

PASSAIC COUNTY IMPROVEMENT AUTHORITY

COUNTY OF PASSAIC, NEW JERSEY

REPORT OF AUDIT

YEAR ENDED DECEMBER 31, 2011

PASSAIC COUNTY IMPROVEMENT AUTHORITY

TABLE OF CONTENTS

DECEMBER 31, 2011

		<u>Page</u>
<u>Introductory Section</u>		
Letter of Transmittal		1-3
Officials in Office		4
<u>Financial Section</u>		
Independent Auditor's Report		5-6
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		7-8
Required Supplementary Information Management's Discussion and Analysis		9-11
	<u>Exhibit</u>	
<u>Financial Statements</u>		
Comparative Combining Statement of Net Assets	A	12
Comparative Combining Statement of Revenues, Expenses and Changes in Net Assets	B	13
Comparative Combining Statement of Cash Flows	C	14
<u>Notes to Financial Statements</u>		15-27
	<u>Schedule</u>	
<u>Supplementary Information</u>		
Statement of Net Assets – Unrestricted Fund	1	28
Statement of Net Assets – Restricted Fund by Program	2	29-30
Statement of Revenues, Expenses and Changes in Net Assets – Unrestricted Fund	3	31
Statement of Revenues, Expenses and Changes in Net Assets - Restricted Fund by Program	4	32-33
<u>General Comments and Recommendations</u>		34-35

INTRODUCTORY SECTION

PASSAIC COUNTY IMPROVEMENT AUTHORITY
401 Grand Street
Paterson, New Jersey 07505

May 10, 2012

To the Board of Commissioners
Passaic County Improvement Authority
Paterson, New Jersey

The comprehensive annual financial report (CAFR) of the Passaic County Improvement Authority ("Authority") for the year ended December 31, 2011 is submitted herewith. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation including all disclosures, rests with Authority management. We believe that the data presented is accurate in all material respects; that the report is presented in a manner designed to fairly set forth the results of operations of the Authority as measured by the financial activity of its funds; that the report fairly presents the financial position of the Authority for the year then ended; and that all disclosures necessary to enable the reader to gain a maximum understanding of the Authority's financial activities have been included.

The CAFR is presented in two main sections:

1. **Introductory Section:** Provides information on the contents of the report, this transmittal letter and the Authority's organizational structure.
2. **Financial Section:** Includes the auditor's opinion, management discussion and analysis, basic financial statements and other supplemental information.

Profile of the Government

In the nine (9) years since the Board of Chosen Freeholders created the Passaic County Improvement Authority, the Authority has financed over one hundred thirty million dollars of capital projects in Passaic County, significantly reducing interest, financing and debt service costs to taxpayers. Entities served include the County, health care facilities and non-profit entities.

Organization of Structure

The Passaic County Improvement Authority consists of a Chairman, a Vice-Chairman, Secretary/Treasurer and two (2) other Commissioners. Since 2007, the Improvement Authority employed an Executive Director.

Overview of Services

Our professional finance team constantly monitors the public bond markets for fluctuations that create refunding opportunities to generate present value savings of at least 3% for our borrowers. Presently this percentage savings has been established as a minimum by the Local Finance Board, Department of Community, State of New Jersey.

The Authority has unique capabilities when navigating the public bond markets on behalf of municipalities, school districts and local utility authorities. Our ability to conduct negotiated bond sales often results in significant savings, even as the bonds are being priced. The ability to pool the needs of different government entities not only generates issuance costs savings through economies of scale; it also creates bond sales of a size and of terms attractive to institutional investors. Local governments and school districts are able to take advantage of Passaic County's good name and excellent credit rating to achieve lower interest rates.

Future Plans

The Authority has several financings planned for 2012 and is hopeful that additional project financing requests are presented for their consideration.

Financial Information

Internal Controls

In developing and evaluating the Authority's accounting system, an important consideration is the overall adequacy of internal controls. Internal controls are designed to provide the Authority management with reasonable (but not absolute) assurance regarding (a) the safeguarding of assets against loss from unauthorized use or disposition, and (b) the overall reliability of the financial records for preparing financial statements and for maintaining accountability and control over the Authority's assets.

The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of cost and benefits requires estimates and judgment by management.

Financial Operating Results

The management discussion and analysis that follows, summarizes and reviews the Authority's financial operations.

Independent Audit

The Authority is required to have an annual audit of the books of account, financial records, and transactions conducted by independent certified public accountants selected by the Board of Commissioners. This requirement has been complied with. The independent auditors' report on the 2011 fiscal year financial statements of the Authority has been included in the financial section of this report.

Acknowledgment

In closing, preparation of the report would not have been possible without the leadership and support of the fellow Commissioners, our attorney and the entire professional team.

PASSAIC COUNTY IMPROVEMENT AUTHORITY

OFFICIALS IN OFFICE

DECEMBER 31, 2011

The following were in office at December 31, 2011:

Members of the Authority

Dennis F. Marco	Chairman	March 2016
Wayne Alston	Vice Chairman	March 2012
Joseph C. Petriello, Esq.	Commissioner	March 2013
Michael R. F. Bradley	Commissioner	March 2014
Russell J. Bleecker	Secretary/Treasurer	March 2010

Other Officials

Nicole S. Fox	Executive Director
Peter A. Tucci, Jr.	Attorney
Wilentz, Goldman & Spitzer	Bond Counsel
Samuel Klein and Company	Independent Auditors
PNC Bank	Depository
Capital One	Depository
TD Wealth Management	Trustee
U.S. Bank Corporate Services	Trustee
N W Financial Group, LLC	Financial Advisor

FINANCIAL SECTION

SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

550 BROAD STREET, 11TH FLOOR
NEWARK, N.J. 07102-4543
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 301
FREEHOLD, N.J. 07728-2291
PHONE (732) 780-2600
FAX (732) 780-1030

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the
Passaic County Improvement Authority
County of Passaic, New Jersey

We have audited the accompanying financial statements of the Passaic County Improvement Authority (the "Authority"), County of Passaic, State of New Jersey, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements and schedules are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audit.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 9 through 11 is not a required part of the basic financial statement but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority, taken as a whole. The information included in the introductory section and supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements, but is presented as additional analytical data as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Walter Ryglicki
Certified Public Accountant
Registered Municipal Accountant #408



SAMUEL KLEIN AND COMPANY

Newark, New Jersey
May 10, 2012

SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

550 BROAD STREET, 11TH FLOOR
NEWARK, N.J. 07102-4543
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 301
FREEHOLD, N.J. 07728-2291
PHONE (732) 780-2600
FAX (732) 780-1030

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

Honorable Chairman and Members of the
Passaic County Improvement Authority
County of Passaic, New Jersey

We have audited the financial statements of the Passaic County Improvement Authority, County of Passaic, State of New Jersey (the "Authority"), as of and for the year ended December 31, 2011, and have issued our report thereon dated May 10, 2012. 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.

Internal Control Over Financial Reporting

Management of the Passaic County Improvement Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

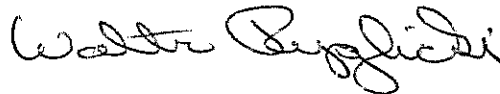
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or materially weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and members of the Authority's Board; and for filing with the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and is not intended to be and should not be used by anyone other than these specified parties.



Walter Ryglicki
Certified Public Accountant
Registered Municipal Accountant #408



SAMUEL KLEIN AND COMPANY

Newark, New Jersey
May 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Passaic County Improvement Authority's ("Authority") annual financial report, the management of the Authority provides narrative discussion and analysis of the financial activities of the Authority for the audit year ending December 31, 2011.

The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes following this section.

Discussion of Financial Statements Included in Annual Audit

The Authority prepares and presents its financial statements on several different bases, because of accounting requirements and for internal use purposes.

The first set of statements which consist of the Comparative Statement of Net Assets, the Comparative Statement of Revenues, Expenses and Changes in Net Assets, and the Comparative Statement of Cash Flows is prepared on an accrual basis and is in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. These statements are the official financial statements of the Passaic County Improvement Authority.

After the first set of statements and the "Notes to the Financial Statements" that follow is the second set of statements. These statements are considered "Supplemental Information".

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the official statements of the Passaic County Improvement Authority, those prepared on an accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. This is the first set of statements included in the annual audit report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Statement of Net Assets

The Passaic County Improvement Authority's Total Assets were \$190,189,105. Total liabilities were \$189,818,862. Assets exceed liabilities by \$370,243.

The Passaic County Improvement Authority's Net Assets of \$370,243 are comprised of the following:

	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Total Current Assets	\$ 839,418	\$ 944,800
Total Restricted Assets	185,563,165	187,022,079
Deferred Charges - Bond Issuance Costs	<u>3,786,522</u>	<u>3,954,541</u>
 Total Assets	 <u>\$ 190,189,105</u>	 <u>\$ 191,921,420</u>
 Total Current Liabilities Payable from Unrestricted Assets	 \$ 49,663	 \$ 47,834
Total Current Liabilities Payable from Restricted Assets	18,255,743	16,420,647
Long Term Bonds Payable - Net	<u>171,513,456</u>	<u>174,993,391</u>
 Total Liabilities	 <u>\$ 189,818,862</u>	 <u>\$ 191,461,872</u>
 Net Assets - Unrestricted	 <u>\$ 370,243</u>	 <u>\$ 459,548</u>
 Total Net Assets	 <u>\$ 370,243</u>	 <u>\$ 459,548</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Statement of Revenues, Expenses and Changes in Net Assets

Total Net Assets as of December 31, 2011 were \$370,243.

	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Total Operating Revenues	\$ 7,112,246	\$ 6,650,806
Total Operating Expenses	\$ 6,986,482	\$ 6,250,566
Operating Income	\$ 125,764	\$ 400,240
Non-Operating Revenues/ (Expenses) - Net	\$ (215,069)	\$ (157,603)
Change in Net Assets	(89,305)	242,637
Net Assets, Beginning	459,548	216,911
Net Assets, Ending	<u>\$ 370,243</u>	<u>\$ 459,548</u>

Statement of Cash Flows

Net decrease in Cash and Cash Equivalents is \$17,969,830.

FINANCIAL STATEMENTS

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2011 AND 2010

	2011			2010		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
ASSETS						
Current assets:						
Cash and Cash Equivalents	\$ 398,108	\$	\$ 398,108	\$ 511,475	\$	\$ 511,475
Prepaid Expenses	2,827		2,827	955		955
Accounts Receivable	21,204		21,204			
Other current assets	374,982		374,982		417,155	417,155
Due from municipalities	40,064		40,064		9,661	9,661
Interfund receivable	15,114	(12,881)	2,233		13,629	5,554
Total current assets	422,139	430,160	899,418	512,430	440,445	944,800
Restricted Cash and Cash Equivalents		17,323,535	17,323,535		35,179,996	35,179,996
Restricted net investment in direct financing leases, less construction costs to be incurred of \$4,543,178 and \$24,300,338 in 2011 and 2010 respectively		168,239,630	168,239,630		151,842,083	151,842,083
Non-current assets:						
Bond issuance costs, less accumulated amortization		3,786,522	3,786,522		3,954,541	3,954,541
Total assets	\$ 422,139	\$ 189,779,847	\$ 190,199,105	\$ 512,430	\$ 191,417,065	\$ 191,921,420
LIABILITIES						
Current liabilities:						
Current portion of bonds payable	\$	\$ 3,589,715	\$ 3,589,715	\$	\$ 3,403,233	\$ 3,403,233
Due to municipalities/counties		3,346,586	3,346,586		2,737,314	2,737,314
Accrued expenses and other current liabilities	49,653	11,317,209	11,366,872	47,834	10,274,546	10,322,380
Interfund payable	2,233	12,881	2,233	5,048	8,591	5,554
Total current liabilities	51,896	18,266,391	18,305,406	52,882	16,423,674	16,468,481
Noncurrent liabilities:						
Bonds payable, net of current portion, and unamortized original issue premium/discount		171,513,456	171,513,456		174,993,391	174,993,391
Total liabilities	51,896	189,779,847	189,818,862	52,882	191,417,065	191,461,872
NET ASSETS						
Net assets	\$ 370,243	\$ -	\$ 370,243	\$ 459,548	\$ -	\$ 459,548

See Notes to Financial Statements.

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

	2011		2010		Total
	Unrestricted Fund	Restricted Fund	Unrestricted Fund	Restricted Fund	
Operating Revenues:					
Administrative	\$ 162,738	\$ 1,301	\$ 164,039	\$ 87,092	\$ 507,423
Development and financial assistance		6,948,207	6,948,207	6,143,383	6,143,383
Total operating revenues	162,738	6,949,508	7,112,246	6,230,475	6,650,806
Operating Expenses:					
Administrative	214,098	167,240	381,338	190,318	369,266
Interest, net		6,605,144	6,605,144	5,881,300	5,881,300
Total operating expenses	214,098	6,772,384	6,986,482	6,071,618	6,250,566
Operating income/(loss)	(51,360)	177,124	125,764	158,857	400,240
Nonoperating revenues/(expenses):					
Contributed Capital	(39,401)		(39,401)		(158,857)
Amortization of costs of issuance		(177,124)	(177,124)	(158,857)	1,239
Interest on investments	1,456		1,456	1,239	15
Miscellaneous					
Total non-operating revenues (expenses)	(37,945)	(177,124)	(215,069)	(158,857)	(157,603)
Change in net assets	(89,305)		(89,305)	242,637	242,637
Net assets, beginning	459,548	-	459,548	216,911	216,911
Net assets, ending	\$ 370,243	\$ -	\$ 370,243	\$ 459,548	\$ 459,548

See Notes to Financial Statements.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
 COMPARATIVE COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

	2011			2010		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
Cash flows from operating activities:						
Changes in net assets	\$ (89,305)	\$ -	\$ (89,305)	\$ 242,637	\$ -	\$ 242,637
Adjustments to reconcile revenues over/(under) expenses to net cash provided by operating activities:						
Depreciation and amortization		177,124	177,124		158,857	158,857
Amortization of bond discounts/premiums		(117,588)	(117,588)		(16,816)	(16,816)
Changes in assets and liabilities:						
(Increase)/decrease in prepaid expenses	(1,872)		(1,872)	328		328
(Increase)/decrease in Accounts Receivable	(21,204)		(21,204)		(52,693)	(52,693)
Increase/(decrease) in due to/from municipalities/county	639,675		639,675	3,855	(282,783)	(278,928)
(Increase)/decrease in other current assets	42,173		42,173		1,813,948	1,813,948
Decrease/(Increase) in restricted bonds receivable				(21,692)	7,465,603	7,443,911
Increase/(decrease) in accrued expenses and other liabilities	1,829	5,915,208	5,917,037		1,804,622	1,804,622
Increase/(decrease) in capitalized interest payable		(1,309,049)	(1,309,049)			
Increase/(decrease) in interfund payables	(2,815)		(2,815)	1,253		1,253
Net cash provided by operating activities	(113,367)	5,347,543	5,234,175	226,381	10,890,738	11,117,119
Cash flows provided by/(used in) investing activities:						
Issuance in restricted bonds receivable					61,843,500	61,843,500
Net cash (used in)/provided by investing activities	-	-	-	-	61,843,500	61,843,500
Cash flows from financing activities:						
Payment of bonds payable		(3,403,223)	(3,403,223)		(2,589,459)	(2,589,459)
Proceeds utilized for project costs		(19,800,780)	(19,800,780)		(46,946,856)	(46,946,856)
Net cash provided by/(used in) financing activities		(23,204,003)	(23,204,003)		(49,536,315)	(49,536,315)
Net increase/(decrease) in cash and cash equivalents	(113,367)	(17,856,460)	(17,969,828)	226,381	23,197,923	23,424,304
Cash and cash equivalents, beginning of year	511,475	35,179,996	35,691,471	285,094	11,982,073	12,267,167
Cash and cash equivalents, end of year	\$ 398,108	\$ 17,323,536	\$ 17,721,643	\$ 511,475	\$ 35,179,996	\$ 35,691,471
Reconciliation to balance sheet:						
Cash and cash equivalents - Unrestricted	\$ 398,108	\$ -	\$ 398,108	\$ 511,475	\$ -	\$ 511,475
Cash and cash equivalents - Restricted		17,323,535	17,323,535		35,179,996	35,179,996
	\$ 398,108	\$ 17,323,535	\$ 17,721,643	\$ 511,475	\$ 35,179,996	\$ 35,691,471

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. **REPORTING ENTITY**

The Passaic County Improvement Authority (the "Authority") is a political subdivision of the State of New Jersey. The Authority has the power to acquire, construct, renovate and install any "public facility", to issue its bonds, notes or other obligations to finance the costs of such public facility and to purchase bonds.

The Authority's primary activities consist of the administration and further development of financings to provide local government units, including the County with funds for the acquisition, construction renovation or installation of any public facility.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Basis of Financial Statements**

The financial statements of the Authority have been prepared on the accrual basis of accounting with certain elimination entries, in accordance with governmental accounting standards applicable to local government units. The Authority's operations are segregated into unrestricted operations, which include operating the Authority, development and financial assistance functions and administrative functions, and restricted operations of the Authority, which include the administration of the various financing programs for the local government units. All significant interfund balances and transactions have been eliminated for the purpose of financial reporting.

B. **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 estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C. **Unrestricted – Cash, Cash Equivalents and Investments**

Cash includes petty cash, change funds, cash in banks, savings accounts, money markets, or highly liquid securities with a maturity date of three (3) months or less at the time of purchase which may be withdrawn at any time without prior notice or penalty. Cash equivalents are defined as short-term, highly liquid securities that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with original maturities of three (3) months or less meet this definition. For the Statements of Cash Flows the Authority includes all cash, cash equivalents and investments.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Restricted – Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments are stated at cost, which approximates market. These assets are restricted for the future redemption of bonds payable and future investments in direct financing leases. Restricted cash, cash equivalents and investments are principally held in interest bearing bank accounts or U. S. Government obligations, and are held by independent trustees.

E. Inventory

At December 31, 2011, the Authority had no inventory.

F. Capital Assets

At December 31, 2011, the Authority had no Capital Assets.

G. Bond Issuance Costs

Bond issuance costs are stated at cost less accumulated amortization. Amortization is provided over the lives of the bonds (15 to 30 years).

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Authority classifies certificates of deposit that have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Cash and Cash Equivalents

New Jersey statutes require Authorities to deposit public funds in public depositories that are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Authorities may also deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents (Continued)

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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

Investments

New Jersey statutes permit the Authority to purchase the following types of securities:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments, New Jersey State Department of Treasury.
- Local government investment pools.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

New Jersey statutes and the various participant's Bond Resolutions authorize the Authority to invest in obligations which are obligations of or guaranteed by the Federal Government and certain State managed funds whose investments are primarily in federal securities and certain banking institutions. As indicated by GASB #3 as amended by GASB #40, all securities with a maturity date of more than three (3) months from the date of purchase are deemed to be investments of the Authority.

At December 31, 2011, the Authority's total cash, cash equivalents and investments are as follows:

Unrestricted	\$ 398,108
Restricted	<u>17,323,535</u>
	<u>\$ 17,721,643</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

4. RESTRICTED NET INVESTMENT IN DIRECT FINANCING LEASES

The Authority issued bonds (Refer to Note 5) to finance the acquisition, construction and renovation of certain capital improvements on behalf of local government units. The Authority then leased such capital assets to the local government units and the County of Passaic. The leases are accounted for as direct financing leases with payment terms parallel to the bond debt service requirements. The restricted investment in direct financing leases represents the future minimum lease payments receivable less the cost to be incurred in connection with the construction of the capital improvements at December 31, 2011.

Future minimum lease payments to be received for the next five (5) years and every five (5) years thereafter under direct financing leases are as follows:

	<u>Restricted</u>
Next five (5) years:	
2012	\$ 3,591,501
2013	4,342,178
2014	4,520,531
2015	4,940,727
2016	5,148,834
	<u>22,543,771</u>
Thereafter:	
2017	5,355,705
2018	5,813,625
2019	6,048,524
2020	6,400,767
2021	6,677,342
	<u>30,295,963</u>
2022	7,152,401
2023	7,458,594
2024	8,243,636
2025	6,937,508
2026	6,782,366
	<u>36,574,505</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

4. **RESTRICTED NET INVESTMENT IN DIRECT FINANCING LEASES**
(CONTINUED)

	<u>Restricted</u>
2027	\$ 7,172,541
2028	7,106,148
2029	7,428,002
2030	7,780,428
2031	7,837,380
	37,324,499
2032	8,001,442
2033	8,392,077
2034	8,803,960
2035	8,781,243
2036	2,725,000
	36,703,722
2037	1,365,000
2038	1,435,000
2039	1,505,000
2040	1,585,000
2041	1,660,000
	7,550,000
2042	1,745,000
	1,745,000
Total Minimum Obligation	\$ 172,737,460
Less: Construction Costs to be Incurred	\$ 4,497,830
	\$ 168,239,630

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

5. **LONG TERM DEBT**

The detail of bonds payable as of December 31, 2011 is as follows:

Bonds Payable:

\$6,000,000 Prosecutors Office Improvements Bonds, Series 2005 (Net of unamortized premium of \$15,616)	\$ 4,875,616
\$18,370,000 Parking Facility Revenue Bonds, Series 2005 A&B (Net of unamortized premium/discount of \$141)	17,185,141
\$65,000,000 Preakness Healthcare Facility, Series 2005 (Net of unamortized premium of \$1,767,733)	61,672,733
\$22,960,000 Preakness Healthcare Facility, Series 2006 (Net of unamortized premium of \$297,551)	21,977,204
\$8,587,000 Capital Equipment Lease Bonds, Series 2009 (Net of unamortized premium of \$302,015)	8,654,015
\$21,931,500 Yeshiva K'Tana Revenue Refunding Series 2010	21,248,807
\$29,620,000 200 Hospital Plaza Corporation Project Series 2010 (Net of unamortized premium of \$522,430)	30,142,430
\$10,292,000 Recovery Zone Project Series 2010 (Net of unamortized premium of \$57,586)	<u>9,944,586</u>
	\$ 175,700,532
Less:	
Current Portion	<u>3,589,715</u>
Long Term Portion	<u><u>\$ 172,110,817</u></u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

5. LONG TERM DEBT (CONTINUED)

- (A) The \$6,000,000 Prosecutors Office Building Improvements Project Lease Revenue Bonds, Series 2005, were issued to (i) provide funds for the renovation of a building which shall serve as a consolidated location from which the governmental functions of the County of Passaic Prosecutor are carried out, (ii) provide funds for the costs of issuance, and (iii) to provide funds for capitalized interest.

The remaining bonds are payable in annual installments ranging from \$255,000 in 2012 to \$450,000 in 2025. The bonds bear interest at rates ranging from 4% to 5%.

The bonds maturing on or after December 15, 2016 are subject to redemption prior to maturity at the option of the Authority, with consent of the County, on or after April 15, 2015.

- (B) The \$18,370,000 Parking Facility Revenue Bonds, Series 2005 (Paterson Parking Deck Project) are comprised of:

The \$14,535,000 Series A (tax exempt) bonds are payable in annual installments ranging from \$345,000 in 2012 to \$565,000 in 2025 at interest rates ranging from 3.4% to 4.5%.

The \$3,835,000 Series B (taxable) bonds are payable in annual installments ranging from \$80,000 in 2012 to \$155,000 in 2025 at interest rates ranging from 4.83% to 5.375%.

The Bonds were issued to (i) finance a portion of the cost of an approximately 950 space parking garage and connecting walkway with Passaic County Community College, (ii) fund capitalized interest, (iii) fund the Bond Reserve Fund, (iv) provide for costs of issuance and (v) reimburse the Paterson Parking Authority.

The Bonds maturing on or after April 15, 2016 are subject to redemption prior to maturity on or after April 15, 2015.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

5. LONG TERM DEBT (CONTINUED)

- (C) The \$65,000,000 Preakness Healthcare Center Expansion Project Lease Revenue Bonds, Series 2005 were issued to provide funds to finance (i) renovation and expansion of Preakness Healthcare Center (ii) capitalized interest and (iii) the payment of certain costs of issuance.

The remaining Bonds are payable in annual installments ranging from \$1,385,000 in 2012 to \$4,135,000 in 2035. The Bonds bear interest at rates ranging from 3.4% to 5%.

The Bonds maturing on or after May 1, 2016 are subject to redemption prior to maturity on or after May 1, 2015.

- (D) The \$22,960,000 Preakness Healthcare Center Expansion Project Lease Revenue Bonds, Series 2006 were issued to provide additional funds necessary to complete the expansion of the Preakness Healthcare Center.

The remaining Bonds are payable in annual installments ranging from \$485,000 in 2012 to \$1,425,000 in 2036. The Bonds bear interest at rates ranging from 4% to 5%.

The Bonds maturing on or after May 1, 2017 are subject to redemption prior to maturity on or after May 1, 2016.

- (E) The \$8,587,000 Capital Equipment Lease Bonds Series 2009 were issued to provide funds to finance capital equipment for certain municipal local units.

The remaining bonds are payable in annual installments ranging from \$90,000 in 2012 to \$1,075,000 in 2023. The bonds bear interest at rates ranging from 4.25% to 5.5% and a term bond of \$1,587,000 at 5.5% due October 1, 2025.

- (F) The \$21,931,500 Yeshiva K'Tana Revenue Refunding Series 2010 were issued to finance outstanding loans of entity.

The remaining bonds are payable on a monthly basis from \$45,346.98 on January 1, 2012 to \$111,963.27 on September 5, 2035.

- (G) The \$29,620,000 200 Hospital Plaza Corporation Project Series 2010 were issued to finance the construction of a parking facility.

The remaining bonds are payable in annual installments ranging from \$575,000 in 2013 to \$1,745,000 in 2042. The bonds bear interest at rates ranging from 2% to 5%.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

5. LONG TERM DEBT (CONTINUED)

(H) The \$10,292,000 Recovery Zone Project (Taxable) Series 2010 were issued to finance various municipal and county capital projects.

The remaining bonds are payable in annual installments ranging from \$199,000 to \$813,000. The bonds bear interest rates of 1.91% to 6.54%.

The participants of this project will be receiving federal subsidy of 45% for semi-annual interest payments.

There are direct financing leases with participants that have parallel repayment terms to provide the funds for this indebtedness (Refer to Note 4). The aggregate maturities of bonds payable for the next five (5) years and every five (5) years thereafter are as follows:

	<u>Restricted</u>
Next five (5) years:	
2012	\$ 3,591,501
2013	4,342,178
2014	4,520,531
2015	4,940,727
2016	5,148,834
	<u>22,543,771</u>
Thereafter:	
2017	5,355,705
2018	5,813,625
2019	6,048,524
2020	6,400,767
2021	6,677,342
	<u>30,295,963</u>
2022	7,152,401
2023	7,458,594
2024	8,243,636
2025	6,937,508
2026	6,782,366
	<u>36,574,505</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

5. LONG TERM DEBT (CONTINUED)

	Restricted
2027	\$ 7,172,541
2028	7,106,148
2029	7,428,002
2030	7,780,428
2031	7,837,380
	37,324,499
2032	8,001,442
2033	8,392,077
2034	8,803,960
2035	8,781,243
2036	2,725,000
	36,703,722
2037	1,365,000
2038	1,435,000
2039	1,505,000
2040	1,585,000
2041	1,660,000
	7,550,000
2042	1,745,000
	1,745,000
Total Minimum Obligation	\$ 172,737,460
Less: Current Portion of Long Term Debt	3,589,715
Add: Unamortized Original Issue Discount/Premium	2,365,711
	\$ 171,513,456

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

6. **PENSION PLAN/POST EMPLOYMENT RETIREMENTS BENEFITS**

Plan Description

The Authority had one employee during 2011. The Authority is a participant in the Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Division of Pensions in the Department of the Treasury, State of New Jersey. The plan provides retirement, death, disability benefits and medical benefits to certain qualifying plan members and beneficiaries. The Public Employees' Retirement System was established January 1, 1955 under the provisions of N.J.S.A. 43:15A. The Public Employees' Retirement System issues publicly available financial reports that include financial statements and required supplementary information. This report may be obtained by writing to the State of New Jersey, Division of Pensions.

The pension contribution and withholding for the last three (3) years are as follows:

<u>Year</u>	<u>Amount</u>	
	<u>Employer</u>	<u>Employee</u>
2011	\$ 9,986	\$ 5,918 *
2010	Not Determined	7,370 *
2009	Not Determined	7,370 *

* Includes back deductions

7. **POST EMPLOYMENT RETIREMENT BENEFITS**

The Authority had no Post Employment Retirement Benefit expense and currently does not expect to provide its employees' with any post-employment retirement benefits.

8. **ACCRUED SICK DAY AND VACATION BENEFITS**

The Authority accounts for accrued sick and vacation benefits under the terms defined in the Executive Director's contract.

Accrued Sick Days

Sick days accumulated at the rate of one and quarter (1¼) per month. Any amount of sick days allowance not used in the fiscal year shall accumulate to the individual's credit. From year to year to be used if and when needed. Upon termination of employment, unused sick days may be paid up to half of the accumulated time at the then per diem rate with the payment not to exceed \$12,000.00.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

8. ACCRUED SICK DAY AND VACATION BENEFITS (CONTINUED)

Vacations

Vacation pay accumulated at the rate of one and quarter (1¼) per month. Upon the end of employment, the individual will be entitled to payment for any unused vacation days.

The accrued sick days and vacation benefits for the year ended December 31, 2011 financial statements included an liability for accrued sick and vacation days of \$14,783.

9. COMMITMENTS AND CONTINGENCIES – PERSONNEL

The Authority may be a party to various legal proceedings. Based upon inquiry of management and direct confirmation from the Authority Attorney, no litigation is pending.

10. INTERLOCAL AGREEMENT

During 2010 the Authority renewed an Interlocal Agreement for services related to payroll services and benefits for its employees with the County of Passaic. This agreement will automatically terminate on or about June 30, 2014 but either party may terminate upon thirty (30) days written notice.

11. LEASE – OFFICE SPACE

For 2011 the Authority is reviewing the current agreement for the leased office space with the County of Passaic. The lease is subject to renewal annually.

12. INTERNAL REVENUE SERVICE ARBITRAGE REBATE LIABILITY

On the fifth (5th) anniversary date of the issuance of any bond, a review shall be conducted to determine if the bond proceeds have been expended in accordance with IRS regulations. If said bond proceeds have not been expended in accordance with said regulation, an arbitrage rebate calculation must be performed. If the arbitrage rebate calculation results in an amount due and is filed late, penalties and interest could be added to the obligation. Currently, the PCIA has several bond issues which have been reviewed for rebate and no liability exists.

13. CAPITAL CONTRIBUTION

During 2011, the Authority expended or advanced \$39,401 for a renewable energy project. In addition, there is approximately \$15,000 for legal services rendered in connection with this project that have not been expended. The Authority can recover the amount expended and owing should the project be completed.

SUPPLEMENTARY INFORMATION

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011
UNRESTRICTED FUND

<u>ASSETS</u>	<u>Total Administrative</u>
Current assets:	
Cash and Cash Equivalents	\$ 398,108
Accounts Receivable	21,204
Prepaid Expenses	<u>2,827</u>
Total current assets	<u>422,139</u>
Total assets	<u>\$ 422,139</u>
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Current liabilities:	
Accrued expenses and other current liabilities	\$ 49,663
Interfund payable	<u>2,233</u>
Total current liabilities	<u>\$ 51,896</u>
Total liabilities	<u>\$ 51,896</u>
Net Assets:	
Unrestricted	<u>\$ 370,243</u>
Total net assets	<u>\$ 370,243</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011
RESTRICTED FUND BY PROGRAM

		<u>Preakness Healthcare Center Expansion Project Lease Revenue Bonds, Series 2005</u>	<u>Parking Facility Revenue Bonds Palerson Parking Project Series 2005</u>	<u>Prosecutor's Office Building Improvement Project Lease Revenue Bonds, Series 2005</u>	<u>Preakness Healthcare Center Expansion Project Lease Revenue Bonds, Series 2006</u>	<u>County Guaranteed Governmental Loan Revenue Bonds, Series 2009</u>	<u>Treasurer's Account</u>
ASSETS							
Current assets:							
Other current assets	\$						
Interfund receivable					12,881	98,920	2,233
Total current assets					<u>12,881</u>	<u>98,920</u>	<u>2,233</u>
Restricted cash and cash equivalents		2,654,940	14,520	257,054	3,241,886	14	
Restricted net investment in direct financing leases (Costs to be incurred)/earnings utilized		59,905,000	17,185,000 (574,506)	4,860,000 (385,206)	21,625,000 (2,657,320)	8,352,000	
Net restricted net investments in direct financing leases		<u>59,905,000</u>	<u>16,610,494</u>	<u>4,474,794</u>	<u>18,967,680</u>	<u>8,352,000</u>	
Deferred costs:							
Bond issuance costs, less accumulated amortization		842,413	826,252	225,199	600,099	302,015	
Total assets	\$	<u>63,402,353</u>	<u>17,451,266</u>	<u>4,957,047</u>	<u>22,822,546</u>	<u>8,752,949</u>	<u>2,233</u>
LIABILITIES							
Current liabilities:							
Current portion of bonds payable	\$	1,385,000	425,000	255,000	485,000	160,000	\$
Accrued interest on bonds		479,454	166,588	8,791	163,524	98,920	
Due to municipalities/counties		1,213,285	99,538	72,641	1,318,672	14	
Accrued expenses and other current liabilities		24,000			12,900		2,233
Reserve for Fees							
Interfund payable		12,881					
Total current liabilities		<u>3,114,619</u>	<u>691,126</u>	<u>336,432</u>	<u>1,980,096</u>	<u>258,934</u>	<u>2,233</u>
Non-current liabilities:							
Bonds payable, net of current portion, and unamortized original issue premium/discount		60,287,733	16,760,141	4,620,616	20,842,450	8,494,015	
Total liabilities	\$	<u>63,402,353</u>	<u>17,451,266</u>	<u>4,957,047</u>	<u>22,822,546</u>	<u>8,752,949</u>	<u>2,233</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011
RESTRICTED FUND BY PROGRAM

	Revenue Refunding Yeshiva K'Tana Series 2010	200 Hospital Plaza Corporation Project Series 2010	Recovery Zone Project Series 2010	Total Restricted Funds
ASSETS				
Current assets:				
Other current assets	\$ 54,008	\$ 25	\$ 222,030	\$ 374,982
Due from municipalities	21,931		18,133	40,064
Interfund receivable				15,114
Total current assets	75,938	25	240,164	430,160
Restricted cash and cash equivalents		11,132,028	23,094	17,323,535
Restricted net investment in direct financing leases (Costs to be incurred)/Earnings utilized	21,248,807 (438,617)	29,620,000 (281,690)	9,987,000 (205,840)	172,782,807 (4,543,178)
Net restricted net investments in direct financing leases	20,810,191	29,338,310	9,781,160	168,239,630
Deferred costs:				
Bond issuance costs, less accumulated amortization	416,686	374,605	199,253	3,786,522
Total assets	\$ 21,302,815	\$ 40,844,958	\$ 10,243,670	\$ 189,779,847
LIABILITIES				
Current liabilities:				
Current portion of bonds payable	\$ 566,715		\$ 313,000	\$ 3,589,715
Accrued interest on bonds	54,008		222,030	1,193,314
Due to municipalities/counties		642,437		3,346,896
Capitalized interest payable		414,573		414,573
Deferred Revenue		9,577,963	92,226	9,670,189
Accrued expenses and other current liabilities				36,900
Reserve for Fees				2,233
Interfund payable				12,881
Total current liabilities	620,722	10,634,973	627,256	18,266,391
Non-current liabilities:				
Bonds payable, net of current portion, and unamortized original issue premium/discount	20,662,092	30,209,995	9,616,414	171,513,456
Total liabilities	\$ 21,302,815	\$ 40,844,958	\$ 10,243,670	\$ 189,779,847

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNRESTRICTED FUND

	<u>Total Administrative</u>
Operating Revenues:	
Administrative:	
2005 Preakness Healthcare Center Expansion Project	\$ 30,620
2005 Paterson Parking Project	22,595
2005 Prosecutor's Office Building Improvement Project	4,860
2006 Preakness Healthcare Center Expansion Project	21,625
2010 Revenue Refunding -Yeshiva K'Tana	21,203
2010 200 Hospital Plaza Corporation Project	39,551
2010 Recovery Zone Project	11,987
2010 Bank Program	8,250
Application Fees	2,048
Total administrative	162,738
Total operating revenues	162,738
Operating Expenses:	
Salaries And Wages	91,054
Fringe Benefits	12,983
Pension	9,686
Payroll Taxes	8,492
Professional services	86,915
Other Expenses	4,968
Total operating expenses	214,098
Operating Income/(Loss)	(51,360)
Non-Operating Revenue/(Expenses):	
Interest on Investments	1,456
Contributed Capital	(39,401)
Total non-operating revenues	(37,945)
Change in net assets	(89,305)
Net Assets, beginning	459,548
Net Assets, ending	\$ 370,243

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
RESTRICTED FUND BY PROGRAM

	Preakness Healthcare Center Expansion Project Lease Revenue Bonds, Series 2005	Parking Facility Revenue Bonds Paterson Parking Project Series 2005	Prosecutor's Office Building Improvements Project Lease Revenue Bonds, Series 2005	Preakness Healthcare Center Expansion Project Lease Revenue Bonds, Series 2006	County Guaranteed Governmental Loan Revenue Bonds, Series 2009	Treasurer's Account
Revenues:						
Development and financial assistance revenues	\$ 2,961,910	\$ 861,540	\$ 243,908	\$ 1,037,678	\$ 392,287	\$ 1,000
Interest	2,961,910	861,540	243,909	1,037,678	392,291	1,000
Total revenues	<u>2,961,910</u>	<u>861,540</u>	<u>243,909</u>	<u>1,037,678</u>	<u>392,291</u>	<u>1,000</u>
Expenses:						
Services by contract:						
Administrative fees	30,620	17,595	4,860	21,625		1,000
Trustee fees	4,000	5,000		4,300		
Services by contract	34,620	22,595	4,860	25,925		1,000
Interest	2,891,186	803,909	222,963	987,343	366,587	
Total expenses	<u>2,925,806</u>	<u>826,504</u>	<u>227,823</u>	<u>1,013,268</u>	<u>366,587</u>	<u>1,000</u>
Revenues over expenses before amortization	<u>36,103</u>	<u>35,036</u>	<u>16,086</u>	<u>24,411</u>	<u>25,703</u>	
Non-Operating Revenues/(Expenses):						
Amortization of costs of issuance	(36,103)	(35,036)	(16,086)	(24,411)	(25,703)	
Changes in Net Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
RESTRICTED FUND BY PROGRAM

	Revenue Refunding Yeshiva K'Tana Series 2010	200 Hospital Plaza Corporation Project Series 2010	Recovery Zone Project Series 2010	Total Restricted Funds
Revenues:				
Development and financial assistance revenues	\$ 835,329	\$ 55,576	\$ 558,979	\$ 6,948,207
Interest	1,290	1,290	7	1,301
Total revenues	835,329	56,866	558,986	6,949,508
Expenses:				
Services by contract:				
Administrative fees	21,203	39,551	9,987	146,440
Trustee fees	5,000	5,000	2,500	20,800
Services by contract	21,203	44,551	12,487	167,240
Interest	796,590		536,574	6,605,144
Total expenses	817,784	44,551	549,051	6,772,384
Revenues over expenses before amortization	17,545	12,316	9,925	177,124
Non-Operating Revenues/(Expenses):				
Amortization of costs of issuance	(17,545)	(12,316)	(9,925)	(177,124)
Changes in Net Assets	\$	\$	\$	\$

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS
DECEMBER 31, 2011

Unrestricted Fund

Cash Balances

The cash balances were verified with the statements rendered by the trustee and other depositories.

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (As Amended)

N.J.S.A. 40A:11-4 (as amended) states, "Every contract or agreement, for the performance of any work or the 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 with the terms of Section 3 of this act, shall be made or awarded only after public 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 of \$17,500.00 except by contract or agreement."

The Commissioners of the Authority have the responsibility of determining whether any contract or agreement might result in violation of the statute. When a question arises, the Authority Counsel's opinion should be sought before a commitment is made.

The minutes indicated that proposals were requested for professional services and resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5 (as amended).

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

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$17,500.00 "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 provisions of N.J.S.A. 40:11-6.

Revenues

The Authority's revenues from administration and financing fees and other available sources were adequate to cover the Authority's operating costs.

Receipts from administration and financing charges were checked to the records maintained and verified as proper in conjunction with the fees established by the Authority.

GENERAL COMMENTS (CONTINUED)
DECEMBER 31, 2011

Unrestricted Fund (Continued)

Expenditures

In accordance with the Statutes, the Authority adopted an annual operating budget for the fiscal year ending December 31, 2011.

All principal and interest on the Authority's bonded indebtedness due in 2011 has been paid.

Other Comments

An exit conference with the Authority was held.

Acknowledgment

We wish to express our appreciation for the cooperation received from the Passaic County Improvement Authority officials and professionals, and for the courtesies extended to us during the course of the audit.

Filing Audit Report, N.J.S.A. 40A:5A-15

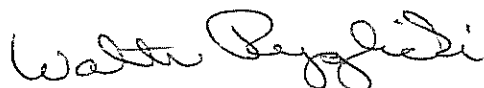
A copy of this report has been filed with the Division of Local Government Services.

RECOMMENDATIONS
DECEMBER 31, 2011

None.

The comments noted in our audit were not of such magnitude that they precluded us from issuing an unqualified opinion on the financial statements taken as a whole.

Very truly yours,



Walter Ryglicki
Certified Public Accountant
Registered Municipal Accountant #408
For the Firm
SAMUEL KLEIN AND COMPANY
Certified Public Accountants