u>	<u>2,425,846</u>	<u>-</u>
Operating Expenses:				
Payroll Expenses	1,030,885	892,082	892,082	-
Employee Benefits	485,590	371,705	371,705	-
Rent	29,717	43,733	43,733	-
Professional Fees	847,850	706,590	706,590	-
Insurance	75,000	86,605	86,605	-
Administrative and General	75,700	209,274	209,274	-
Depreciation	-	5,297	29,047	(23,750)
	<u>2,544,742</u>	<u>2,315,286</u>	<u>2,339,036</u>	<u>(23,750)</u>
Total Operating Expenses				
	<u>2,544,742</u>	<u>2,315,286</u>	<u>2,339,036</u>	<u>(23,750)</u>
Other Income/(Expenses):				
Investment Income	400	622	622	-
Additions to Reserves	(1,500)	923	923	-
Gain on Acquisition of Foreclosure	-	-	1,900,000	1,900,000
	<u>(1,100)</u>	<u>1,545</u>	<u>1,901,545</u>	<u>1,900,000</u>
Total Other Income/(Expenses)				
	<u>(1,100)</u>	<u>1,545</u>	<u>1,901,545</u>	<u>1,900,000</u>
Net Income/(Loss)	<u>\$ 12,450</u>	<u>\$ 112,105</u>	<u>\$ 1,988,355</u>	<u>\$ 1,876,250</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**Schedule of the Authority's Proportionate Share of the Net Pension Liability**  
**Public Employees' Retirement System**  
**Last Ten Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability (asset)	0.00863%	0.00888%	0.01095%
Authority's proportionate share of the net pension liability (asset)	\$ 1,937,318	\$ 1,661,797	\$ 2,092,838
Authority's covered-employee payroll	\$ 687,836	\$ 558,071	\$ 588,636
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	281.65%	297.78%	355.54%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**Schedule of Authority Contributions**  
**Public Employees' Retirement System**  
**Last Ten Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 74,197	\$ 73,171	\$ 91,875
Contributions in relation to the contractually required contribution	<u>74,197</u>	<u>73,171</u>	<u>91,875</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 687,836	\$ 558,071	\$ 588,636
Contributions as a percentage of covered-employee payroll	10.79%	13.11%	15.61%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**COUNTY OF ATLANTIC, NEW JERSEY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended December 31, 2015**

**Public Employees' Retirement System (PERS)**

**Basis of Presentation.** The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 14, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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

**Changes of assumptions.** Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**SUPPLEMENTARY INFORMATION**

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Combining Statement of Net Position**

**December 31, 2015**

**ASSETS**

	<b><u>Total</u></b>	<b><u>Administrative Fund</u></b>	<b><u>Bond Fund</u></b>	<b><u>Grant Fund</u></b>
Unrestricted Assets:				
Current Assets:				
Cash	\$ 499,157	\$ 499,157	\$ -	\$ -
Accounts Receivable	291,786	291,786	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Unrestricted Current Assets	790,943	790,943	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Restricted Assets:				
Current Assets:				
Cash	144,856	9,487	-	135,369
Interest Receivable	131,673	-	93,334	38,339
Accounts Receivable	299,445	115,365	-	184,080
Guaranteed Note Receivable	380,000	-	380,000	-
Note Receivable	257,518	-	-	257,518
Mortgages Receivable	616,705	-	616,705	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Current Assets	1,830,197	124,852	1,090,039	615,306
	<hr/>	<hr/>	<hr/>	<hr/>
Non-Current Assets:				
Mortgages Receivable	21,944,744	-	13,763,417	8,181,327
Valuation Allowance for Loan Losses	(8,181,327)	-	-	(8,181,327)
Guaranteed Note Receivable	7,665,000	-	7,665,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Non-Current Assets	21,428,417	-	21,428,417	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Assets	23,258,614	124,852	22,518,456	615,306
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Assets, Net of Depreciation	1,895,097	1,895,097	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 25,944,654</u>	<u>\$ 2,810,892</u>	<u>\$ 22,518,456</u>	<u>\$ 615,306</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Combining Statement of Net Position**

**December 31, 2015**

**LIABILITIES AND NET POSITION**

	<u>Total</u>	<u>Administrative Fund</u>	<u>Bond Fund</u>	<u>Grant Fund</u>
Unrestricted Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 73,743	\$ 73,743	\$ -	\$ -
Unearned Program Income	131,127	-	-	131,127
	<u>204,870</u>	<u>73,743</u>	<u>-</u>	<u>131,127</u>
Total Unrestricted Current Liabilities				
Restricted Liabilities:				
Current Liabilities:				
Accounts Payable	218,600	30,278	-	188,322
Interest Payable	131,673	-	93,334	38,339
Notes Payable	257,518	-	-	257,518
Current Portion of Long-Term Debt	996,705	-	996,705	-
	<u>1,604,496</u>	<u>30,278</u>	<u>1,090,039</u>	<u>484,179</u>
Total Current Liabilities Payable From Restricted Assets				
Long-Term Liabilities:				
Accrued Sick and Vacation	100,130	100,130	-	-
Bonds Payable	21,428,417	-	21,428,417	-
	<u>21,528,547</u>	<u>100,130</u>	<u>21,428,417</u>	<u>-</u>
Total Long-Term Liabilities				
Total Liabilities	<u>23,337,913</u>	<u>204,151</u>	<u>22,518,456</u>	<u>615,306</u>
Net Position:				
Invested in Capital Assets, Net of Related Debt	1,895,097	1,895,097	-	-
Restricted for Capital Activity and Debt Service	9,487	9,487	-	-
Unrestricted	702,157	702,157	-	-
	<u>2,606,741</u>	<u>2,606,741</u>	<u>-</u>	<u>-</u>
Total Net Positions				
Total Liabilities and Net Position	<u>\$ 25,944,654</u>	<u>\$ 2,810,892</u>	<u>\$ 22,518,456</u>	<u>\$ 615,306</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Bond Funds

December 31, 2015

ASSETS

	<u>Total</u>	<u>Egg Harbor Township Golf Course Series 2006</u>	<u>ARC of Atlantic County</u>	<u>Faith Baptist Church</u>	<u>St. Augustine</u>
Restricted Assets:					
Current Assets:					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Receivable	93,334	59,746	2,597	2,620	28,371
Guaranteed Note Receivable	380,000	380,000	-	-	-
Mortgages Receivable	616,705	-	88,384	51,247	477,074
<b>Total Restricted Current Assets</b>	<b>1,090,039</b>	<b>439,746</b>	<b>90,981</b>	<b>53,867</b>	<b>505,445</b>
Non-Current Assets:					
Guaranteed Note Receivable	7,665,000	7,665,000	-	-	-
Mortgages Receivable	13,763,417	-	1,576,369	594,791	11,592,257
<b>Total Restricted Non-Current Assets</b>	<b>21,428,417</b>	<b>7,665,000</b>	<b>1,576,369</b>	<b>594,791</b>	<b>11,592,257</b>
<b>Total Restricted Assets</b>	<b>22,518,456</b>	<b>8,104,746</b>	<b>1,667,350</b>	<b>648,658</b>	<b>12,097,702</b>
<b>Total Assets</b>	<b>\$ 22,518,456</b>	<b>\$ 8,104,746</b>	<b>\$ 1,667,350</b>	<b>\$ 648,658</b>	<b>\$ 12,097,702</b>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Bond Funds

December 31, 2015

LIABILITIES

	<u>Total</u>	<u>Egg Harbor Township Golf Course Series 2006</u>	<u>ARC of Atlantic County</u>	<u>Faith Baptist Church</u>	<u>St. Augustine</u>
Restricted Liabilities:					
Current Liabilities:					
Interest Payable	\$ 93,334	\$ 59,746	\$ 2,597	\$ 2,620	\$ 28,371
Current Portion of Long-Term Debt	<u>996,705</u>	<u>380,000</u>	<u>88,384</u>	<u>51,247</u>	<u>477,074</u>
Total Current Liabilities Payable From Restricted Assets	<u>1,090,039</u>	<u>439,746</u>	<u>90,981</u>	<u>53,867</u>	<u>505,445</u>
Long-Term Liabilities:					
Bonds Payable	<u>21,428,417</u>	<u>7,665,000</u>	<u>1,576,369</u>	<u>594,791</u>	<u>11,592,257</u>
Total Long-Term Liabilities	<u>21,428,417</u>	<u>7,665,000</u>	<u>1,576,369</u>	<u>594,791</u>	<u>11,592,257</u>
Total Liabilities	<u>\$ 22,518,456</u>	<u>\$ 8,104,746</u>	<u>\$ 1,667,350</u>	<u>\$ 648,658</u>	<u>\$ 12,097,702</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Combining Statement of Net Position - Grant Funds**

**December 31, 2015**

**ASSETS**

	<b><u>Total</u></b>	<b><u>CDBG</u></b>	<b><u>HOME Funds</u></b>	<b><u>SSBG</u></b>	<b><u>Other Funds</u></b>
Restricted Assets:					
Current Assets:					
Cash	\$ 135,369	\$ 33,450	\$ 90,770	\$ 34	\$ 11,115
Accounts Receivable	184,080	96,424	53,195	34,461	-
Interest Receivable	38,339	-	-	-	38,339
Notes Receivable	257,518	-	-	-	257,518
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Current Assets	615,306	129,874	143,965	34,495	306,972
Non-Current Assets:					
Mortgages Receivable	8,181,327	1,253,718	6,827,684	-	99,925
Valuation Allowance for Loan Losses	(8,181,327)	(1,253,718)	(6,827,684)	-	(99,925)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Non-Current Assets	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Assets	615,306	129,874	143,965	34,495	306,972
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 615,306	\$ 129,874	\$ 143,965	\$ 34,495	\$ 306,972

**LIABILITIES**

Restricted Liabilities:					
Current Liabilities:					
Accounts Payable and Accrued Expenses	\$ 188,322	\$ 100,582	\$ 53,245	\$ 34,495	\$ -
Unearned Program Income	131,127	29,292	90,720	-	11,115
Interest Payable	38,339	-	-	-	38,339
Notes Payable	257,518	-	-	-	257,518
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Liabilities Payable	615,306	129,874	143,965	34,495	306,972
From Restricted Assets	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 615,306	\$ 129,874	\$ 143,965	\$ 34,495	\$ 306,972

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Grant Funds - CDBG

December 31, 2015

	<u>Total</u>	<u>CDBG 2001-2010 Entitlement</u>	<u>CDBG 2011 Entitlement</u>	<u>CDBG 2012 Entitlement</u>	<u>CDBG 2013 Entitlement</u>	<u>CDBG 2014 Entitlement</u>	<u>CDBG 2015 Entitlement</u>	<u>Small Cities</u>	<u>Program Income</u>
<b>ASSETS</b>									
Cash	\$ 33,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4,158	\$ 29,292
Accounts Receivable	96,424	-	-	-	-	-	96,424	-	-
Mortgages Receivable	1,253,718	841,055	90,535	30,943	-	26,845	-	218,013	46,327
Mortgages Receivable Valuation Allowance	(1,253,718)	(841,055)	(90,535)	(30,943)	-	(26,845)	-	(218,013)	(46,327)
Total Assets	\$ 129,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,424	4,158	\$ 29,292
<b>LIABILITIES</b>									
Accounts Payable and Accrued Expenses	\$ 100,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,424	4,158	\$ -
Unearned Program Income	29,292	-	-	-	-	-	-	-	29,292
Total Liabilities	\$ 129,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,424	4,158	\$ 29,292

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Grant Funds - HOME

December 31, 2015

	<b>Total</b>	<b>1997-2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Program</b>
		<b>Atlantic</b>	<b>Atlantic</b>	<b>Atlantic</b>	<b>Atlantic</b>	<b>Atlantic</b>	<b>Atlantic</b>	<b>Income</b>
		<b>County</b>	<b>County</b>	<b>County</b>	<b>County</b>	<b>County</b>	<b>County</b>	<b>HOME</b>
		<b>HOME</b>	<b>HOME</b>	<b>HOME</b>	<b>HOME</b>	<b>HOME</b>	<b>HOME</b>	<b>HOME</b>
<b>ASSETS</b>								
Cash	\$ 90,770	\$ -	\$ -	\$ -	\$ 50	\$ -	\$ -	90,720
Accounts Receivable	53,195	-	-	-	25,839	-	27,356	-
Mortgages Receivable	6,827,684	5,123,393	451,134	251,885	225,699	188,791	-	586,782
Mortgages Receivable Valuation Allowance	(6,827,684)	(5,123,393)	(451,134)	(251,885)	(225,699)	(188,791)	-	(586,782)
<b>Total Assets</b>	<b>\$ 143,965</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,889</b>	<b>\$ -</b>	<b>\$ 27,356</b>	<b>90,720</b>
<b>LIABILITIES</b>								
Accounts Payable and Accrued Expenses	\$ 53,245	\$ -	\$ -	\$ -	\$ 25,889	\$ -	\$ 27,356	-
Deferred Program Income	90,720	-	-	-	-	-	-	90,720
<b>Total Liabilities</b>	<b>\$ 143,965</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,889</b>	<b>\$ -</b>	<b>\$ 27,356</b>	<b>90,720</b>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Combining Statement of Net Position - Grant Funds - SSBG**

**December 31, 2015**

	<u><b>Total</b></u>	<u><b>SSBG</b></u>
<b>ASSETS</b>		
Cash	\$ 34	\$ 34
Accounts Receivable	<u>34,461</u>	<u>34,461</u>
Total Assets	<u><u>\$ 34,495</u></u>	<u><u>\$ 34,495</u></u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	<u>\$ 34,495</u>	<u>\$ 34,495</u>
Total Liabilities	<u><u>\$ 34,495</u></u>	<u><u>\$ 34,495</u></u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Combining Statement of Net Position - Grant Funds - Other**

**December 31, 2015**

	<u>Total</u>	<u>Economic Development</u>	<u>USDA</u>	<u>Jobs Bill</u>
<b>ASSETS</b>				
Cash	\$ 11,115	\$ -	\$ 6,475	\$ 4,640
Interest Receivable	38,339	38,339	-	-
Notes Receivable	257,518	257,518	-	-
Mortgages Receivable	99,925	-	51,045	48,880
Mortgages Receivable Valuation Allowance	(99,925)	-	(51,045)	(48,880)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 306,972</u>	<u>\$ 295,857</u>	<u>\$ 6,475</u>	<u>\$ 4,640</u>
<b>LIABILITIES</b>				
Unearned Program Income	\$ 11,115	\$ -	\$ 6,475	\$ 4,640
Interest Payable	38,339	38,339	-	-
Notes Payable	257,518	257,518	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 306,972</u>	<u>\$ 295,857</u>	<u>\$ 6,475</u>	<u>\$ 4,640</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Combining Statement of Net Position - Agency Funds**

**December 31, 2015**

	<b><u>Housing Projects</u></b>	<b><u>Other</u></b>	<b><u>Mortgages</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>				
Cash	\$ 1,191,944	\$ 365,466	\$ 150,329	\$ 1,707,739
Mortgage Interest Receivable	85,300	-	650,193	735,493
Accounts Receivable - Other	-	2,219		2,219
Mortgages Receivable	3,160,240	-	12,616,049	15,776,289
Mortgages Receivable Valuation Allowance	<u>(3,193,593)</u>	<u>-</u>	<u>(13,266,242)</u>	<u>(16,459,835)</u>
Total Assets	<u>\$ 1,243,891</u>	<u>\$ 367,685</u>	<u>\$ 150,329</u>	<u>\$ 1,761,905</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 27,331	\$ 2,269	\$ 311	\$ 29,911
Due To Various Agencies	<u>1,216,560</u>	<u>365,416</u>	<u>150,018</u>	<u>1,731,994</u>
Total Liabilities	<u>\$ 1,243,891</u>	<u>\$ 367,685</u>	<u>\$ 150,329</u>	<u>\$ 1,761,905</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Housing Projects

December 31, 2015

	Grammercy Park Mortgage Subsidy	Habitat for Humanity	Westside Façade	Convention Hall Relocation	Atlantic City Downpayment Assistance Program	Atlantic City Rehabilitation Program	Brighton Towers 2009	Brighton Towers 2013	Total
<b>ASSETS</b>									
Cash	\$ 42,882	\$ 151,179	\$ -	\$ 9,927	\$ 636,927	\$ 40,817	\$ 1,652	\$ 308,560	\$ 1,191,944
Mortgage Interest Receivable	-	-	-	40,475	-	-	32,204	12,621	85,300
Mortgages Receivable	-	-	18,080	84,788	1,906,894	784,416	206,958	159,104	3,160,240
Mortgages Receivable Valuation Allowance	-	-	(18,080)	(73,316)	(1,906,894)	(784,416)	(239,162)	(171,725)	(3,193,593)
Total Assets	\$ 42,882	\$ 151,179	\$ -	\$ 61,874	\$ 636,927	\$ 40,817	\$ 1,652	\$ 308,560	\$ 1,243,891
<b>LIABILITIES</b>									
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 526	\$ 26,805	\$ 27,331
Due To Various Agencies	42,882	151,179	-	61,874	636,927	40,817	1,126	281,755	1,216,560
Total Liabilities	\$ 42,882	\$ 151,179	\$ -	\$ 61,874	\$ 636,927	\$ 40,817	\$ 1,652	\$ 308,560	\$ 1,243,891

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Other

December 31, 2015

	Continuum of Care	Green Tree Golf Course	Hammonton Affordable Housing	Linwood Affordable Housing	Somers Point Affordable Housing	Revel	Misc.	Total
<b>ASSETS</b>								
Cash	\$ -	\$ 99,396	\$ 63,341	\$ 20,886	\$ 174,493	\$ 2,108	\$ 5,242	\$ 365,466
Accounts Receivable - Other	2,219	-	-	-	-	-	-	2,219
Total Assets	\$ 2,219	\$ 99,396	\$ 63,341	\$ 20,886	\$ 174,493	\$ 2,108	\$ 5,242	\$ 367,685
<b>LIABILITIES</b>								
Accounts Payable and Accrued Expenses Due To Various Agencies	\$ 2,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50	\$ 2,269
	-	99,396	63,341	20,886	174,493	2,108	5,192	365,416
Total Liabilities	\$ 2,219	\$ 99,396	\$ 63,341	\$ 20,886	\$ 174,493	\$ 2,108	\$ 5,242	\$ 367,685

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Mortgages

December 31, 2015

	<u>Barlinvis Apartments</u>	<u>Garden Court Apartments</u>	<u>Vermont Plaza</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 150,329	\$ -	\$ -	\$ 150,329
Mortgage Interest Receivable	-	-	650,193	650,193
Mortgages Receivable	-	9,523,320	3,092,729	12,616,049
Mortgages Receivable Valuation Allowance	-	(9,523,320)	(3,742,922)	(13,266,242)
Total Assets	<u>\$ 150,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,329</u>
<b>LIABILITIES</b>				
Liabilities:				
Due To Admin Fund	\$ 311	-	-	\$ 311
Due To Various Agencies	<u>150,018</u>	<u>-</u>	<u>-</u>	<u>150,018</u>
Total Liabilities	<u>\$ 150,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,329</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Combining Statement of Activities**

**December 31, 2015**

	<u>Total</u>	<u>Administrative Fund</u>	<u>Bond Fund</u>	<u>Grant Fund</u>
Operating Revenues:				
Project Administration Fees	\$ 673,107	\$ 673,107	\$ -	\$ -
Bond Fees	11,667	11,667	-	-
Grant and Agency Fund Fees	447,307	447,307	-	-
Grants	1,981,017	-	-	1,981,017
Reimbursement and Other	1,293,765	1,293,765	-	-
<b>Total Operating Revenues</b>	<b>4,406,863</b>	<b>2,425,846</b>	<b>-</b>	<b>1,981,017</b>
Operating Expenses:				
Payroll Expenses	892,082	892,082	-	-
Employee Benefits	371,705	371,705	-	-
Rent	43,733	43,733	-	-
Professional Fees	706,590	706,590	-	-
Insurance	86,605	86,605	-	-
Administrative and General	209,274	209,274	-	-
Project Costs	1,741,271	-	-	1,741,271
Service Fees	239,746	-	-	239,746
Depreciation	29,047	29,047	-	-
<b>Total Operating Expenses</b>	<b>4,320,053</b>	<b>2,339,036</b>	<b>-</b>	<b>1,981,017</b>
<b>Operating Income</b>	<b>86,810</b>	<b>86,810</b>	<b>-</b>	<b>-</b>
Non-Operating Revenues/(Expenses):				
Investment and Interest Income	686,344	622	685,722	-
Additions to Reserves-NJCM & SUI	923	923	-	-
Gain on Acquisition of Foreclosure	1,900,000	1,900,000	-	-
Lease Rental	55,105	-	55,105	-
Bond and Note Interest Expense	(740,827)	-	(740,827)	-
<b>Total Non-Operating Revenues/(Expenses)</b>	<b>1,901,545</b>	<b>1,901,545</b>	<b>-</b>	<b>-</b>
<b>Increase/(Decrease) in Net Positions</b>	<b>1,988,355</b>	<b>1,988,355</b>	<b>-</b>	<b>-</b>
<b>Net Positions - Beginning of Year</b>	<b>618,386</b>	<b>618,386</b>	<b>-</b>	<b>-</b>
<b>Net Positons - End of Year</b>	<b>\$ 2,606,741</b>	<b>\$ 2,606,741</b>	<b>\$ -</b>	<b>\$ -</b>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Bond Funds

For the year ended December 31, 2015

	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
<b>Total</b>						
Operating Expenses:						
Service Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	-	-	-	-	-	-
Operating Loss	-	-	-	-	-	-
Non-Operating Revenues/(Expenses):						
Investment and Interest Income	\$ 685,722	\$ 2	\$ 373,683	\$ 29,159	\$ 31,921	\$ 250,861
Lease Rental	55,105	2,901	-	-	-	-
Bond and Note Interest Expense	(740,827)	(2,903)	(373,683)	(29,159)	(31,921)	(250,861)
Total Non-Operating Revenues/(Expenses)	-	-	-	-	-	-
Change in Net Position	-	-	-	-	-	-
Net Position - Beginning of Year	-	-	-	-	-	-
Net Position - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Combining Statement of Activities - Grant Fund**

**For the year ended December 31, 2015**

	<u>Total</u>	<u>CDBG</u>	<u>HOME Funds</u>	<u>SSBG</u>	<u>Other Funds</u>
Operating Revenues:					
Grants	\$ 1,941,718	\$ 1,062,645	\$ 602,157	\$ 276,916	\$ -
Program Income	39,299	-	39,299	-	-
	<u>1,981,017</u>	<u>1,062,645</u>	<u>641,456</u>	<u>276,916</u>	<u>-</u>
Total Operating Revenues					
Operating Expenses:					
Project Costs	1,741,271	824,828	639,527	276,916	-
Service Fees	239,746	237,817	1,929	-	-
	<u>1,981,017</u>	<u>1,062,645</u>	<u>641,456</u>	<u>276,916</u>	<u>-</u>
Total Operating Expenses					
Change in Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Grant Fund - CDBG

For the year ended December 31, 2015

	CDBG 2001-2010 Entitlement	CDBG 2011 Entitlement	CDBG 2012 Entitlement	CDBG 2013 Entitlement	CDBG 2014 Entitlement	CDBG 2015 Entitlement	Total
Operating Revenues:							
Grants	\$ 173,971	\$ 222,399	\$ 127,165	\$ 97,683	\$ 345,004	\$ 96,423	\$ 1,062,645
Program Income	-	-	-	-	-	-	-
Total Operating Revenues	173,971	222,399	127,165	97,683	345,004	96,423	1,062,645
Operating Expenses:							
Project Costs	173,871	222,399	127,165	97,683	203,710	-	824,828
Fees Paid To ACIA	100	-	-	-	141,294	96,423	237,817
Total Operating Expenses	173,971	222,399	127,165	97,683	345,004	96,423	1,062,645
Change in Net Position	-	-	-	-	-	-	-
Net Position - Beginning of Year	-	-	-	-	-	-	-
Net Position - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Grant Fund - HOME

For the year ended December 31, 2015

	1997-2010	2011	2012	2013	2014	2015	Total
	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	
	County	County	County	County	County	County	
	HOME	HOME	HOME	HOME	HOME	HOME	HOME
Operating Revenues:							
Grants	\$ 129,219	\$ 40,060	\$ 35,362	\$ 122,777	\$ 247,383	\$ 27,356	\$ 602,157
Program Income	-	-	-	-	-	-	39,299
Total Operating Revenues	129,219	40,060	35,362	122,777	247,383	27,356	641,456
Operating Expenses:							
Project Costs	129,219	40,060	35,362	122,777	247,383	27,356	639,527
Fees Paid To ACIA	-	-	-	-	-	-	1,929
Total Operating Expenses	129,219	40,060	35,362	122,777	247,383	27,356	641,456
Change in Net Position	-	-	-	-	-	-	-
Net Position - Beginning of Year	-	-	-	-	-	-	-
Net Position - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Combining Statement of Activities - Grant Fund - SSBG**

**For the year ended December 31, 2015**

	<b>SSBG Sandy Relief Funding</b>	<b>Total</b>
Operating Revenues:		
Grants	\$ 276,916	\$ 276,916
Program Income	-	-
	<hr/>	<hr/>
Total Operating Revenues	276,916	276,916
	<hr/>	<hr/>
Operating Expenses:		
Project Costs	276,916	276,916
Fees Paid To ACIA	-	-
	<hr/>	<hr/>
Total Operating Expenses	276,916	276,916
	<hr/>	<hr/>
Change in Net Position	-	-
	<hr/>	<hr/>
Net Position - Beginning of Year	-	-
	<hr/>	<hr/>
Net Position - End of Year	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Grant Fund - Other

For the year ended December 31, 2015

	<u>Total</u>	<u>Economic Development</u>	<u>USDA</u>	<u>Jobs Bill</u>
Operating Revenues:				
Grants	\$ -	\$ -	\$ -	\$ -
Program Income	-	-	-	-
Total Operating Revenues	-	-	-	-
Operating Expenses:				
Project Costs	-	-	-	-
Fees Paid To ACIA	-	-	-	-
Total Operating Expenses	-	-	-	-
Change in Net Position	-	-	-	-
Net Position - Beginning of Year	-	-	-	-
Net Position - End of Year	\$ -	\$ -	\$ -	\$ -

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Statement of Cash Flows**

**For the year ended December 31, 2015**

	<u>Total</u>	<u>Administrative Fund</u>	<u>Bond Fund</u>	<u>Grant Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Project Administration Fees	\$ 671,302	\$ 671,302	\$ -	\$ -
Bond Fees	11,667	11,667	-	-
Grant and Agency Fees	350,792	350,792	-	-
Grants	1,941,718	-	-	1,941,718
Program Income	-	-	-	-
Reimbursement and Other	594,141	594,141	-	-
Payroll Expenses	(761,275)	(761,275)	-	-
Employee Benefits	(220,493)	(220,493)	-	-
Rent	(43,733)	(43,733)	-	-
Professional Fees	(706,590)	(706,590)	-	-
Insurance	(86,605)	(86,605)	-	-
Administrative and General	339,630	339,630	-	-
Cash Paid To Subcontractor and Vendors	(2,000,385)	-	-	(2,000,385)
Net Cash Flows From Operating Activities	<u>90,169</u>	<u>148,836</u>	<u>-</u>	<u>(58,667)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment and Interest Income	<u>720</u>	<u>622</u>	<u>98</u>	<u>-</u>
Net Cash Flows From Investing Activities	<u>720</u>	<u>622</u>	<u>98</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal Payments Received on Mortgages	42,806	-	-	42,806
Mortgages Issued	(38,661)	-	-	(38,661)
Principal Payments Made on Bonds	(6,015,000)	-	(6,015,000)	-
Fees Paid To ACIA	(81,150)	(79,886)	-	(1,264)
Lease Rental	816,932	-	816,932	-
Interest Paid on Bonds	(292,504)	-	(292,504)	-
Net Cash Flows From Capital and Related Financing Activities	<u>(5,566,286)</u>	<u>(79,886)</u>	<u>(5,490,572)</u>	<u>4,172</u>
Change in Cash and Cash Equivalents	(5,475,397)	69,572	(5,490,474)	(54,495)
Cash and Cash Equivalents - Beginning of Year	<u>6,119,410</u>	<u>439,072</u>	<u>5,490,474</u>	<u>189,864</u>
Cash and Cash Equivalents - End of Year	<u>\$ 644,013</u>	<u>\$ 508,644</u>	<u>\$ -</u>	<u>\$ 135,369</u>
<b>Reconciliation To Statements of Net Position:</b>				
Unrestricted Cash	\$ 499,157	\$ 499,157	\$ -	\$ -
Restricted Cash	<u>144,856</u>	<u>9,487</u>	<u>-</u>	<u>135,369</u>
	<u>\$ 644,013</u>	<u>\$ 508,644</u>	<u>\$ -</u>	<u>\$ 135,369</u>
<b>Reconciliation of Operating Deficit To Net Cash Flows From Operating Activities:</b>				
Operating Income	\$ 86,810	\$ 86,810	\$ -	\$ -
<b>Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:</b>				
Depreciation	29,047	29,047	-	-
Unbudgeted pension expense	147,767	147,767	-	-
<b>Changes in Assets and Liabilities:</b>				
(Increase)/Decrease in Accounts Receivable	(581,056)	(797,944)	-	216,888
Increase/(Decrease) in Accounts Payable	393,284	668,852	-	(275,568)
Decrease in Due To Atlantic County	13	-	-	13
Increase/(Decrease) in Accrued Sick and Vacation	14,304	14,304	-	-
	<u>\$ 90,169</u>	<u>\$ 148,836</u>	<u>\$ -</u>	<u>\$ (58,667)</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Statement of Cash Flows - Bond Fund**

**For the year ended December 31, 2015**

	<u><b>Total</b></u>	<u><b>Atlantic City Certificate of Participation Series 1991</b></u>	<u><b>Atlantic County Certificate of Participation Series 1991</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment and Interest Income	\$ 98	\$ 2	\$ 96
Net Cash Flows From Investing Activities	<u>98</u>	<u>2</u>	<u>96</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal Payments Made on Mortgages/Bonds	(6,015,000)	\$ (785,000)	(5,230,000)
Lease Rental	816,932	816,932	-
Interest Paid on Bonds	<u>(292,504)</u>	<u>(31,934)</u>	<u>(260,570)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(5,490,572)</u>	<u>(2)</u>	<u>(5,490,570)</u>
Change in Cash and Cash Equivalents	(5,490,474)	-	(5,490,474)
Cash and Cash Equivalents - Beginning of Year	<u>5,490,474</u>	<u>-</u>	<u>5,490,474</u>
Cash and Cash Equivalents - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation To Statements of Net Position:</b>			
Restricted Cash	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of Operating Deficit To Net Cash Flows From Operating Activities:</b>			
Operating Income/(Loss)	\$ -	\$ -	\$ -
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:			
Decrease in Accounts Payable	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Statement of Cash Flows - Grant Fund**

**For the year ended December 31, 2015**

	<u>Total</u>	<u>CDBG</u>	<u>HOME Funds</u>	<u>SSBG</u>	<u>Other Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Grants	\$ 1,941,718	\$ 1,062,645	\$ 602,157	\$ 276,916	\$ -
Program Income	-	-	-	-	-
Cash Paid To Subcontractors and Vendors	<u>(2,000,385)</u>	<u>(1,095,946)</u>	<u>(602,477)</u>	<u>(301,962)</u>	<u>-</u>
Net Cash Flows From Operating Activities	<u>(58,667)</u>	<u>(33,301)</u>	<u>(320)</u>	<u>(25,046)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Principal Payments Received on Mortgages	42,806	3,213	39,576	-	17
Mortgages Issued	(38,661)	-	(38,661)	-	-
Fees Paid To ACIA	<u>(1,264)</u>	<u>(626)</u>	<u>(638)</u>	<u>-</u>	<u>-</u>
Net Cash Flows From Capital and Related Financing Activities	<u>4,172</u>	<u>2,587</u>	<u>1,568</u>	<u>-</u>	<u>17</u>
Change in Cash and Cash Equivalents	(54,495)	(30,714)	1,248	(25,046)	17
Cash and Cash Equivalents - Beginning of Year	<u>189,864</u>	<u>64,164</u>	<u>89,522</u>	<u>25,080</u>	<u>11,098</u>
Cash and Cash Equivalents - End of Year	<u>\$ 135,369</u>	<u>\$ 33,450</u>	<u>\$ 90,770</u>	<u>\$ 34</u>	<u>\$ 11,115</u>
<b>Reconciliation To Statements of Net Position:</b>					
Restricted Cash	<u>\$ 135,369</u>	<u>\$ 33,450</u>	<u>\$ 90,770</u>	<u>\$ 34</u>	<u>\$ 11,115</u>
<b>Reconciliation of Operating Deficit To Net Cash Flows From Operating Activities:</b>					
Operating Income/(Loss)	-	-	-	-	-
<b>Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:</b>					
Increase/(Decrease) in Accounts Receivable	\$ 216,888	\$ 238,519	\$ (21,858)	\$ 227	\$ -
Increase/(Decrease) in Accounts Payable	(275,568)	(271,820)	21,538	(25,286)	-
Increase/(Decrease) in Due To Various Agencies	<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>-</u>
	<u>\$ (58,667)</u>	<u>\$ (33,301)</u>	<u>\$ (320)</u>	<u>\$ (25,046)</u>	<u>\$ -</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Grant Fund - CDBG

For the year ended December 31, 2015

	CDBG 2001-2010 Entitlement	CDBG 2011 Entitlement	CDBG 2012 Entitlement	CDBG 2013 Entitlement	CDBG 2014 Entitlement	CDBG 2015 Entitlement	Small Cities	Program Income
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Grants	\$ 1,062,645	\$ 173,971	\$ 222,399	\$ 127,165	\$ 97,683	\$ 345,004	\$ -	\$ -
Program Income	-	-	-	-	-	-	-	-
Cash Paid To Subcontractors and Vendors	(1,095,946)	(198,991)	(222,399)	(127,216)	(97,683)	(345,004)	(8,230)	-
Net Cash Flows From Operating Activities	(33,301)	(25,020)	-	(51)	-	-	(8,230)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Principal Payments Received on Mortgages	3,213	-	-	-	-	-	3,213	-
Fees Paid To ACIA	(626)	-	-	-	-	-	(626)	-
Net Cash Flows From Capital and Related Financing Activities	2,587	-	-	-	-	-	2,587	-
Change in Cash and Cash Equivalents	(30,714)	(25,020)	-	(51)	-	-	(5,643)	-
Cash and Cash Equivalents - Beginning of Year	64,164	25,020	-	51	-	-	9,801	29,292
Cash and Cash Equivalents - End of Year	\$ 33,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,158	\$ 29,292
Reconciliation To Statements of Net Position: Restricted Cash	\$ 33,450	\$ -	\$ -	\$ -	\$ -	\$ -	4,158	\$ 29,292
Reconciliation of Operating Deficit 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	\$ 238,519	\$ -	\$ 49,250	\$ 34,389	\$ -	\$ 58,487	\$ -	\$ -
	(271,820)	(25,020)	(49,250)	(34,440)	(58,487)	(96,393)	(8,230)	-
	\$ (33,301)	\$ (25,020)	\$ -	\$ (51)	\$ -	\$ -	\$ (8,230)	\$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Grant Fund - HOME

For the year ended December 31, 2015

	1997 - 2010	2011	2012	2013	2014	2015	Program
	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Income
	County	County	County	County	County	County	
	HOME	HOME	HOME	HOME	HOME	HOME	
<b>Total</b>							
\$ 602,157	\$ 129,219	\$ 40,060	\$ 35,362	\$ 122,777	\$ 247,383	\$ 27,356	\$ -
(602,477)	(129,219)	(40,430)	(35,362)	(122,727)	(247,383)	(27,356)	-
(320)	-	(370)	-	50	-	-	-
CASH FLOWS FROM OPERATING ACTIVITIES:							
Grants							
Cash Paid To Subcontractors and Vendors							
Net Cash Flows From Operating Activities							
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Principal Payments Received on Mortgages	39,576	9,469	-	-	-	-	-
Transfer To Deferred Program Income	1,291	(9,469)	-	-	-	-	40,867
Mortgages Issued	(38,661)	-	-	-	-	-	(38,661)
Fees Paid To ACIA	(638)	-	-	-	-	-	(638)
Net Cash Flows From Capital and Related Financing Activities	1,568	-	-	-	-	-	1,568
Change in Cash and Cash Equivalents	1,248	(370)	-	50	-	-	1,568
Cash and Cash Equivalents - Beginning of Year	89,522	-	-	-	-	-	89,152
Cash and Cash Equivalents - End of Year	\$ 90,770	\$ -	\$ -	\$ 50	\$ -	\$ -	\$ 90,720
Reconciliation To Statements of Net Position:							
Restricted Cash	\$ 90,770	\$ -	\$ -	\$ 50	\$ -	\$ -	\$ 90,720
Reconciliation of Operating Deficit 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	\$ (21,858)	\$ -	\$ -	\$ 5,499	\$ -	\$ (27,357)	\$ -
Increase/(Decrease) in Accounts Payable	21,538	-	-	(5,449)	-	27,357	-
	\$ (320)	\$ (370)	\$ -	\$ 50	\$ -	\$ -	\$ -

CASH FLOWS FROM OPERATING ACTIVITIES:

Grants  
Cash Paid To Subcontractors and Vendors

Net Cash Flows From Operating Activities

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal Payments Received on Mortgages  
Transfer To Deferred Program Income  
Mortgages Issued  
Fees Paid To ACIA

Net Cash Flows From Capital and Related Financing Activities

Change in Cash and Cash Equivalents

Cash and Cash Equivalents - Beginning of Year

Cash and Cash Equivalents - End of Year

Reconciliation To Statements of Net Position:  
Restricted Cash

Reconciliation of Operating Deficit 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  
Increase/(Decrease) in Accounts Payable

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Statement of Cash Flows - Grant Fund - SSBG**

**For the year ended December 31, 2015**

	<b><u>Total</u></b>	<b>SSBG Sandy Relief <u>Funding</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Grants	\$ 276,916	\$ 276,916
Cash Paid To Subcontractors and Vendors	<u>(301,962)</u>	<u>(301,962)</u>
Net Cash Flows From Operating Activities	<u>(25,046)</u>	<u>(25,046)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal Payments Received on Mortgages	-	-
Fees Paid To ACIA	<u>-</u>	<u>-</u>
Net Cash Flows From Capital and Related Financing Activities	<u>-</u>	<u>-</u>
Change in Cash and Cash Equivalents	(25,046)	(25,046)
Cash and Cash Equivalents - Beginning of Year	<u>25,080</u>	<u>25,080</u>
Cash and Cash Equivalents - End of Year	<u>\$ 34</u>	<u>\$ 34</u>
Reconciliation To Statements of Net Position:		
Restricted Cash	<u>\$ 34</u>	<u>\$ 34</u>
Reconciliation of Operating Deficit 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	\$ 227	\$ 227
Increase/(Decrease) in Accounts Payable	(25,286)	(25,286)
Increase/(Decrease) in Due To Various Agencies	<u>13</u>	<u>13</u>
	<u>\$ (25,046)</u>	<u>\$ (25,046)</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Statement of Cash Flows - Grant Fund - Other**

**For the year ended December 31, 2015**

	<u>Total</u>	<u>Economic Development</u>	<u>USDA</u>	<u>Jobs Bill</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal Payments Received on Mortgages	\$ 17	\$ -	\$ -	\$ 17
Payments Paid on Loans	23,988	23,988	-	-
Payments Received on Loans	<u>(23,988)</u>	<u>(23,988)</u>	<u>-</u>	<u>-</u>
Net Cash Flows From Capital and Related Financing Activities	<u>17</u>	<u>-</u>	<u>-</u>	<u>17</u>
Change in Cash and Cash Equivalents	17	-	-	17
Cash and Cash Equivalents - Beginning of Year	<u>11,098</u>	<u>-</u>	<u>6,475</u>	<u>\$ 4,623</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 11,115</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,475</u></u>	<u><u>\$ 4,640</u></u>
Reconciliation To Statements of Net Position:				
Restricted Cash	<u><u>\$ 11,115</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,475</u></u>	<u><u>\$ 4,640</u></u>
Reconciliation of Operating Deficit 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	\$ (295,857)	\$ (295,857)	\$ -	\$ -
Increase/(Decrease) in Accounts Payable	<u>295,857</u>	<u>295,857</u>	<u>-</u>	<u>-</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**SINGLE AUDIT SECTION**



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

The Board of Commissioners of  
Atlantic County Improvement Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated June 6, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Authority's internal control over financial reporting internal control 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 Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Authority’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

## **Purpose of this Report**

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

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

June 6, 2016  
Toms River, New Jersey



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

To the Board of Commissioners of the  
Atlantic County Improvement Authority

**Report on Compliance for Each Major Federal**

We have audited Atlantic County Improvement Authority’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Atlantic County Improvement Authority’s major federal programs for the year ended December 31, 2015. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 with those requirements.

***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, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with uniform guidance.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

June 6, 2016  
Toms River, New Jersey

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY**

**Schedule of Expenditures of Federal Awards**

**For the year ended December 31, 2015**

<b>Department/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass - Through Grant Number</b>	<b>Program or Award Amount</b>	<b>Balance as of 12/31/14</b>	<b>Receipts or Revenue Recognized</b>	<b>Disbursements/ Expenditures</b>	<b>Balance as of 12/31/15</b>
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)			\$	-	\$ 39,299	\$ (39,299)	-
Home Investment Partnership Act (HOME) - 2010	14.239	M-09-DC-34-0229	\$ 5,320,185	-	129,219	(129,219)	-
Home Investment Partnership Act (HOME) - 2011	14.239	M-09-DC-34-0229	\$ 678,142	-	40,060	(40,060)	-
Home Investment Partnership Act (HOME) - 2012	14.239	M-09-DC-34-0229	\$ 428,254	-	35,362	(35,362)	-
Home Investment Partnership Act (HOME) - 2013	14.239	M-09-DC-34-0229	\$ 431,531	-	122,777	(122,777)	-
Home Investment Partnership Act (HOME) - 2014	14.239	M-09-DC-34-0229	\$ 451,181	-	247,383	(247,383)	-
Home Investment Partnership Act (HOME) - 2015	14.239	M-09-DC-34-0229	\$ 432,792	-	27,356	(27,356)	-
<b>Total Home Investment Partnership Act (HOME)</b>				<b>-</b>	<b>602,157</b>	<b>(602,157)</b>	<b>-</b>
Community Development Block Grant Entitlement:							
Program Grant - 2001-2010	*	B-05-UC-34-0111	\$ 5,073,568	-	173,971	(173,971)	-
Program Grant - 2011	*	B-09-UC-34-0111	\$ 1,332,979	-	222,399	(222,399)	-
Program Grant - 2012	*	B-09-UC-34-0111	\$ 1,087,317	-	127,165	(127,165)	-
Program Grant - 2013	*	B-09-UC-34-0111	\$ 1,069,866	-	97,683	(97,683)	-
Program Grant - 2014	*	B-09-UC-34-0111	\$ 1,048,743	-	345,004	(345,004)	-
Program Grant - 2015	*	B-09-UC-34-0111	\$ 1,033,275	-	96,423	(96,423)	-
<b>Total Community Development Block Grant Entitlement</b>				<b>-</b>	<b>1,062,645</b>	<b>(1,062,645)</b>	<b>-</b>
US Department of Health and Human Services:							
Social Services Block Grant:							
Program Grant - 2015	93.667	00-1376-AAAC-2	\$ 668,282	-	276,916	(276,916)	-
<b>Total Social Services Block Grant</b>				<b>-</b>	<b>276,916</b>	<b>(276,916)</b>	<b>-</b>
<b>Total Federal Financial Awards</b>				<b>\$ -</b>	<b>\$ 1,941,718</b>	<b>\$ (1,941,718)</b>	<b>\$ -</b>

\* Denotes major programs

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF ATLANTIC, NEW JERSEY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended December 31, 2015**

**NOTE 1: GENERAL**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Atlantic County Improvement Authority. The Authority is defined in Note 1 of the general purpose financial statements.

**NOTE 2: BASIS OF ACCOUNTING**

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

**NOTE 3: RELATIONSHIP TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the Authority's general-purpose financial statements.

	<u><b>Federal</b></u>
Grants	\$ 1,981,017
Less: Program Income	<u>(39,299)</u>
Total Financial Assistance	<u><b>\$ 1,941,718</b></u>

**NOTE 4: RELATIONSHIP TO THE FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with amounts reported in the related Federal financial reports.

**NOTE 5: NON-CASH FEDERAL ASSISTANCE**

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2015.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended December 31, 2015**

**Section I – Summary of Auditor’s Results**

**Financial Statements:**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness(es) Identified?	None Noted
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Noted
Noncompliance material to basic financial statements noted?	None Noted

**Federal Awards:**

Dollar threshold used to determine Type A Programs	\$750,000
Auditee qualified as low-risk Auditee?	Yes
Type of auditors' report on compliance for major programs	<u>Unmodified</u>
Internal Control over compliance:	
1) Material weakness(es) identified?	None Noted
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Noted
Any audit findings disclosed that are required to be reported in accordance With 2 CFR 200 - Uniform Guidance § 200-516?	None Noted

**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 (continued)**  
**For the year ended December 31, 2015**

**Section II – Financial Statement Findings**

This schedule identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

No Current Year Findings

**Section III – Federal Awards Finding & Questioned Costs**

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

No Current Year Findings

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the year ended December 31, 2015**

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

No Prior Year Findings

**GENERAL COMMENTS & RECOMMENDATIONS**



To the Board of Commissioners of the  
Atlantic County Improvement Authority  
Atlantic City, New Jersey 08401

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, 2015. In accordance with requirements prescribed by the Local Finance Board and 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.

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*.

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

### **Contracts and Agreements Requiring Solicitation of Quotations**

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

The minutes indicate that quotes were requested for all items that required them.

### **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.

Any 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, or should you desire any additional assistance, please call us.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

June 6, 2016  
Toms River, New Jersey