

**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, 2016 and 2015

(With Independent Auditor's Report thereon)

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



Atlantic County Improvement Authority

1333 Atlantic Avenue, Suite 700 · Atlantic City, NJ 08401

Phone: 609-343-2390 Fax: 609-343-2188

June 7, 2017

John C. Lamey, Jr.
Executive Director

Chairperson Foster and Authority Commissioners:

Presented to you are the audited financial statements for the 2016 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.

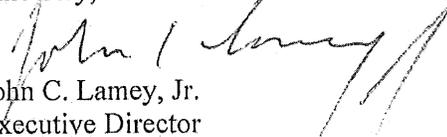
Government Auditing Standards and New Jersey statutes require that the Atlantic County Improvement Authority publish a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America and audited in accordance with generally accepted auditing standards. The financial statements for the 2016 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, 2016.

Sincerely,



John C. Lamey, Jr.
Executive Director

FINANCIAL SECTION



HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners of
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, 2016 and 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 opinions.

Opinion

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 as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 7, 2017, on our consideration of the Atlantic County Improvement Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Atlantic County Improvement Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

June 7, 2017
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 \$34,794,066 and exceeded liabilities and deferred inflows of resources in the amount of \$1,035,425 (i.e. net position).
- Operating revenues were \$4,422,072, an increase from year 2015 in the amount of \$15,209. This primarily resulted from an increase in Fees compared to 2015.
- Operating expenses decreased \$410,567 from 2015, which was primarily the result of a decrease in 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.

Overview of Annual Financial Report (continued)

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, Financing activities, 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>2016</u>	<u>2015</u>	<u>2014</u>
Cash and Investments	\$ 8,922,343	\$ 644,013	\$ 6,119,410
Current Assets (Less Cash) And Capital Assets, Net	4,353,660	3,872,224	2,975,331
Noncurrent Assets:			
Net Mortgage and Note Receivable	20,390,521	21,428,417	22,326,028
Deferred Outflows of Resources Related to Pension	<u>1,127,542</u>	<u>254,270</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 34,794,066</u>	<u>\$ 26,198,924</u>	<u>\$ 31,420,769</u>
Current Liabilities	\$ 9,886,665	\$ 1,883,563	\$ 8,392,596
Long Term Liabilities:			
Other	126,372	100,130	85,826
Bonds Payable	20,390,521	21,428,417	22,323,961
Net Pension Liability	3,112,549	1,937,318	-
Deferred Inflows of Resources Related to Pension	<u>242,534</u>	<u>343,513</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>33,758,641</u>	<u>25,692,941</u>	<u>30,802,383</u>
Net Position:			
Restricted or Net Invested in Capital Assets	1,881,366	1,904,584	23,600
Unrestricted	<u>(845,941)</u>	<u>(1,398,601)</u>	<u>594,786</u>
Total Net Position	<u>1,035,425</u>	<u>505,983</u>	<u>618,386</u>
Total Liabilities and Net Position	<u>\$ 34,794,066</u>	<u>\$ 26,198,924</u>	<u>\$ 31,420,769</u>

Condensed Statement of Activities

	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
Revenues:			
Fees	\$ 1,859,750	\$ 1,132,081	\$ 819,114
Grants	1,354,996	1,981,017	2,912,555
Other Revenues	<u>1,207,326</u>	<u>1,293,765</u>	<u>593,841</u>
Total Operating Revenues	<u>4,422,072</u>	<u>4,406,863</u>	<u>4,325,510</u>
Expenses:			
Project Costs	897,104	1,741,271	2,832,122
Service Fees	457,892	239,746	80,433
Depreciation	55,292	29,047	920
General and Administrative	<u>2,483,285</u>	<u>2,294,076</u>	<u>1,348,594</u>
Total Operating Expenses	<u>3,893,573</u>	<u>4,304,140</u>	<u>4,262,069</u>

Condensed Statement of Activities (continued)

	2016 <u>Actual</u>	2015 <u>Actual</u>	2014 <u>Actual</u>
Operating Surplus/(Deficit)	528,499	102,723	63,441
Non-Operating Revenues (Expenses), Net	<u>943</u>	<u>1,901,545</u>	<u>2,246</u>
Increase/(Decrease) in Net Position	<u>\$ 529,442</u>	<u>\$ 2,004,268</u>	<u>\$ 65,687</u>

General Trends and Significant Events

For 2016 the Authority continued to implement the Community Development Block Grant (CDBG) and the HOME Investment Partnership Program (HOME) on behalf of Atlantic County, perform project management services to the County and other public entities, provide various services to other agencies, issue and administer bond financings, and undertake its other responsibilities, including management of the two public Golf Courses 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 which continued through 2016.

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.

In January of 2016 the Authority executed an agreement for the establishment of the Atlantic County Vacant Foreclosed Home Registry System. The creation of the registry website provides code enforcement officials with a tool to combat properties in foreclosure that have become problems due to lack of proper maintenance. Through a Shared Services Agreement with the Authority, 20 of Atlantic County's 23 Municipalities elected to participate in the program. Although the registration fee varies by Municipality, the first \$100.00 goes to the vendor, the next \$100.00 to the Municipality, the next \$100.00 to the Authority and any excess over that goes to the Municipality. The program has been highly successful and well received by the participating municipalities.

General Trends and Significant Events (continued)

In late 2016 site work began on the 66,000 square foot first building of the Stockton Aviation Research and Technology Park. The Authority will develop, own and operate the building of which 7,000 sq./ft. will house a lab and offices for FAA and the rest will be leased to private companies doing Aviation related activities. The Authority authorized \$15.5 million in financing for the project and issued a one year note in October as part of that authorization in the amount of \$8 million to get the project started. We anticipate the balance will be issued in 2017.

On October 13th, 2016 the Authority closed on the Series 2016 County Guaranteed Pooled Loan Revenue Bonds in the aggregate principal amount of \$10,755,000. The financing provided a permanent financing vehicle for unfunded bond ordinances; outstanding bond anticipation notes; refunding of outstanding bond issues that generate a present value savings sufficient to warrant the issue.

Three Municipalities participated as follows:

Borrower	Borrower Bond Amount
Township of Egg Harbor	\$4,770,000
Township of Mullica	1,310,000
City of Northfield	4,675,000

On September 30th, the Authority closed on \$78,980,000 Tax-Exempt Debt – Master Lease (Series A Bonds) and \$48,025,000 Tax-Exempt Debt – Tax Credit Supported Debt (Series B Bonds) to finance the construction of the Stockton Atlantic City Campus Project. As follows:

- A. Tax-Exempt Debt (Master Lease Supported):** The portion of development costs of the Residential Building and Garage portions of the Project are being financed through the issuance of the Series A Bonds by the ACIA secured by the Master Lease. The Master Lease will be a net lease, with fixed rent payments structured to match the debt service on the Series A Bonds. Student housing and parking fees will offset the rent payments to be made by Stockton University.

The obligation to make lease payments will be a general obligation of Stockton University, and as a result, the Series A Bonds. The Series A Bonds will have a 30-year term, with approximately 2 years of capitalized interest. The Series A Bonds include a 10-year no-call provision, typical of the current municipal tax-exempt bond market.

- B. Tax-Exempt Debt (Tax Credit Supported):** In addition to the Series A Bonds supported by the Master Lease, the structure includes financing supported by tax credit revenue available through the NJEDA’s residential ERG program. In order to qualify for the residential tax credits, a project must have a residential use as its predominant use (greater than 51% by size) together with evidence of need, location in a qualified community and, once operational, must maintain its residential use during the 10-year tax credit period. This portion is also guaranteed by Atlantic County in the event that the actual tax credit realized is insufficient to service the debt.

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 increased \$7.7 million or 29.8%. The increase was primarily related to the bonds proceeds from the Stockton Aviation Research and Technology Park that weren't spent as of December 31, 2016.

Noncurrent assets decreased \$1,037,896 or 4.84%.

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 \$626,021 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 \$115,957 in 2016.

Expenses: Total operating expenses of the Authority decreased \$410,567 from fiscal year 2015 primarily due to a decrease in in project costs as a result of fewer grants in the current year.

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

	<u>2016</u>	<u>Actual Amounts in 000's</u> <u>2015</u>	<u>2014</u>
Operating Expenses:			
Total	\$ 3,893	\$ 4,304	\$ 4,262
Excluding Project Costs	2,996	2,563	1,430
Excluding Project Costs, Service Fees and Depreciation	2,483	2,294	1,349

Results of Operations (continued)

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

	Actual Amounts					
	<u>2016</u>		<u>2015</u>		<u>2014</u>	
Salaries	\$ 918,666	23.59%	\$ 892,082	20.73%	\$ 785,583	18.43%
Fringe & Payroll Taxes	608,648	15.63%	355,792	8.27%	271,929	6.38%
Professional Services	765,872	19.67%	706,590	16.42%	143,591	3.37%
Insurance	73,764	1.89%	86,605	2.01%	76,055	1.78%
Rent & Administrative & General	116,425	2.99%	253,007	5.88%	71,436	1.68%
Project Costs	897,104	23.04%	1,741,271	40.46%	2,832,122	66.45%
Service Fees	457,892	11.76%	239,746	5.57%	80,433	1.89%
Depreciation	55,292	1.42%	29,047	0.67%	920	0.02%
Total	<u>\$ 3,893,663</u>	<u>100.00%</u>	<u>\$ 4,304,140</u>	<u>100.00%</u>	<u>\$ 4,262,069</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>2016</u>	<u>2015</u>	<u>2014</u>
Total Operating Revenues	\$ 4,422,072	\$ 4,406,863	\$ 4,325,510
Net Cash Provided/ (Used) by Operations	657,014	90,169	31,530
Net Operating Cash as a % of Operating Revenue	14.86%	2.05%	0.73%

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 23rd, 2015. The appraisal performed in late 2011 valued the asset at \$1.9 Million based on the income approach. As suggested in last year's audit, we had it reappraised in 2016, and the value came in at \$3.9 million.

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

Capital Assets (continued)

In October 2016, the Atlantic County Improvement Authority issued a revenue bond amendment to provide for an interest rate modification to the ARC of Atlantic County 2005 project utilizing the call option; the Authority continues to hold the Faith Baptist and the St. Augustine bonds which were issued 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 addition, 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>	LIABILITIES	<u>2016</u>	<u>2015</u>
ASSETS					
Unrestricted Assets:			Unrestricted Liabilities:		
Current Assets:			Current Liabilities:		
Cash and Cash Equivalents	\$ 1,127,805	\$ 499,157	Accounts Payable	\$ 59,097	\$ 73,743
Accounts Receivable	465,984	291,786	Unearned Program Income	177,433	131,127
Total Unrestricted Current Assets	<u>1,593,789</u>	<u>790,943</u>	Pension Payable	<u>93,363</u>	<u>74,197</u>
Total Unrestricted Current Assets			Total Unrestricted Current Liabilities	<u>329,893</u>	<u>279,067</u>
Restricted Assets:			Restricted Liabilities:		
Current Assets:			Current Liabilities:		
Cash and Cash Equivalents	7,794,538	144,856	Accounts Payable	110,796	218,600
Interest Receivable	119,136	131,673	Interest Payable	119,136	131,673
Accounts Receivable	174,462	299,445	Notes Payable	232,984	257,518
Mortgages Receivable	634,016	616,705	Current Portion of Long-Term Debt	<u>9,093,856</u>	<u>996,705</u>
Notes Receivable	232,984	257,518	Total Current Liabilities Payable From		
Guaranteed Note Receivable	<u>405,000</u>	<u>380,000</u>	Restricted Assets	<u>9,556,772</u>	<u>1,604,496</u>
Total Restricted Current Assets	<u>9,360,136</u>	<u>1,830,197</u>	Long-Term Liabilities:		
Non-Current Assets:			Accrued Sick and Vacation	126,372	100,130
Mortgages Receivable	21,651,613	21,944,744	Bonds Payable	20,390,521	21,428,417
Valuation Allowance for Loan Losses	(8,521,092)	(8,181,327)	Net Pension Liability	<u>3,112,549</u>	<u>1,937,318</u>
Guaranteed Note Receivable	<u>7,260,000</u>	<u>7,665,000</u>	Total Long-Term Liabilities	<u>23,629,442</u>	<u>23,465,865</u>
Total Restricted Non-Current Assets	<u>20,390,521</u>	<u>21,428,417</u>	Total Liabilities	<u>33,516,107</u>	<u>25,349,428</u>
Total Restricted Assets	<u>29,750,657</u>	<u>23,258,614</u>			
Capital Assets, Net of Depreciation	<u>2,322,078</u>	<u>1,895,097</u>	DEFERRED INFLOWS OF RESOURCES		
Total Assets	<u>33,666,524</u>	<u>25,944,654</u>	Deferred inflows related to pensions	242,534	343,513
			Total deferred inflow of resources	<u>242,534</u>	<u>343,513</u>
			NET POSITION		
DEFERRED OUTFLOWS OF RESOURCES			Investment in Capital Assets	1,869,548	1,895,097
Deferred outflows related to pensions	1,127,542	254,270	Reserve for Unemployment	11,818	9,487
Total deferred outflow of resources	<u>1,127,542</u>	<u>254,270</u>	Unrestricted	<u>(845,941)</u>	<u>(1,398,601)</u>
Total Assets and Deferred Outflows	<u>\$ 34,794,066</u>	<u>\$ 26,198,924</u>	Total Net Position	<u>1,035,425</u>	<u>505,983</u>
			Total Liabilities, Deferred Inflows and Net Position	<u>\$ 34,794,066</u>	<u>\$ 26,198,924</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 Revenues, Expenses and Changes in Net Position

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Project Administration Fees	\$ 601,374	\$ 673,107
Bond Fees	190,700	11,667
Grant and Agency Fund Fees	1,067,676	447,307
Grants	1,354,996	1,981,017
Reimbursement and Other	<u>1,207,326</u>	<u>1,293,765</u>
Total Operating Revenues	<u>4,422,072</u>	<u>4,406,863</u>
Operating Expenses:		
Payroll Expenses	918,666	892,082
Employee Benefits	608,648	355,792
Rent	43,733	43,733
Professional Fees	765,872	706,590
Insurance	73,674	86,605
Administrative and General	72,692	209,274
Project Costs	897,104	1,741,271
Service Fees	457,892	239,746
Depreciation	<u>55,292</u>	<u>29,047</u>
Total Operating Expenses	<u>3,893,573</u>	<u>4,304,140</u>
Operating Surplus/(Deficit)	<u>528,499</u>	<u>102,723</u>
Non-Operating Revenues/(Expenses):		
Investment and Interest Income	450,979	687,267
Lease Rental	-	55,105
Gain on Acquisition of Foreclosure	-	1,900,000
Bond and Note Interest Expense	<u>(450,036)</u>	<u>(740,827)</u>
Total Non-Operating Revenues/(Expenses)	<u>943</u>	<u>1,901,545</u>
Change in Net Position	529,442	2,004,268
Total Net Position - Beginning of Year	505,983	618,386
Prior Period Restatement (see Note 14)	-	(2,116,671)
Total Net Position - Beginning of Year	<u>505,983</u>	<u>(1,498,285)</u>
Total Net Position - End of Year	<u>\$ 1,035,425</u>	<u>\$ 505,983</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 2,896,601	\$ 1,627,902
Cash Received from Grants	1,342,445	1,941,718
Cash Paid To Subcontractor and Vendors	<u>(3,582,032)</u>	<u>(3,479,451)</u>
Net Cash Flows From Operating Activities	<u>657,014</u>	<u>90,169</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment and Interest Income	<u>943</u>	<u>720</u>
Net Cash Flows From Investing Activities	<u>943</u>	<u>720</u>
CASH FLOWS FLOWS CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Fixed Assets	(29,693)	-
Principal Payments Received on Mortgages	5,957	42,806
Payments Paid on Loans	(41,068)	-
Payments Received on Loans	31,985	-
Mortgages Issued	(1,968)	(38,661)
Payments Made on Construction	(452,530)	-
Principal Payments Made on Bonds	-	(6,015,000)
Transfer To Deferred Program Income	54,400	1,291
Fees Paid To ACIA	(1,550)	(81,150)
Lease Rental	-	816,932
Interest Paid on Bonds	-	(292,504)
Proceeds from Bonds	<u>8,054,840</u>	<u>-</u>
Net Cash Flows From Capital and Related Financing Activities	<u>7,620,373</u>	<u>(5,566,286)</u>
(Decrease)/Increase in Cash and Cash Equivalents	8,278,330	(5,475,397)
Cash and Cash Equivalents - Beginning of Year	<u>644,013</u>	<u>6,119,410</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 8,922,343</u></u>	<u><u>\$ 644,013</u></u>
Reconciliation To Statements of Net Position:		
Unrestricted Cash	\$ 1,127,805	\$ 499,157
Restricted Cash	<u>7,794,538</u>	<u>144,856</u>
Total Cash and Cash Equivalents	<u><u>\$ 8,922,343</u></u>	<u><u>\$ 644,013</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Deficit To Net Cash		
Flows From Operating Activities:		
Operating Income/(Loss)	\$ 748,645	\$ 86,810
Adjustments To Reconcile Operating Income To		
Net Cash Flows From Operating Activities:		
Depreciation	55,292	29,047
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	54,064	(729,146)
(Decrease)/Increase in Accounts Payable	(227,229)	689,141
Decrease Due to Atlantic County	-	13
Increase in Accrued Sick and Vacation	26,242	14,304
	<u>657,014</u>	<u>90,169</u>
Net Cash Flows From Operating Activities	<u>\$ 657,014</u>	<u>\$ 90,169</u>

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

Statements of Net Position - Agency Fund

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 124,442,925	\$ 1,707,739
Mortgage Interest Receivable	786,806	735,493
Accounts Receivable - Other	42,139,141	2,219
Mortgages Receivable	16,079,437	15,776,289
Mortgages Receivable - Valuation Allowance	<u>(16,814,295)</u>	<u>(16,459,835)</u>
Total Assets	<u>\$ 166,634,014</u>	<u>\$ 1,761,905</u>
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 77,419	\$ 29,911
Bonds and Loans Payable	165,143,494	-
Due To:		
Various Agencies	<u>1,413,101</u>	<u>1,731,994</u>
Total Liabilities	<u>\$ 166,634,014</u>	<u>\$ 1,761,905</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, 2016 and 2015

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 and notes. Outstanding bonds that were issued prior to 2016 include 501(c)3 Bonds that financed loans to certain Atlantic County non-profits including the Egg Harbor Township Golf Corporation, ARC of Atlantic County, Faith Baptist Church Community Center and St. Augustine High School.

In 2016 the Authority issued Lease Revenue Bonds to finance a portion of the construction of the Stockton University Island Campus Redevelopment Project Campus, a note to finance the initial portion of the development of the first building at the Stockton Aviation Research and Technology Park (which the Authority will construct and own) and a Loan Revenue Bond to create a Pooled Financing Program for three municipalities to permanently finance Bond Anticipation Notes and unfunded capital improvements and acquisitions.

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

A new program initiated in 2016 was the Foreclosure Registry Program. Through a Shared Services agreement with nineteen participating municipalities the program designed to facilitate code enforcement for abandoned properties that are in some stage of foreclosure. The program generated significant revenue for the year from registration fees.

In 2014, the Authority undertook a new Economic Development Initiative. In 2016 activities under that initiative included the continuation of a Redevelopment Program where we are providing funds and technical assistance to six municipalities in advancing redevelopment projects. The administration of a HUD CDBG Section 108 Business Loan Program loan program and support provided to the newly formed Atlantic County Economic Alliance

The Authority's Project Management Division undertakes projects on behalf of governments, school districts and other authorities under shared services agreements. In 2016 the Authority managed several projects for Atlantic Cape Community College both the Atlantic City and Mays Landing Campuses; a Boardwalk Improvement Project, a Public Safety Building Improvement Project and a Demolition Program for Atlantic City; ADA Improvement Projects and Improvements to Lake Lenape for Atlantic County; and assistance to Brigantine with some of their engineering needs.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015

NOTE 1: ORGANIZATION (continued)

Since 2007, the Authority has operated Atlantic County's John F. Gaffney Green Tree Golf Course. In 2016, the Authority also entered into a shared services agreement with the City of Brigantine to operate the City-owned Links at Brigantine Golf Course. Both agreements have been renewed for 2017.

Site work began in late 2016 for the first building at the Stockton Aviation Research and Technology Park. That building will be constructed owned and operated by the Authority and is anticipated to be completed in the first quarter of 2018.

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.

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.

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.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Budgets and Budgetary Accounting

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

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/liabilities 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 (see Note 3 for balances). Accounts receivable recorded in these funds are due from various agencies as a direct offset between the bonds/loans payable due on these projects and the cash held on behalf of others. The amount held in accounts receivable and bonds/loans payable as of December 31, 2016 was \$42,139,141 and \$165,143,494, respectively.

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, investments and receivables 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.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2016 and 2015 the Authority has recorded \$126,372 and \$100,130, 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.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mortgages Receivable

Mortgages receivable are stated at unpaid principal balances, less the allowance for loan losses as estimated by management. These mortgages are deed restricted, and the Authority will not collect against them unless the terms of the deed restriction are violated. The Authority does not anticipate any violations in the terms, and therefore does not anticipate collections on those removed balances. 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, 2016 and 2015 totaled \$16,814,295 and \$16,459,835, respectively.

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.

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, 2016 and 2015 was \$55,242 and \$29,047, 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*, 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.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended December 31, 2016, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Authority is required to measure certain investments at fair value for financial reporting purposes. In addition, the Authority is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the Authority's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this Statement did not impact the Authority's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Implementation of this Statement did not impact the Authority's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. 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. This

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Authority's financial statements

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended December 31, 2017. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting requirements for certain asset retirement obligations and establishes the timing and pattern of recognition of a liability and corresponding deferred outflow of resources. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred after December 31, 2016 through June 7, 2017, 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.

Type	Carrying Value
Deposits:	
Demand Deposits	\$ 133,365,267
Total Deposits	<u>\$ 133,365,267</u>
Reconciliation of Statements of Net Position:	
Governmental-Type Activity	\$ 8,922,342
Fiduciary Fund	<u>124,442,925</u>
Total Cash and Cash Equivalents	<u>\$ 133,365,267</u>

As of December 31, 2016 and 2015, the Authority's bank balance of \$133,571,666 and \$2,418,259, respectively was not exposed to custodial credit risk. Of the bank balances, \$1,053,821 and \$509,566 was covered by FDIC Insurance. As of December 31, 2016 and 2015, the remaining balances of \$132,517,845 and \$1,908,693 were collateralized in the Authority's name under GUDPA.

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2016, follows:

	<u>Furniture & Equipment</u>	<u>Barlinvis Apartments</u>	<u>Construction in Progress</u>	<u>Accumulated Depreciation</u>	<u>Fixed Assets Net</u>
Balance: January 1, 2016	\$ 57,186	\$ 1,900,000	\$ -	\$ 62,089	\$ 1,895,097
Additions	<u>29,693</u>	<u>-</u>	<u>452,530</u>	<u>55,242</u>	<u>426,981</u>
Balance: December 31, 2016	<u>\$ 86,879</u>	<u>\$ 1,900,000</u>	<u>\$ 452,530</u>	<u>\$ 117,331</u>	<u>\$ 2,322,078</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
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NOTE 4: CAPITAL ASSETS

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

	<u>Furniture & 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>

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.

As mentioned in Note 1, the Authority has been assigned the rights to develop a portion of the Stockton Aviation Research and Technology Park. As of the year ended December 31, 2016, the Authority spent \$452,530 on construction and development of the site resulting in construction in progress. These expenditures were capitalized and will continue to be capitalized until project is complete. At that time, the entire project will begin to be depreciated.

NOTE 5: MORTGAGES RECEIVABLE - BOND & GRANT FUNDS

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

	<u>2016</u>	<u>2015</u>
Balance: January 1	\$ 14,380,122	\$ 14,872,682
Less: Repayments	<u>(615,585)</u>	<u>(492,560)</u>
Balance: December 31	<u>\$ 13,764,537</u>	<u>\$ 14,380,122</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
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For the years ended December 31, 2016 and 2015**

NOTE 5: MORTGAGES RECEIVABLE - BOND & GRANT FUNDS (continued)

The ARC of Atlantic County mortgage receivable balance as of December 31, 2016 was \$1,576,370. 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. In September of 2016 they modified again. The modification swapped the method of interest rate calculation to be calculated based on the principal of approximately \$1.6 million as follows: the sum of 70% of 2.35% plus 70% of LIBOR. Future interest payments are calculated monthly by TD bank based on the swap interest rate. 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, 2016 was \$594,997 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, 2016 was \$11,593,170 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 were 300 fixed monthly payments of \$80,843.16 due to the Authority. On March 25, 2015 the bond was refunded in the amount of \$12,380,000. As a result the monthly payment was reduced to \$67,369.45 from \$80,843.16 for the remainder of the loan.

The following represents a summary of mortgages and interest receivable held in the Authority's Grant Fund as of December 31, 2016 and 2015 which are considered impaired:

	<u>2016</u>	<u>2015</u>
Mortgages Receivable - Schedule to be		
Forgiven if Conditions are Met	\$ 8,521,092	\$ 8,181,327
Total allowance for Loan Forgiveness	<u>(8,521,092)</u>	<u>(8,181,327)</u>
 Net Loan Value: December 31	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015

NOTE 6: MORTGAGES RECEIVABLE - IMPAIRED ASSETS

The following represents the activity of the allowance for mortgage losses in the Grant Fund during 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance of Allowance for Mortgage Receivable Losses January 1	\$ 8,181,327	\$ 7,800,466
Increases:		
Allowance for Additional Mortgages	<u>339,765</u>	<u>380,861</u>
Subtotal Increases:	339,765	380,861
Subtotal:	8,521,092	8,181,327
Decreases:		
Forgiven	-	-
Recoveries-Amounts Previously Reserved	<u>-</u>	<u>-</u>
Subtotal Decreases:	<u>-</u>	<u>-</u>
Balance of Allowance for Mortgage Receivable Losses: December 31	<u><u>\$ 8,521,092</u></u>	<u><u>\$ 8,181,327</u></u>

The following represents a summary of mortgages and interest receivable held in the Authority's Agency Fund as of December 31, 2016 and 2015 which are considered impaired:

	<u>2016</u>	<u>2015</u>
Mortgages Receivable - Collection:		
Deemed Doubtful	\$ 16,866,243	\$ 16,511,782
Total Allowance	<u>(16,814,295)</u>	<u>(16,459,835)</u>
Net Mortgage Receivable - December 31	<u><u>\$ 51,948</u></u>	<u><u>\$ 51,947</u></u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
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NOTE 6: MORTGAGES RECEIVABLE - IMPAIRED ASSETS (continued)

The following table represents the ending balance of the allowance for mortgage losses in the Agency Fund for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance of Allowance for Mortgage Receivable Losses: December 31	<u>\$ 16,459,835</u>	<u>\$ 16,459,835</u>
Analysis of Balance:		
Interest Receivable	\$ 786,806	\$ 735,493
Mortgage Receivable	<u>16,027,489</u>	<u>15,724,342</u>
Balance:	<u>\$ 16,814,295</u>	<u>\$ 16,459,835</u>

NOTE 7: 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.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015**

NOTE 7: LONG-TERM DEBT (continued)

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Opening Cash and		
Cash Equivalents - January 1:	\$ 1,129,934	\$ 1,163,944
Increases:		
Interest Earned	2,956	313
Payment from Egg Harbor		
Township Golf Course	650,000	725,000
Subtotal Increases:	652,956	725,313
Revised Cash and Equivalents Balance:	1,782,890	1,889,257
Decreases:		
Administrative Costs	(10,598)	(17,598)
Interest Paid	(358,475)	(376,725)
Principal Paid	(380,000)	(365,000)
Subtotal Decreases:	(749,073)	(759,323)
Ending Cash and		
Cash Equivalents - December 31:	\$ 1,033,817	\$ 1,129,934

The ARC of Atlantic County

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

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
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NOTE 7: LONG-TERM DEBT (continued)

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. Beginning at that time, there will be 225 fixed monthly payments of \$6,738.80 due to the Authority until January 2, 2026.

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, as the monthly payment was reduced to \$67,369.45 from \$80,843.16.

Stockton Aviation Technology and Research Park

On September 27, 2016, the Authority issued bonds in an original amount of \$8,000,000. The proceeds of the bond will be used to facilitate the financing, construction and operation of a portion of the Aviation Park from Stockton Aviation Research and Technology Park of New Jersey, Inc.

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>
2017	\$ 9,039,016	\$ 876,611	\$ 9,915,627
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	1,199,169	571,614	1,770,783
2022-2026	12,634,640	1,933,093	14,567,733
2027-2031	3,195,488	442,450	3,637,938
	<u>\$ 29,429,537</u>	<u>\$ 5,760,114</u>	<u>\$ 35,189,651</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (continued)
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NOTE 7: LONG-TERM DEBT (continued)

Long-term debt as of December 31, 2016 consisted of the following:

	12/31/2015 <u>Balance</u>	<u>Additions</u>	Adustments/ <u>Payments</u>	12/31/2016 <u>Balance</u>	Due in <u>One Year</u>
General	\$ 22,425,122	\$ 8,000,000	\$ (995,585)	\$ 29,429,537	\$ 9,039,016
Premium/Discount	-	54,840		54,840	54,840
Subtotal	<u>22,425,122</u>	<u>8,054,840</u>	<u>(995,585)</u>	<u>29,484,377</u>	<u>9,093,856</u>
Net Pension Liability	1,937,318	1,175,231	-	3,112,549	-
Compensated Absences	<u>100,130</u>	<u>26,242</u>	<u>-</u>	<u>126,372</u>	<u>-</u>
	<u>\$ 24,462,570</u>	<u>\$ 9,256,313</u>	<u>\$ (995,585)</u>	<u>\$ 32,723,298</u>	<u>\$ 9,093,856</u>

NOTE 8: 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/annrpts.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 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. 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.

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NOTE 8: 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 accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2016, 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.

Components of Net Pension Liability - At December 31, 2016, the Authority reported a liability of \$3,112,549 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. 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 July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016. The Authority's proportion measured as of June 30, 2016, was .01051%, which was an increase of .00188% from its proportion measured as of June 30, 2015.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
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For the years ended December 31, 2016 and 2015**

NOTE 8: PENSION OBLIGATIONS (continued)

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

Collective Balances at December 31, 2016 and December 31, 2015

	<u>12/31/2016</u>	<u>12/31/2015</u>
Actuarial valuation date (including roll forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	\$ 1,127,542	\$ 254,270
Deferred Inflows of Resources	\$ 242,534	\$ 343,513
Net Pension Liability	\$ 3,112,549	\$ 1,937,318
Authority's portion of the Plan's total net pension Liability	0.01051%	0.00863%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2016, the Authority recognized pension expense of \$294,337. At December 31, 2016, 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>
	<u>PERS</u>	<u>PERS</u>
Differences between Expected and Actual Experience	\$ 57,884	\$ -
Changes of Assumptions	644,754	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	118,684	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	306,220	242,534
	<u>\$ 1,127,542</u>	<u>\$ 242,534</u>

The amount reported of \$93,363 resulting from the Authority's contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2016, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015

NOTE 8: PENSION OBLIGATIONS (continued)

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

Year Ending <u>Dec 31,</u>	<u>PERS</u>		
2017	\$ 172,224		
2018	172,227		
2019	196,983		
2020	205,499		
2021	<u>138,075</u>		
	<u>\$ 885,008</u>		
		<u>PERS</u>	
		<u>Deferred</u>	<u>Deferred</u>
		<u>Outflow of</u>	<u>Inflow of</u>
		<u>Resources</u>	<u>Resources</u>
Differences between Expected and Actual Experience			
Year of Pension Plan Deferral:			
June 30, 2014		-	-
June 30, 2015		5.72	-
June 30, 2016		5.57	-
Changes of Assumptions			
Year of Pension Plan Deferral:			
June 30, 2014		6.44	-
June 30, 2015		5.72	-
June 30, 2016		5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments			
Year of Pension Plan Deferral:			
June 30, 2014		-	5.00
June 30, 2015		-	5.00
June 30, 2016		5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions			
Year of Pension Plan Deferral:			
June 30, 2014		6.44	6.44
June 30, 2015		5.72	5.72
June 30, 2016		5.57	5.57

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NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015**

NOTE 8: PENSION OBLIGATIONS (continued)

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

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>	
Inflation	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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 (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015**

NOTE 8: PENSION OBLIGATIONS (continued)

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

expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	<u>5.25%</u>	5.63%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 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 contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015**

NOTE 8: PENSION OBLIGATIONS (continued)

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

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	PERS		
	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 3,814,066</u>	<u>\$ 3,112,549</u>	<u>\$ 2,533,386</u>

NOTE 9: 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 10: 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, 2016 and 2015, assuming all employees are eligible for accrued sick leave at termination, is approximately \$126,372 and \$100,130, respectively.

NOTE 11: 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 12: ECONOMIC DEPENDENCY

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

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2016 and 2015**

NOTE 13: RELATED PARTY TRANSACTIONS

The Authority leases its primary office space from the County under annual lease agreements. Rent expense paid to the County during 2016 and 2015 was \$43,733 and \$43,733, 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 2016 and 2015, no payments were made to the County, as net proceeds available as of December 31, 2016 and 2015, would need to be utilized for additional expenses paid by the Golf Course under the Authority’s management.

NOTE 14: 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>(1,498,285)</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, 2016

	<u>2016 Budget</u>	<u>2016 Final Budget</u>	<u>2016 Actual</u>	<u>Unexpended Balance/ (Excess)</u>
Operating Revenues:				
Project Administration Fees	\$ 466,000	\$ 466,000	\$ 601,374	\$ 135,374
Bond Fees	7,000	7,000	190,700	183,700
Grant and Agency Fund Fees	429,934	429,934	1,067,676	637,742
Reimbursement and Other	<u>1,295,333</u>	<u>1,295,333</u>	<u>1,207,326</u>	<u>(88,007)</u>
Total Operating Revenues	<u>2,198,267</u>	<u>2,198,267</u>	<u>3,067,076</u>	<u>868,809</u>
Operating Expenses:				
Payroll Expenses	922,908	922,908	918,666	4,242
Employee Benefits	293,758	293,758	388,502	(94,744)
Rent	29,716	29,716	43,733	(14,017)
Professional Fees	728,000	728,000	765,872	(37,872)
Insurance	104,550	104,550	73,674	30,876
Administrative and General	95,686	95,686	72,692	22,994
Depreciation	<u>-</u>	<u>-</u>	<u>55,292</u>	<u>(55,292)</u>
Total Operating Expenses	<u>2,174,618</u>	<u>2,174,618</u>	<u>2,318,431</u>	<u>(143,813)</u>
Other Income/(Expenses):				
Investment Income	<u>400</u>	<u>400</u>	<u>943</u>	<u>543</u>
Total Other Income/(Expenses)	<u>400</u>	<u>400</u>	<u>943</u>	<u>543</u>
Net Income/(Loss)	<u>\$ 24,049</u>	<u>\$ 24,049</u>	\$ 749,588	<u>\$ 725,539</u>
Less:				
Unbudgeted pension expense			<u>(220,146)</u>	
Change in net position per Statements of Revenue, Expenses and Changes in Net Position			<u>\$ 529,442</u>	

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability (asset)	0.01051%	0.00863%	0.00888%	0.01095%
Authority's proportionate share of the net pension liability (asset)	\$ 3,112,549	\$ 1,937,318	\$ 1,661,797	\$ 2,092,838
Authority's covered-employee payroll	\$ 898,871	\$ 687,836	\$ 558,071	\$ 588,636
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	346.27%	281.65%	297.78%	355.54%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	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, government should present information for those years for which information is available.

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

**Schedule of Authority Contributions
Public Employees' Retirement System
Last Ten Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 93,363	\$ 74,197	\$ 73,171	\$ 91,875
Contributions in relation to the contractually required contribution	<u>93,363</u>	<u>74,197</u>	<u>73,171</u>	<u>91,875</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 898,871	\$ 687,836	\$ 558,071	\$ 588,636
Contributions as a percentage of covered-employee payroll	10.39%	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
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

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 6, 2017. 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. Pre-retirement mortality rates were based on the RP-2000 Employee Pre-Retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

SUPPLEMENTARY INFORMATION

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

Combining Statement of Net Position

December 31, 2016

ASSETS

	<u>Total</u>	<u>Administrative Fund</u>	<u>Bond Fund</u>	<u>Grant Fund</u>
Unrestricted Assets:				
Current Assets:				
Cash	\$ 1,127,805	\$ 1,127,805	\$ -	\$ -
Accounts Receivable	465,984	465,984	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Unrestricted Current Assets	1,593,789	1,593,789	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Restricted Assets:				
Current Assets:				
Cash	7,794,538	11,818	7,602,310	180,410
Interest Receivable	119,136	-	88,248	30,888
Accounts Receivable	174,462	111,642	-	62,820
Guaranteed Note Receivable	405,000	-	405,000	-
Note Receivable	232,984	-	-	232,984
Mortgages Receivable	634,016	-	634,016	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Current Assets	9,360,136	123,460	8,729,574	507,102
	<hr/>	<hr/>	<hr/>	<hr/>
Non-Current Assets:				
Mortgages Receivable	21,651,613	-	13,130,521	8,521,092
Valuation Allowance for Loan Losses	(8,521,092)	-	-	(8,521,092)
Guaranteed Note Receivable	7,260,000	-	7,260,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Non-Current Assets	20,390,521	-	20,390,521	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Assets	29,750,657	123,460	29,120,095	507,102
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Assets, Net of Depreciation	2,322,078	1,869,548	452,530	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 33,666,524</u>	<u>\$ 3,586,797</u>	<u>\$ 29,572,625</u>	<u>\$ 507,102</u>

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

Combining Statement of Net Position

December 31, 2016

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	\$ 59,097	\$ 59,097	\$ -	\$ -
Unearned Program Income	177,433	-	-	177,433
	<u>236,530</u>	<u>59,097</u>	<u>-</u>	<u>177,433</u>
Total Unrestricted Current Liabilities				
Restricted Liabilities:				
Current Liabilities:				
Accounts Payable	110,796	44,999	-	65,797
Interest Payable	119,136	-	88,248	30,888
Notes Payable	232,984	-	-	232,984
Current Portion of Long-Term Debt	9,093,856	-	9,093,856	-
	<u>9,556,772</u>	<u>44,999</u>	<u>9,182,104</u>	<u>329,669</u>
Total Current Liabilities Payable From Restricted Assets				
Long-Term Liabilities:				
Accrued Sick and Vacation	126,372	126,372	-	-
Bonds Payable	20,390,521	-	20,390,521	-
	<u>20,516,893</u>	<u>126,372</u>	<u>20,390,521</u>	<u>-</u>
Total Long-Term Liabilities				
Total Liabilities	<u>30,310,195</u>	<u>230,468</u>	<u>29,572,625</u>	<u>507,102</u>
Net Position:				
Invested in Capital Assets, Net of Related Debt	1,869,548	1,869,548	-	-
Reserve for Unemployment	11,818	11,818	-	-
Unrestricted	1,474,963	1,474,963	-	-
	<u>3,356,329</u>	<u>3,356,329</u>	<u>-</u>	<u>-</u>
Total Net Positions				
Total Liabilities and Net Position	<u>\$ 33,666,524</u>	<u>\$ 3,586,797</u>	<u>\$ 29,572,625</u>	<u>\$ 507,102</u>

Reconciliation to Net Position on

Statements of Net Position - GAAP Basis:

Net Position (as shown above)	\$ 3,356,329
Deferred outflows related to pensions	1,127,542
Pension Payable	(93,363)
Deferred inflows related to pensions	(242,534)
Net Pension Liability	<u>(3,112,549)</u>
Net Position - GAAP Basis	<u>\$ 1,035,425</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Bond Funds

December 31, 2016

ASSETS

	<u>Total</u>	<u>Stockton Aviation Technology and Research Park</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	\$ 7,602,310	\$ 7,602,310	\$ -	\$ -	\$ -	\$ -
Interest Receivable	88,248	-	56,579	2,783	2,413	26,473
Guaranteed Note Receivable	405,000	-	405,000	-	-	-
Mortgages Receivable	634,016	-	-	91,493	51,040	491,483
Total Restricted Current Assets	8,729,574	7,602,310	461,579	94,276	53,453	517,956
Non-Current Assets:						
Guaranteed Note Receivable	7,260,000	-	7,260,000	-	-	-
Mortgages Receivable	13,130,521	-	-	1,484,877	543,957	11,101,687
Total Restricted Non-Current Assets	20,390,521	-	7,260,000	1,484,877	543,957	11,101,687
Total Restricted Assets	29,120,095	7,602,310	7,721,579	1,579,153	597,410	11,619,643
Capital Assets, Net of Depreciation	452,530	452,530	-	-	-	-
Total Assets	\$ 29,572,625	\$ 8,054,840	\$ 7,721,579	\$ 1,579,153	\$ 597,410	\$ 11,619,643

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Bond Funds

December 31, 2016

LIABILITIES

	<u>Total</u>	<u>Stockton Aviation Technology and Research Park</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	\$ 88,248	\$ -	\$ 56,579	\$ 2,783	\$ 2,413	\$ 26,473
Current Portion of Long-Term Debt	<u>9,093,856</u>	<u>8,054,840</u>	<u>405,000</u>	<u>91,493</u>	<u>51,040</u>	<u>491,483</u>
Total Current Liabilities Payable From Restricted Assets	<u>9,182,104</u>	<u>8,054,840</u>	<u>461,579</u>	<u>94,276</u>	<u>53,453</u>	<u>517,956</u>
Long-Term Liabilities:						
Bonds Payable	<u>20,390,521</u>	<u>-</u>	<u>7,260,000</u>	<u>1,484,877</u>	<u>543,957</u>	<u>11,101,687</u>
Total Long-Term Liabilities	<u>20,390,521</u>	<u>-</u>	<u>7,260,000</u>	<u>1,484,877</u>	<u>543,957</u>	<u>11,101,687</u>
Total Liabilities	<u>\$ 29,572,625</u>	<u>\$ 8,054,840</u>	<u>\$ 7,721,579</u>	<u>\$ 1,579,153</u>	<u>\$ 597,410</u>	<u>\$ 11,619,643</u>

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

Combining Statement of Net Position - Grant Funds

December 31, 2016

ASSETS

	<u>Total</u>	<u>CDBG</u>	<u>HOME Funds</u>	<u>SSBG</u>	<u>Other Funds</u>
Restricted Assets:					
Current Assets:					
Cash	\$ 180,410	\$ 44,208	\$ 133,720	\$ 443	\$ 2,039
Accounts Receivable	62,820	17,620	41,550	3,650	-
Interest Receivable	30,888	-	-	-	30,888
Notes Receivable	232,984	-	-	-	232,984
	<u>507,102</u>	<u>61,828</u>	<u>175,270</u>	<u>4,093</u>	<u>265,911</u>
Total Restricted Current Assets					
Non-Current Assets:					
Mortgages Receivable	8,521,092	1,241,016	7,171,068	-	109,008
Valuation Allowance for Loan Losses	(8,521,092)	(1,241,016)	(7,171,068)	-	(109,008)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Restricted Non-Current Assets					
Total Restricted Assets	<u>507,102</u>	<u>61,828</u>	<u>175,270</u>	<u>4,093</u>	<u>265,911</u>
Total Assets	<u>\$ 507,102</u>	<u>\$ 61,828</u>	<u>\$ 175,270</u>	<u>\$ 4,093</u>	<u>\$ 265,911</u>

LIABILITIES

Restricted Liabilities:					
Current Liabilities:					
Accounts Payable and Accrued Expenses	\$ 65,797	\$ 26,586	\$ 35,118	\$ 4,093	\$ -
Unearned Program Income	177,433	35,242	140,152	-	2,039
Interest Payable	30,888	-	-	-	30,888
Notes Payable	232,984	-	-	-	232,984
	<u>507,102</u>	<u>61,828</u>	<u>175,270</u>	<u>4,093</u>	<u>265,911</u>
Total Current Liabilities Payable					
From Restricted Assets	<u>507,102</u>	<u>61,828</u>	<u>175,270</u>	<u>4,093</u>	<u>265,911</u>
Total Liabilities	<u>\$ 507,102</u>	<u>\$ 61,828</u>	<u>\$ 175,270</u>	<u>\$ 4,093</u>	<u>\$ 265,911</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Grant Funds - CDBG

December 31, 2016

	<u>Total</u>	<u>CDBG 2001-2011 Entitlement</u>	<u>CDBG 2012 Entitlement</u>	<u>CDBG 2013 Entitlement</u>	<u>CDBG 2014 Entitlement</u>	<u>CDBG 2015 Entitlement</u>	<u>CDBG 2016 Entitlement</u>	<u>Small Cities</u>	<u>Program Income</u>
ASSETS									
Cash	\$ 44,208	\$ -	\$ -	\$ 1,208	\$ -	\$ -	\$ -	\$ 7,758	\$ 35,242
Accounts Receivable	17,620	-	-	17,620	-	-	-	-	-
Mortgages Receivable	1,241,016	925,641	30,943	-	26,845	-	-	211,260	46,327
Mortgages Receivable Valuation Allowance	(1,241,016)	(925,641)	(30,943)	-	(26,845)	-	-	(211,260)	(46,327)
Total Assets	\$ 61,828	\$ -	\$ -	\$ 18,828	\$ -	\$ -	\$ -	\$ 7,758	\$ 35,242
LIABILITIES									
Accounts Payable and Accrued Expenses	\$ 26,586	\$ -	\$ -	\$ 18,828	\$ -	\$ -	\$ -	\$ 7,758	\$ -
Unearned Program Income	35,242	-	-	-	-	-	-	-	35,242
Total Liabilities	\$ 61,828	\$ -	\$ -	\$ 18,828	\$ -	\$ -	\$ -	\$ 7,758	\$ 35,242

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Grant Funds - HOME

December 31, 2016

	Total	1997-2011 Atlantic County HOME	2012 Atlantic County HOME	2013 Atlantic County HOME	2014 Atlantic County HOME	2015 Atlantic County HOME	2016 Atlantic County HOME	Program Income HOME
ASSETS								
Cash	\$ 141,752	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ 141,652
Accounts Receivable	41,550	-	-	-	-	41,550	-	-
Mortgages Receivable	7,171,068	5,494,192	254,890	279,364	285,616	268,256	-	588,750
Mortgages Receivable Valuation Allowance	(7,171,068)	(5,494,192)	(254,890)	(279,364)	(285,616)	(268,256)	-	(588,750)
Total Assets	\$ 183,302	\$ -	\$ -	\$ 100	\$ -	\$ 41,550	\$ -	\$ 141,652
LIABILITIES								
Accounts Payable and Accrued Expenses	\$ 35,118	\$ -	\$ -	\$ 100	\$ -	\$ 33,518	\$ -	\$ 1,500
Cash Overdraft	8,032	-	-	-	-	8,032	-	-
Deferred Program Income	140,152	-	-	-	-	-	-	140,152
Total Liabilities	\$ 183,302	\$ -	\$ -	\$ 100	\$ -	\$ 41,550	\$ -	\$ 141,652

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

Combining Statement of Net Position - Grant Funds - SSBG

December 31, 2016

	<u>Total</u>	<u>SSBG</u>
ASSETS		
Cash	\$ 443	\$ 443
Accounts Receivable	<u>3,650</u>	<u>3,650</u>
Total Assets	<u><u>\$ 4,093</u></u>	<u><u>\$ 4,093</u></u>
LIABILITIES		
Accounts Payable and Accrued Expenses	<u>\$ 4,093</u>	<u>\$ 4,093</u>
Total Liabilities	<u><u>\$ 4,093</u></u>	<u><u>\$ 4,093</u></u>

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

Combining Statement of Net Position - Grant Funds - Other

December 31, 2016

	<u>Total</u>	<u>Economic Development</u>	<u>USDA/ CDP Rental Rehab/ Jobs Bill</u>
ASSETS			
Cash	\$ 2,039	\$ -	\$ 2,039
Interest Receivable	30,888	30,888	-
Notes Receivable	232,984	232,984	-
Mortgages Receivable	109,008	-	109,008
Mortgages Receivable Valuation Allowance	<u>(109,008)</u>	<u>-</u>	<u>(109,008)</u>
Total Assets	<u>\$ 265,911</u>	<u>\$ 263,872</u>	<u>\$ 2,039</u>
LIABILITIES			
Unearned Program Income	\$ 2,039	\$ -	\$ 2,039
Interest Payable	30,888	30,888	-
Notes Payable	<u>232,984</u>	<u>232,984</u>	<u>-</u>
Total Liabilities	<u>\$ 265,911</u>	<u>\$ 263,872</u>	<u>\$ 2,039</u>

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

Combining Statement of Net Position - Agency Funds

December 31, 2016

	<u>Housing Projects</u>	<u>Other</u>	<u>Mortgages</u>	<u>Total</u>
ASSETS				
Cash	\$ 829,299	\$ 123,450,628	\$ 162,998	\$ 124,442,925
Mortgage Interest Receivable	105,686	-	681,120	786,806
Accounts Receivable - Other	-	42,139,141	-	42,139,141
Mortgages Receivable	3,463,388	-	12,616,049	16,079,437
Mortgages Receivable Valuation Allowance	<u>(3,517,126)</u>	<u>-</u>	<u>(13,297,169)</u>	<u>(16,814,295)</u>
Total Assets	<u>\$ 881,247</u>	<u>\$ 165,589,769</u>	<u>\$ 162,998</u>	<u>\$ 166,634,014</u>
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 35,154	\$ 41,924	\$ 341	\$ 77,419
Bonds and Loans Payable	-	165,143,494	-	165,143,494
Due To Various Agencies	<u>846,093</u>	<u>404,351</u>	<u>162,657</u>	<u>1,413,101</u>
Total Liabilities	<u>\$ 881,247</u>	<u>\$ 165,589,769</u>	<u>\$ 162,998</u>	<u>\$ 166,634,014</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Housing Projects

December 31, 2016

	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	Section 108	Total
ASSETS										
Cash	\$ 42,947	\$ 151,406	\$ -	\$ 9,941	\$ 261,666	\$ 40,878	\$ 2,948	\$ 315,217	\$ 4,296	\$ 829,299
Mortgage Interest Receivable	-	-	-	42,849	-	-	46,569	16,268	-	105,686
Mortgages Receivable	-	-	18,080	84,788	2,215,813	784,416	206,958	153,333	-	3,463,388
Mortgages Receivable Valuation Allowance	-	-	(18,080)	(75,690)	(2,215,813)	(784,416)	(253,527)	(169,600)	-	(3,517,126)
Total Assets	\$ 42,947	\$ 151,406	\$ -	\$ 61,888	\$ 261,666	\$ 40,878	\$ 2,948	\$ 315,218	\$ 4,296	\$ 881,247
LIABILITIES										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,818	\$ 33,336	\$ -	\$ 35,154
Due To Various Agencies	42,947	151,406	-	61,888	261,666	40,878	1,130	281,882	4,296	846,093
Total Liabilities	\$ 42,947	\$ 151,406	\$ -	\$ 61,888	\$ 261,666	\$ 40,878	\$ 2,948	\$ 315,218	\$ 4,296	\$ 881,247

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Other

December 31, 2016

	Public Safety Improvements CRDA	Stockton University Project	Pooled Financing Bonds	Green Tree Golf Course	Hammonton Affordable Housing	Linwood Affordable Housing	Somers Point Affordable Housing	Revel	Atlantic County Economic Alliance	Misc.	Total
ASSETS											
Cash	\$ 5,644	\$ 123,004,353	\$ 36,280	\$ 48,033	\$ 63,436	\$ 20,917	\$ 174,755	\$ 2,111	\$ 89,582	\$ 5,517	\$ 123,450,628
Accounts Receivable - Other	11,167,377	19,219,456	11,752,308	-	-	-	-	-	-	-	42,139,141
Total Assets	\$ 11,173,021	\$ 142,223,809	\$ 11,788,588	\$ 48,033	\$ 63,436	\$ 20,917	\$ 174,755	\$ 2,111	\$ 89,582	\$ 5,517	\$ 165,589,769
LIABILITIES											
Accounts Payable and Accrued Expenses	\$ 5,644	-	\$ 36,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,924
Bonds and Loans Payable Due To Various Agencies	11,167,377	142,223,809	11,752,308	48,033	63,436	20,917	174,755	2,111	89,582	5,517	165,143,494
Total Liabilities	\$ 11,173,021	\$ 142,223,809	\$ 11,788,588	\$ 48,033	\$ 63,436	\$ 20,917	\$ 174,755	\$ 2,111	\$ 89,582	\$ 5,517	\$ 165,589,769

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Mortgages

December 31, 2016

	<u>Barlins Apartments</u>	<u>Garden Court Apartments</u>	<u>Vermont Plaza</u>	<u>Total</u>
ASSETS				
Cash	\$ 162,998	\$ -	\$ -	\$ 162,998
Mortgage Interest Receivable	-	-	681,120	681,120
Mortgages Receivable	-	9,523,320	3,092,729	12,616,049
Mortgages Receivable Valuation Allowance	-	(9,523,320)	(3,773,849)	(13,297,169)
Total Assets	<u>\$ 162,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,998</u>
LIABILITIES				
Liabilities:				
Due To Admin Fund	341	-	-	341
Due To Various Agencies	<u>162,657</u>	<u>-</u>	<u>-</u>	<u>162,657</u>
Total Liabilities	<u>\$ 162,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,998</u>

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

Combining Statement of Activities

December 31, 2016

	<u>Total</u>	<u>Administrative Fund</u>	<u>Bond Fund</u>	<u>Grant Fund</u>
Operating Revenues:				
Project Administration Fees	\$ 601,374	\$ 601,374	\$ -	\$ -
Bond Fees	190,700	190,700	-	-
Grant and Agency Fund Fees	1,067,676	1,067,676	-	-
Grants	1,354,996	-	-	1,354,996
Reimbursement and Other	1,207,326	1,207,326	-	-
	<u>4,422,072</u>	<u>3,067,076</u>	<u>-</u>	<u>1,354,996</u>
Total Operating Revenues				
Operating Expenses:				
Payroll Expenses	918,666	918,666	-	-
Employee Benefits	388,502	388,502	-	-
Rent	43,733	43,733	-	-
Professional Fees	765,872	765,872	-	-
Insurance	73,674	73,674	-	-
Administrative and General	72,692	72,692	-	-
Project Costs	897,104	-	-	897,104
Service Fees	457,892	-	-	457,892
Depreciation	55,292	55,292	-	-
	<u>3,673,427</u>	<u>2,318,431</u>	<u>-</u>	<u>1,354,996</u>
Total Operating Expenses				
Operating Income	<u>748,645</u>	<u>748,645</u>	<u>-</u>	<u>-</u>
Non-Operating Revenues/(Expenses):				
Investment and Interest Income	450,979	943	450,036	-
Additions to Reserves-NJCM & SUI	-	-	-	-
Gain on Acquisition of Foreclosure	-	-	-	-
Lease Rental	-	-	-	-
Fixed Asset Purchases	-	-	-	-
Bond and Note Interest Expense	(450,036)	-	(450,036)	-
	<u>943</u>	<u>943</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues/(Expenses)				
Change in Net Position	749,588	749,588	-	-
Net Positions - Beginning of Year	<u>2,606,741</u>	<u>2,606,741</u>	<u>-</u>	<u>-</u>
Net Positions - End of Year	<u><u>\$ 3,356,329</u></u>	<u><u>\$ 3,356,329</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis:				
Change in Net Position	\$ 749,588			
Unbudgeted pension expense	<u>(220,146)</u>			
Change in Net Position - GAAP Basis	<u><u>\$ 529,442</u></u>			

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Bond Funds

For the year ended December 31, 2016

	<u>Total</u>	<u>Stockton Aviation Technology and Research Park</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>
Operating Expenses:						
Service Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	-	-	-	-	-	-
Operating Loss	-	-	-	-	-	-
Non-Operating Revenues/(Expenses):						
Investment and Interest Income	\$ 450,036	\$ -	\$ 361,431	\$ 32,328	\$ 29,618	\$ 26,659
Bond and Note Interest Expense	(450,036)	-	(361,431)	(32,328)	(29,618)	(26,659)
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, 2016

	<u>Total</u>	<u>CDBG</u>	<u>HOME Funds</u>	<u>SSBG</u>	<u>Other Funds</u>
Operating Revenues:					
Grants	\$ 1,342,445	\$ 527,447	\$ 542,068	\$ 113,693	\$ 159,237
Program Income	12,551	-	3,468	-	9,083
Total Operating Revenues	<u>1,354,996</u>	<u>527,447</u>	<u>545,536</u>	<u>113,693</u>	<u>168,320</u>
Operating Expenses:					
Project Costs	897,104	320,490	464,590	102,941	9,083
Service Fees	457,892	206,957	80,946	10,752	159,237
Total Operating Expenses	<u>1,354,996</u>	<u>527,447</u>	<u>545,536</u>	<u>113,693</u>	<u>168,320</u>
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, 2016

	<u>CDBG 2001-2011 Entitlement</u>	<u>CDBG 2012 Entitlement</u>	<u>CDBG 2013 Entitlement</u>	<u>CDBG 2014 Entitlement</u>	<u>CDBG 2015 Entitlement</u>	<u>CDBG 2016 Entitlement</u>	<u>Total</u>
Operating Revenues:							
Grants	\$ 60,732	\$ 21,248	\$ 88,319	\$ 104,479	\$ 252,669	\$ -	\$ 527,447
Program Income	-	-	-	-	-	-	-
Total Operating Revenues	<u>60,732</u>	<u>21,248</u>	<u>88,319</u>	<u>104,479</u>	<u>252,669</u>	<u>-</u>	<u>527,447</u>
Operating Expenses:							
Project Costs	60,732	21,248	88,319	104,479	45,712	-	320,490
Fees Paid To ACIA	-	-	-	-	206,957	-	206,957
Total Operating Expenses	<u>60,732</u>	<u>21,248</u>	<u>88,319</u>	<u>104,479</u>	<u>252,669</u>	<u>-</u>	<u>527,447</u>
Change in Net Position	-	-	-	-	-	-	-
Net Position - Beginning of Year	-	-	-	-	-	-	-
Net Position - End of Year	<u>\$ -</u>	<u>\$ -</u>	<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 - HOME

For the year ended December 31, 2016

	1997-2011 Atlantic County <u>HOME</u>	2012 Atlantic County <u>HOME</u>	2013 Atlantic County <u>HOME</u>	2014 Atlantic County <u>HOME</u>	2015 Atlantic County <u>HOME</u>	2016 Atlantic County <u>HOME</u>	Program Income <u>HOME</u>	<u>Total</u>
Operating Revenues:								
Grants	\$ 35,932	\$ -	\$ 55,615	\$ 100,985	\$ 349,536	\$ -	\$ -	\$ 542,068
Program Income	-	-	-	-	-	-	3,468	3,468
Total Operating Revenues	<u>35,932</u>	<u>-</u>	<u>55,615</u>	<u>100,985</u>	<u>349,536</u>	<u>-</u>	<u>3,468</u>	<u>545,536</u>
Operating Expenses:								
Project Costs	35,932	-	55,615	100,985	268,590	-	3,468	464,590
Fees Paid To ACIA	-	-	-	-	80,946	-	-	80,946
Total Operating Expenses	<u>35,932</u>	<u>-</u>	<u>55,615</u>	<u>100,985</u>	<u>349,536</u>	<u>-</u>	<u>3,468</u>	<u>545,536</u>
Change in Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<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>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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 - SSBG

For the year ended December 31, 2016

	SSBG Sandy Relief Funding	Total
Operating Revenues:		
Grants	\$ 113,693	\$ 113,693
Program Income	-	-
	<hr/>	<hr/>
Total Operating Revenues	113,693	113,693
	<hr/>	<hr/>
Operating Expenses:		
Project Costs	102,941	102,941
Fees Paid To ACIA	10,752	10,752
	<hr/>	<hr/>
Total Operating Expenses	113,693	113,693
	<hr/>	<hr/>
Change in Net Position	-	-
	<hr/>	<hr/>
Net Position - Beginning of Year	-	-
	<hr/>	<hr/>
Net Position - End of Year	<u>\$ -</u>	<u>\$ -</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Grant Fund - Other

For the year ended December 31, 2016

	<u>Total</u>	<u>Economic Development</u>	<u>USDA/ CDP Rental Reh Jobs Bill</u>
Operating Revenues:			
Grants	\$ 159,237	\$ 159,237	\$ -
Program Income	<u>9,083</u>	<u>-</u>	<u>9,083</u>
Total Operating Revenues	<u>168,320</u>	<u>159,237</u>	<u>9,083</u>
Operating Expenses:			
Project Costs	9,083	-	9,083
Fees Paid To ACIA	<u>159,237</u>	<u>159,237</u>	<u>-</u>
Total Operating Expenses	<u>168,320</u>	<u>159,237</u>	<u>9,083</u>
Change in Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Statement of Cash Flows

For the year ended December 31, 2016

	<u>Total</u>	<u>Administrative Fund</u>	<u>Bond Fund</u>	<u>Grant Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers and Users	\$ 2,896,601	\$ 2,896,601	\$ -	\$ -
Cash Received from Grants	1,342,445	-	-	1,342,445
Cash Paid To Subcontractor and Vendors	<u>(3,582,032)</u>	<u>(2,236,822)</u>	<u>-</u>	<u>(1,345,210)</u>
Net Cash Flows From Operating Activities	<u>657,014</u>	<u>659,779</u>	<u>-</u>	<u>(2,765)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment and Interest Income	<u>943</u>	<u>943</u>	<u>-</u>	<u>-</u>
Net Cash Flows From Investing Activities	<u>943</u>	<u>943</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of Fixed Assets	(29,693)	(29,693)	-	-
Principal Payments Received on Mortgages	5,957	-	-	5,957
Payments Paid on Loans	(41,068)	-	-	(41,068)
Payments Received on Loans	31,985	-	-	31,985
Mortgages Issued	(1,968)	-	-	(1,968)
Payments Made on Construction	(452,530)	-	(452,530)	-
Transfer To Deferred Program Income	54,400	-	-	54,400
Fees Paid To ACIA	(1,550)	(50)	-	(1,500)
Proceeds from Bonds	<u>8,054,840</u>	<u>-</u>	<u>8,054,840</u>	<u>-</u>
Net Cash Flows From Capital and Related Financing Activities	<u>7,620,373</u>	<u>(29,743)</u>	<u>7,602,310</u>	<u>47,806</u>
Change in Cash and Cash Equivalents	8,278,330	630,979	7,602,310	45,041
Cash and Cash Equivalents - Beginning of Year	<u>644,013</u>	<u>508,644</u>	<u>-</u>	<u>135,369</u>
Cash and Cash Equivalents - End of Year	<u>\$ 8,922,343</u>	<u>\$ 1,139,623</u>	<u>\$ 7,602,310</u>	<u>\$ 180,410</u>
Reconciliation To Statements of Net Position:				
Unrestricted Cash	\$ 1,127,805	\$ 1,127,805	\$ -	\$ -
Restricted Cash	<u>7,794,538</u>	<u>11,818</u>	<u>7,602,310</u>	<u>180,410</u>
	<u>\$ 8,922,343</u>	<u>\$ 1,139,623</u>	<u>\$ 7,602,310</u>	<u>\$ 180,410</u>
Reconciliation of Operating Deficit To Net Cash Flows From Operating Activities:				
Operating Income	\$ 748,645	\$ 748,645	\$ -	\$ -
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:				
Depreciation	55,292	55,292	-	-
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	54,064	(170,475)	-	224,539
Increase/(Decrease) in Accounts Payable	(227,229)	75	-	(227,304)
Decrease in Due To Atlantic County	-	-	-	-
Increase/(Decrease) in Accrued Sick and Vacation	<u>26,242</u>	<u>26,242</u>	<u>-</u>	<u>-</u>
	<u>\$ 657,014</u>	<u>\$ 659,779</u>	<u>\$ -</u>	<u>\$ (2,765)</u>

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

Statement of Cash Flows - Bond Fund

For the year ended December 31, 2016

	<u>Total</u>	<u>Stockton Aviation Technology and Research Park</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment and Interest Income	\$ -	\$ -
Net Cash Flows From Investing Activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments Made on Construction	(452,530)	(452,530)
Proceeds from Bonds	<u>8,054,840</u>	<u>8,054,840</u>
Net Cash Flows From Capital and Related Financing Activities	<u>7,602,310</u>	<u>7,602,310</u>
Change in Cash and Cash Equivalents	7,602,310	7,602,310
Cash and Cash Equivalents - Beginning of Year	<u>-</u>	<u>-</u>
Cash and Cash Equivalents - End of Year	<u>\$ 7,602,310</u>	<u>\$ 7,602,310</u>
Reconciliation To Statements of Net Position:		
Restricted Cash	<u>\$ 7,602,310</u>	<u>\$ 7,602,310</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:		
Decrease in Accounts Payable	<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, 2016

	<u>Total</u>	<u>CDBG</u>	<u>HOME Funds</u>	<u>SSBG</u>	<u>Other Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Grants	\$ 1,342,445	\$ 527,447	\$ 542,068	\$ 113,693	\$ 159,237
Cash Paid To Subcontractors and Vendors	<u>(1,345,210)</u>	<u>(522,639)</u>	<u>(550,050)</u>	<u>(113,284)</u>	<u>(159,237)</u>
Net Cash Flows From Operating Activities	<u>(2,765)</u>	<u>4,808</u>	<u>(7,982)</u>	<u>409</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal Payments Received on Mortgages	5,957	5,950	-	-	7
Payments Paid on Loans	(41,068)	-	-	-	(41,068)
Payments Received on Loans	31,985	-	-	-	31,985
Mortgages Issued	(1,968)	-	(1,968)	-	-
Transfer To Deferred Program Income	54,400	-	54,400	-	-
Fees Paid To ACIA	<u>(1,500)</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>
Net Cash Flows From Capital and Related Financing Activities	<u>47,806</u>	<u>5,950</u>	<u>50,932</u>	<u>-</u>	<u>(9,076)</u>
Change in Cash and Cash Equivalents	45,041	10,758	42,950	409	(9,076)
Cash and Cash Equivalents - Beginning of Year	<u>135,369</u>	<u>33,450</u>	<u>90,770</u>	<u>34</u>	<u>11,115</u>
Cash and Cash Equivalents - End of Year	<u>\$ 180,410</u>	<u>\$ 44,208</u>	<u>\$ 133,720</u>	<u>\$ 443</u>	<u>\$ 2,039</u>
Reconciliation To Statements of Net Position:					
Restricted Cash	<u>\$ 180,410</u>	<u>\$ 44,208</u>	<u>\$ 133,720</u>	<u>\$ 443</u>	<u>\$ 2,039</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	\$ 224,539	\$ 78,804	\$ 82,939	\$ 30,811	\$ 31,985
Increase/(Decrease) in Accounts Payable	(227,304)	(73,996)	(90,921)	(30,402)	(31,985)
Increase/(Decrease) in Due To Various Agencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (2,765)</u>	<u>\$ 4,808</u>	<u>\$ (7,982)</u>	<u>\$ 409</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, 2016

	CDBG 2001-2011 Entitlement	CDBG 2012 Entitlement	CDBG 2013 Entitlement	CDBG 2014 Entitlement	CDBG 2015 Entitlement	CDBG 2016 Entitlement	Small Cities	Program Income
CASH FLOWS FROM OPERATING ACTIVITIES:								
Grants	\$ 527,447	\$ 21,248	\$ 88,319	\$ 104,479	\$ 252,669	\$ -	\$ -	\$ -
Cash Paid To Subcontractors and Vendors	(522,639)	(21,248)	(87,111)	(104,479)	(252,669)	-	3,600	-
Net Cash Flows From Operating Activities	4,808	-	1,208	-	-	-	3,600	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Principal Payments Received on Mortgages	5,950	-	-	-	-	-	-	5,950
Net Cash Flows From Capital and Related Financing Activities	5,950	-	-	-	-	-	-	5,950
Change in Cash and Cash Equivalents	10,758	-	1,208	-	-	-	3,600	5,950
Cash and Cash Equivalents - Beginning of Year	33,450	-	-	-	-	-	4,158	29,292
Cash and Cash Equivalents - End of Year	44,208	-	1,208	-	-	-	7,758	35,242
Reconciliation To Statements of Net Position: Restricted Cash	44,208	-	1,208	-	-	-	7,758	35,242
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 78,804	\$ -	\$ (17,620)	\$ -	\$ 96,424	\$ -	\$ -	\$ -
	(73,996)	-	18,828	-	(96,424)	-	3,600	-
	4,808	-	1,208	-	-	-	3,600	-

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Grant Fund - HOME

For the year ended December 31, 2016

	1997 - 2011	2012	2013	2014	2015	2016	Program
	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Income
	County	County	County	County	County	County	
	HOME	HOME	HOME	HOME	HOME	HOME	
CASH FLOWS FROM OPERATING ACTIVITIES:							
Grants	\$ 35,932	\$ -	\$ 55,615	\$ 100,985	\$ 349,536	\$ -	\$ -
Cash Paid To Subcontractors and Vendors	(35,932)	-	(55,565)	(100,985)	(357,568)	-	-
Net Cash Flows From Operating Activities	-	-	50	-	(8,032)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Principal Payments Received on Mortgages	-	-	-	-	-	-	-
Transfer To Deferred Program Income	54,400	-	-	-	-	-	54,400
Mortgages Issued	(1,968)	-	-	-	-	-	(1,968)
Fees Paid To ACIA	(1,500)	-	-	-	-	-	(1,500)
Net Cash Flows From Capital and Related Financing Activities	50,932	-	-	-	-	-	50,932
Change in Cash and Cash Equivalents	42,950	-	50	-	(8,032)	-	50,932
Cash and Cash Equivalents - Beginning of Year	90,770	-	50	-	-	-	90,720
Cash and Cash Equivalents - End of Year	\$ 133,720	\$ -	\$ 100	\$ -	\$ (8,032)	\$ -	\$ 141,652
Reconciliation To Statements of Net Position:							
Restricted Cash	\$ 133,720	\$ -	\$ 100	\$ -	\$ (8,032)	\$ -	\$ 141,652
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	\$ 82,939	\$ 35,362	\$ 25,839	\$ -	\$ (14,194)	\$ -	\$ -
Increase/(Decrease) in Accounts Payable	(90,921)	(35,362)	(25,789)	-	6,162	-	-
	\$ (7,982)	\$ -	\$ 50	\$ -	\$ (8,032)	\$ -	\$ -

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

Statement of Cash Flows - Grant Fund - SSBG

For the year ended December 31, 2016

	<u>Total</u>	<u>SSBG Sandy Relief Funding</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants	\$ 113,693	\$ 113,693
Cash Paid To Subcontractors and Vendors	<u>(113,284)</u>	<u>(113,284)</u>
Net Cash Flows From Operating Activities	<u>409</u>	<u>409</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
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	409	409
Cash and Cash Equivalents - Beginning of Year	<u>34</u>	<u>34</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 443</u></u>	<u><u>\$ 443</u></u>
Reconciliation To Statements of Net Position: Restricted Cash	<u><u>\$ 443</u></u>	<u><u>\$ 443</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	\$ 30,811	\$ 30,811
Increase/(Decrease) in Accounts Payable	<u>(30,402)</u>	<u>(30,402)</u>
	<u><u>\$ 409</u></u>	<u><u>\$ 409</u></u>

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

Statement of Cash Flows - Grant Fund - Other

For the year ended December 31, 2016

	<u>Total</u>	<u>Economic Development</u>	<u>USDA/CDP Rental Rehab/Jobs Bill</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Grants	\$ 159,237	\$ 159,237	\$ -
Cash Paid To Subcontractors and Vendors	<u>(159,237)</u>	<u>(159,237)</u>	<u>-</u>
Net Cash Provided/(Used) By Operating Activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments Received on Mortgages	\$ 7	\$ -	\$ 7
Payments Paid on Loans	(41,068)	(31,985)	(9,083)
Payments Received on Loans	<u>31,985</u>	<u>31,985</u>	<u>-</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(9,076)</u>	<u>-</u>	<u>(9,076)</u>
Change in Cash and Cash Equivalents	(9,076)	-	(9,076)
Cash and Cash Equivalents - Beginning of Year	<u>11,115</u>	<u>-</u>	<u>11,115</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,039</u>	<u>\$ -</u>	<u>\$ 2,039</u>
Reconciliation To Statements of Net Position: Restricted Cash	<u>\$ 2,039</u>	<u>\$ -</u>	<u>\$ 2,039</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	\$ 31,985	\$ 31,985	\$ -
Increase/(Decrease) in Accounts Payable	<u>(31,985)</u>	<u>(31,985)</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, 2016, 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 7, 2017.

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 7, 2017
Toms River, New Jersey



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

To the Board of Commissioners
Atlantic County Improvement Authority

Report on Compliance for Each Major Federal

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, 2016. 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, 2016.

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 7, 2017
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, 2016**

Department/ Program Title	Federal CFDA Number	Federal FAIN Number	Program or Award Amount	Balance as of 12/31/2015	Receipts or Revenue Recognized	Disbursements/ Expenditures	Sub Recipient Expenditures	Balance as of 12/31/2016
US Department of Housing and Urban Development: Passed Through The County of Atlantic								
Home Investment Partnership Program (HOME):								
Home - Program Income - (not in totals - information only)			\$	-	\$ 3,468	\$ (3,468)	-	-
* Home Investment Partnership Act (HOME) - 1997-2011	14.239	M-09-DC-34-0229	\$ 5,998,327	-	35,932	(35,932)	-	-
* Home Investment Partnership Act (HOME) - 2013	14.239	M-09-DC-34-0229	\$ 431,531	-	55,615	(55,615)	-	-
* Home Investment Partnership Act (HOME) - 2014	14.239	M-09-DC-34-0229	\$ 451,181	-	100,985	(100,985)	-	-
* Home Investment Partnership Act (HOME) - 2015	14.239	M-09-DC-34-0229	\$ 432,792	-	349,536	(349,536)	-	-
Total Home Investment Partnership Act (HOME)				-	<u>542,068</u>	<u>(542,068)</u>	-	-
Community Development Block Grant Entitlement:								
Program Grant - 2001-2011	14.218	B-05-UC-34-0111	\$ 6,406,547	-	60,732	(60,732)	-	-
Program Grant - 2012	14.218	B-09-UC-34-0111	\$ 1,087,317	-	21,248	(21,248)	-	-
Program Grant - 2013	14.218	B-09-UC-34-0111	\$ 1,069,866	-	88,319	(88,319)	-	-
Program Grant - 2014	14.218	B-09-UC-34-0111	\$ 1,048,743	-	104,479	(104,479)	-	-
Program Grant - 2015	14.218	B-09-UC-34-0111	\$ 1,033,275	-	252,669	(252,669)	-	-
Total Community Development Block Grant Entitlement				-	<u>527,447</u>	<u>(527,447)</u>	-	-
US Department of Health and Human Services:								
Social Services Block Grant:								
Program Grant - 2015	93.667	00-1376-AAAC-2	\$ 668,282	-	113,693	(113,693)	-	-
Total Social Services Block Grant				-	<u>113,693</u>	<u>(113,693)</u>	-	-
Total Federal Financial Awards				\$ -	<u>\$ 1,183,208</u>	<u>\$ (1,183,208)</u>	\$ -	\$ -

* Denotes major programs

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2016

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. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule of federal awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards is presented on the budgetary basis of accounting. This basis of accounting is described in Note 2 to the Authority's basic financial statements.

Atlantic County Improvement Authority has not elected to use the 10% de minimis cost rate allowed by the Uniform Guidance.

NOTE 3: RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

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

	<u>Federal</u>
Grants	\$ 1,186,676
Less: Program Income	<u>(3,468)</u>
Total Financial Assistance	<u><u>\$ 1,183,208</u></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, 2016.

NOTE 6: LOAN GUARANTEES

At December 31, 2016, the Authority is not the guarantor of any loans outstanding.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
Schedule of Findings and Questioned Costs
For the year ended December 31, 2016

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes
Type of auditor’s report issued on compliance for major programs:	<u>Unmodified</u>
Internal Control over major programs:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 - Uniform Guidance § 200-516?	None Reported

Identification of major programs

CFDA Number(s)	FAIN Number(s)	Name of Federal Program or Cluster
14.239	M-09-DC-34-0229	Home Investment Partnership Program

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
Schedule of Findings and Questioned Costs (continued)
For the year ended December 31, 2016

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 Expenditures and Findings and Questioned Costs

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

No Current Year Findings

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
Summary Schedule of Prior Year Audit Findings and Questioned Costs
For the year ended December 31, 2016

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



HOLMAN | FRENIA
ALLISON, P.C.

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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, 2016. 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*.

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.

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 7, 2017
Toms River, New Jersey