

**PASSAIC COUNTY IMPROVEMENT AUTHORITY**

**COUNTY OF PASSAIC, NEW JERSEY**

**REPORT OF AUDIT**

**YEAR ENDED DECEMBER 31, 2013**

**PASSAIC COUNTY IMPROVEMENT AUTHORITY**

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## INTRODUCTORY SECTION

**PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**930 Riverview Drive**  
**Totowa, New Jersey 07512**

April 30, 2014

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

The comprehensive annual financial report (CAFR) of the Passaic County Improvement Authority ("Authority") for the year ended December 31, 2013 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 eleven (11) 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. In 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.

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 2014 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 2013 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, 2013**

The following were in office at December 31, 2013:

**Members of the Authority**

Dennis F. Marco	Chairman	March 2016
Wayne Alston	Vice Chairman	March 2017
Joseph C. Petriello, Esq.	Commissioner	March 2018
Michael R. F. Bradley	Commissioner	March 2014
Russell J. Bleecker	Secretary/Treasurer	March 2010

**Other Officials**

Nicole S. Fox - Beadle	Executive Director
Peter A. Tucci, Jr.	Attorney
Wilentz, Goldman & Spitzer	Bond Counsel
Samuel Klein and Company	Independent Auditors
Oritani Savings	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. 07102-1543  
PHONE (973) 624-6100  
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303  
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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Passaic County Improvement Authority, County of Passaic, State of New Jersey (the "Authority"), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which comprise the Authority's financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

### 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

## INDEPENDENT AUDITOR'S REPORT

### Auditor's Responsibility (Continued)

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.

### Opinions

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, 2013 and 2012, 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.

### Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 11 be presented to supplement the financial statements. Such information, although not a part of the 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 financial statements, and other knowledge we obtained during our audit of the 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 Authority's basic financial statements. The information included in the supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

## INDEPENDENT AUDITOR'S REPORT

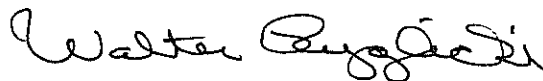
### Other Information (Continued)

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

The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2014 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 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* and should be considered in assessing the results of our audit.



Walter Ryglicki  
Certified Public Accountant  
Registered Municipal Accountant #408



SAMUEL KLEIN AND COMPANY

Newark, New Jersey  
April 30, 2014

550 BROAD STREET, 11TH FLOOR  
NEWARK, N.J. 07102-45-43  
PHONE (973) 62-1-6100  
FAX (973) 62-1-6101

36 WEST MAIN STREET, SUITE 303  
FREEHOLD, N.J. 07728-2201  
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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States, the financial statements and fund information of Passaic County Improvement Authority, County of Passaic, State of New Jersey (the "Authority"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which comprise of the Authority's financial statements, and have issued our report thereon dated April 30, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**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**

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 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*.

Purpose of this Report

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



Walter Ryglicki  
Certified Public Accountant  
Registered Municipal Accountant #408



SAMUEL KLEIN AND COMPANY

Newark, New Jersey  
April 30, 2014

## **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, 2013.

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 Position, the Comparative Statement of Revenues, Expenses and Change in Net Position, 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 Position

The Passaic County Improvement Authority's Total Assets were \$179,410,893. Total liabilities were \$178,912,058. Assets exceed liabilities by \$498,835.

The Passaic County Improvement Authority's Net Position of \$498,835 are comprised of the following:

1. Unrestricted Net Position \$498,835 represent the portion available to maintain the Authority's continuing operating obligations.

	<u>Year Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Total Current Assets	\$ 1,635,809	\$ 1,000,804
Total Restricted Assets	<u>177,775,084</u>	<u>183,703,864</u>
 Total Assets	 <u>\$ 179,410,893</u>	 <u>\$ 184,704,668</u>
 Total Current Liabilities	 \$ 15,547,884	 \$ 16,109,360
Total Noncurrent Liabilities	<u>163,364,174</u>	<u>168,097,774</u>
 Total Liabilities	 <u>\$ 178,912,058</u>	 <u>\$ 184,207,134</u>
 Net Position - Unrestricted	 <u>\$ 498,835</u>	 <u>\$ 497,534</u>

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

Statement of Revenues, Expenses and Change in Net Position

Net Position as of December 31, 2013 was \$498,835.

	<u>Year Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Operating Revenues	\$ 7,883,988	\$ 7,749,649
Operating Expenses	\$ 7,887,089	\$ 7,652,207
Operating Income	\$ (3,101)	\$ 97,442
Nonoperating Revenues/ (Expenses) - Net	\$ 4,401	\$ 29,850
Change in Net Position	1,300	127,292
Net Position, Beginning	497,535	370,243
Net Position, Ending	\$ 498,835	\$ 497,535

Statement of Cash Flows

Net decrease in Cash and Cash Equivalents is \$2,697,432.



**FINANCIAL STATEMENTS**

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY  
 COMPARATIVE STATEMENT OF NET POSITION  
 DECEMBER 31, 2013 AND 2012

	2013			2012		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
<b>ASSETS</b>						
Current assets:						
Cash and Cash Equivalents	\$ 560,804	\$	\$ 560,804	\$ 536,091	\$	\$ 536,091
Prepaid Expenses				1,259		1,259
Accounts Receivable	20,043		20,043	20,635		20,635
Other current assets	304		367,150		369,389	369,389
Due from participants			685,579		71,197	71,197
Interfund receivable			2,233		(44,338)	2,233
Total current assets	581,151	1,114,768	1,635,809	557,985	487,157	1,000,804
Restricted Cash and Cash Equivalents		11,232,571	11,232,571		13,954,716	13,954,716
Restricted net investment in direct financing leases, less construction costs to be incurred of \$1,555,260 and \$2,185,179 in 2013 and 2012 respectively						
Total assets	\$ 581,151	\$ 178,889,852	\$ 179,410,893	\$ 557,985	\$ 184,191,021	\$ 184,704,668
<b>LIABILITIES</b>						
Current liabilities:						
Current portion of bonds payable	\$ 4,733,600	\$	\$ 4,733,600	\$	\$ 4,550,318	\$ 4,550,318
Due to participants	1,278,911		1,278,911		3,386,785	3,386,785
Accrued expenses and other current liabilities	80,083	9,453,057	9,533,140	58,218	8,111,806	8,170,024
Interfund payable	2,233		2,233	2,233	44,338	2,233
Total current liabilities	82,316	15,525,678	15,547,884	60,451	16,093,247	16,109,360
Noncurrent liabilities:						
Bonds payable		163,364,174	163,364,174		168,097,774	168,097,774
Total liabilities	82,316	178,889,852	178,912,058	60,451	184,191,021	184,207,134
<b>NET POSITION</b>						
Unrestricted	\$ 498,835	\$ -	\$ 498,835	\$ 497,534	\$ (0)	\$ 497,534

See Notes to Financial Statements.

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY  
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES  
AND CHANGE IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013			2012		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
Operating Revenues:						
Administrative	\$ 199,951	\$ -	\$ 199,951	\$ 305,374	\$ -	\$ 305,374
Development and financial assistance		7,684,037	7,684,037	7,444,275		7,444,275
Total operating revenues	199,951	7,684,037	7,883,988	305,374	7,444,275	7,749,649
Operating Expenses:						
Administrative	202,340	178,785	381,125	179,389	177,110	356,499
Interest, net		7,505,964	7,505,964		7,295,708	7,295,708
Total operating expenses	202,340	7,684,749	7,887,089	179,389	7,472,818	7,652,207
Operating income/(loss)	(2,389)	(712)	(3,101)	125,985	(28,543)	97,442
Nonoperating revenues/(expenses):						
Interest on investments	3,689	712	4,401	1,307	28,543	29,850
Total nonoperating revenues (expenses)	3,689	712	4,401	1,307	28,543	29,850
Change in net position	1,300		1,300	127,292		127,292
Net position, beginning	497,535	-	497,535	370,243	-	370,243
Net position, ending	\$ 498,835	\$ -	\$ 498,835	\$ 497,535	\$ -	\$ 497,535

See Notes to Financial Statements.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY  
 COMPARATIVE STATEMENT OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
Cash flows from operating activities:						
Changes in net positions	\$ 1,300	\$	1,300	\$ 127,292	\$	127,292
Adjustments to reconcile revenues over/(under) expenses to net cash provided by operating activities:						
Changes in assets and liabilities:						
Increase/decrease in prepaid expenses	1,259		1,259	1,568		1,568
Increase/(decrease) in Accounts Receivable	592		592	569		569
Increase/(decrease) in due to/from participants		614,382	614,382		211,498	211,498
Increase/(decrease) in other current assets	(304)	(2,543)	(2,847)		5,593	5,593
Increase/(decrease) in accrued expenses and other liabilities	21,866	(766,623)	(744,757)	8,554	(2,257,480)	(2,248,926)
Increase/(decrease) in capitalized interest payable					(414,573)	(414,573)
Net cash provided by operating activities	24,713	(154,784)	(130,071)	137,983	(2,454,962)	(2,316,979)
Cash flows provided by/(used in) investing activities:						
Proceeds from issuance of bonds payable, net					59,557,301	59,557,301
Transferred to refunding escrow					(60,090,651)	(60,090,651)
Issuance in restricted bonds receivable		2,612,876	2,612,876		3,455,000	3,455,000
Transferred unused Project Cost, Net					1,176,000	1,176,000
Net cash (used in)/provided by investing activities	-	2,612,876	2,612,876	-	4,097,650	4,097,650
Cash flows from financing activities:						
Payment of bonds payable		(4,550,318)	(4,550,318)		(3,589,715)	(3,589,715)
Proceeds utilized for project costs		(629,919)	(629,919)		(1,421,793)	(1,421,793)
Net cash provided by/(used in) financing activities		(5,180,237)	(5,180,237)		(5,011,508)	(5,011,508)
Net increase/(decrease) in cash and cash equivalents	24,713	(2,722,145)	(2,697,432)	137,983	(3,368,820)	(3,230,837)
Cash and cash equivalents, beginning of year	536,091	13,954,716	14,490,807	396,108	17,323,536	17,721,644
Cash and cash equivalents, end of year	\$ 560,804	\$ 11,232,571	\$ 11,793,375	\$ 536,091	\$ 13,954,716	\$ 14,490,807
Reconciliation to balance sheet:						
Cash and cash equivalents - Unrestricted	\$ 560,804	\$	560,804	\$ 536,091	\$	536,091
Cash and cash equivalents - Restricted		11,232,571	11,232,571		13,954,716	13,954,716
	\$ 560,804	\$ 11,232,571	\$ 11,793,375	\$ 536,091	\$ 13,954,716	\$ 14,490,807

See Notes to Financial Statements.

**NOTES TO FINANCIAL STATEMENTS**

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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 unit for enterprise funds. 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 or other qualified 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, 2013**

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, 2013, the Authority had no inventory.

F. Capital Assets

At December 31, 2013, the Authority had no Capital Assets.

G. Refunding's of Debt

Governmental Accounting Standard Statement No. 23, "Accounting and Financial Reporting for Refunding's of Debt Reported by Proprietary Activities, provides for current and advance refunding's resulting in defeasance of debt to defer the difference between the reacquisition price and the net carrying of the amount defeased indebtedness and amortize the difference as a component of interest expense over the shorter of the remaining life of the old indebtedness or the life of the new debt.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

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.

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

3. **CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Cash and Cash Equivalents (Continued)**

New Jersey statutes and the Authority's Bond resolutions permit the deposit of public funds in institutions located in New Jersey 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.

In accordance with the previous of the Governmental Unit Deposit Protection Act of new Jersey (GUDPA), public depositories are required 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.

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.



**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- Local government investment pools.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

New Jersey statutes and the various participants' 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, 2013, the Authority's total cash, cash equivalents and investments are as follows:

Unrestricted	\$ 560,804
Restricted	<u>11,232,571</u>
	<u>\$ 11,793,375</u>

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

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, 2013.

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 years:	
2014	\$ 4,550,318
2015	4,735,531
2016	5,160,727
2017	5,378,834
2018	5,595,705
	<u>25,421,115</u>
Thereafter:	
2019	6,073,625
2020	6,318,524
2021	6,650,767
2022	6,922,342
2023	7,402,401
	<u>33,367,659</u>
2024	7,693,594
2025	8,468,636
2026	7,172,508
2027	7,032,366
2028	7,402,541
	<u>37,769,645</u>

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

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

	Restricted
2029	\$ 7,549,637
2030	7,846,937
2031	7,848,757
2032	7,962,683
2033	8,298,174
	39,506,188
2034	8,644,910
2035	8,670,435
2036	2,725,000
2037	1,365,000
2038	1,435,000
	22,840,345
2039	1,505,000
2040	1,585,000
2041	1,660,000
2042	1,745,000
	6,495,000
	\$ 168,097,774
Reconciliation to Statement of Net Position:	
Current Portion	\$ 4,733,600
Add: Noncurrent Portion	163,364,174
	\$ 168,097,774
Reconciliation to Total Debt:	
Gross Debt	\$ 168,097,774
Less: Construction Costs to be Incurred	1,555,260
	\$ 166,542,514

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

5. BONDS PAYABLE RESTRICTED

	2013
\$6,000,000 Prosecutors Office Building Improvements Series 2005 (A)	\$ 4,335,000
\$18,370,000 Parking Facility Series 2005 (B)	16,320,000
\$65,000,000 Preakness Healthcare Center Expansion Project Series 2005 (C)	3,110,000
\$22,960,000 Preakness Healthcare Center Expansion Project Series 2006 (D)	20,630,000
\$8,587,000 Capital Equipment Lease Series 2009 (E)	8,022,000
\$21,931,500 Yashiva K"Tanah Series 2010 (F)	20,091,774
\$29,620,000 Hospital Plaza Corporation Project Series 2010 (G)	29,045,000
\$10,292,000 Recovery Zone Project Series 2010 (H)	9,329,000
\$57,425,000 Lease Revenue Refunding Bonds For Preakness Healthcare Center Expansion Project Series 2012 (I)	57,215,000
Total	\$ 168,097,774
Less: Current Portion	4,733,600
Noncurrent Portion	\$ 163,364,174

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

5. **BONDS PAYABLE RESTRICTED (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 \$285,000 in 2014 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 Authority) are comprised of:

The \$14,535,000 Series A (tax exempt) bonds are payable in annual installments ranging from \$370,000 in 2014 to \$565,000 in 2025 at interest rates ranging from 3.63% to 4.5%.

The \$3,835,000 Series B (taxable) bonds are payable in annual installments ranging from \$85,000 in 2014 to \$155,000 in 2025 at interest rates ranging from 5.03% 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, 2013**

5. **BONDS PAYABLE RESTRICTED (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 \$1,515,000 in 2014 to \$1,595,000 in 2015. The Bonds bear interest at rate 5%.

The Bonds maturing on or after May 1, 2016 are subject to redemption prior to maturity on or after May 1, 2015. A 2012 Debt Refunding Issue provided for all bonds maturing 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 \$530,000 in 2014 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 Revenue 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 \$180,000 in 2014 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 Bond, Series 2010 were issued to finance outstanding loans of the entity.

The remaining bonds are payable on a monthly basis from \$48,993.56 on January 1, 2014 to \$111,963.27 on September 5, 2035.

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

5. **BONDS PAYABLE RESTRICTED (CONTINUED)**

- (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 \$590,000 in 2014 to \$1,745,000 in 2042. The bonds bear interest at rates ranging from 2% to 5%.

- (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 3.35% to 6.54%.

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

- (I) The \$57,425,000 Lease Revenue Refunding Bonds for the Preakness Healthcare Center Expansion Project, Series 2012 were issued to refund part of the Series 2005 Bonds.

The remaining bonds are payable in annual installments ranging from \$215,000 in 2014 to \$3,915,000 in 2035. The bonds bear interest at rates ranging from 2.125% to 5%.

There are direct financing leases with participants that have parallel repayment terms to provide the funds for this indebtedness (Refer to Note 4).

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

6. PENSION PLAN (CONTINUED)

Description of Systems

The Authority's employee participates in the following contributory defined benefit public employee retirement systems which have been established by statute: the Public Employees' Retirement System (PERS). This system is sponsored and administered by the New Jersey Division of Pensions and Benefits. The PERS is considered a cost sharing multiple-employer plan.

Public Employees' Retirement System:

The Public Employees' Retirement System (PERS) was established as of January, 1955 under the provisions of NJSA 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Significant Legislation

P.L.2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS operates and to the benefit provisions of that system.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 65 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.



**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

6. PENSION PLAN

Significant Legislation (Continued)

- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional one percent phased-in over 7 years. For fiscal year 2013, the member contribution rates increased in July 2013. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to level dollar of pay).

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>
2013	\$ 10,207.00	\$ 5,564.84
2012	10,140.00	5,612.00 *
2011	9,686.00	5,612.00 *

\* Includes back deductions.

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.

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

7. **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 day's 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.

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, 2013 financial statements included a liability for accrued sick and vacation days of \$7,840.12.

8. **COMMITMENTS AND CONTINGENCIES**

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.

9. **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.

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

10. ADMINISTRATIVE OFFICE LEASE

For 2013 the Authority is reviewing the current agreement for the leased office space with the County of Passaic. The lease is subject to renewal annually. The leased office space for the Authority was rent free for the current year.

11. INTERNAL REVENUE SERVICE ARBITRAGE REBATE LIABILITY

On the fifth (5<sup>th</sup>) 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.

12. PRIOR PERIOD RESTATEMENT

The financial statements for December 31, 2012 have been restated in order to conform with the December 31, 2013 presentation. With the implementation of GASB#65 *Items Previously Reported as Assets and Liabilities*, costs of issuance previously reflected at net book value have been completely written off. Bond discounts, premiums and gains/losses on refinancing for the restricted fund (conduit) debt have also been eliminated. There was no impact on the unrestricted net position of the Authority.

**SUPPLEMENTARY INFORMATION**

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**  
**UNRESTRICTED FUND**

	<u>Total Unrestricted Fund - Administrative</u>
<b><u>ASSETS</u></b>	
Current assets:	
Cash and Cash Equivalents	\$ 560,804
Accounts Receivable	20,043
Other Receivable	<u>304</u>
Total current assets	<u>581,151</u>
Total assets	<u>\$ 581,151</u>
<b><u>LIABILITIES</u></b>	
Liabilities:	
Current liabilities:	
Accrued expenses and other current liabilities	\$ 80,083
Interfund payable	<u>2,233</u>
Total current liabilities	<u>82,316</u>
Total liabilities	<u>\$ 82,316</u>
<b><u>NET POSITION</u></b>	
Unrestricted	<u>\$ 498,835</u>
Total Net Position	<u>\$ 498,835</u>

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**DECEMBER 31, 2013**  
**RESTRICTED FUND BY PROGRAM**

	Preakness Healthcare Center Expansion Project Lease Revenue Bonds, Series 2005	Parking Facility Revenue Bonds Paterson Parking Authority Series 2005	Prosecutor's Office Building Improvement 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
<b>ASSETS</b>						
Current assets:						
Other current assets	\$ 620	\$ 145,344	\$	\$ 40	\$ 95,413	\$
Due from participants	620	145,344	4,241	4,241	95,413	2,233
Interfund receivable	167,650	14,524	257,083	1,470,568	14	2,233
Total current assets	3,110,000	16,320,000	4,105,654	19,742,703	8,022,000	
Restricted cash and cash equivalents	3,110,000	16,320,000	4,105,654	19,742,703	8,022,000	
Restricted net investment in direct financing leases (Costs to be incurred)/Earnings utilized	3,278,270	16,479,867	4,362,737	21,217,552	8,117,428	2,233
Net restricted net investments in direct financing leases	3,278,270	16,479,867	4,362,737	21,217,552	8,117,428	2,233
Total assets	\$ 3,278,270	\$ 16,479,867	\$ 4,362,737	\$ 21,217,552	\$ 8,117,428	\$ 2,233
<b>LIABILITIES</b>						
Current liabilities:						
Current portion of bonds payable	\$ 1,515,000	\$ 455,000	\$ 285,000	\$ 530,000	\$ 180,000	\$
Accrued interest on bonds	25,917	159,867	7,810	156,070	95,413	95,413
Due to participants	58,243		19,927	427,161	14	14
Unearned Revenue	24,000			4,300		2,233
Reserve for Fees	60,110					
Interfund payable	1,683,270	614,867	312,737	1,117,552	275,428	2,233
Total current liabilities	1,595,000	15,865,000	4,050,000	20,100,000	7,842,000	2,233
Non-current liabilities:						
Bonds payable, net of current portion	3,278,270	16,479,867	4,362,737	21,217,552	8,117,428	2,233
Total liabilities	\$ 3,278,270	\$ 16,479,867	\$ 4,362,737	\$ 21,217,552	\$ 8,117,428	\$ 2,233



**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**UNRESTRICTED FUND**

	<u>Total Unrestricted Fund - Administrative</u>
Operating Revenues:	
Administrative:	
2005 Preakness Healthcare Center Expansion Project	\$ 1,555
2005 Paterson Parking Project	21,760
2005 Prosecutor's Office Building Improvement Project	4,335
2006 Preakness Healthcare Center Expansion Project	20,630
2010 Revenue Refunding -Yeshiva K'Tana	20,043
2010 200 Hospital Plaza Corporation Project	53,620
2010 Recovery Zone Project	9,329
2012 Preakness Healthcare Center Expansion Project	
Refunding Bonds	28,713
Banking Program	<u>39,966</u>
Total administrative	<u>199,951</u>
Total operating revenues	<u>199,951</u>
Operating Expenses:	
Salaries And Wages	84,426
Fringe Benefits	9,115
Pension	10,207
Payroll Taxes	3,656
Professional services	86,683
Other Expenses	<u>8,253</u>
Total operating expenses	<u>202,340</u>
Operating Income/(Loss)	<u>(2,389)</u>
Non-Operating Revenue/(Expenses):	
Interest on Investments	<u>3,689</u>
Total non-operating revenues	<u>3,689</u>
Change in Net Position	1,300
Net Position, beginning	<u>497,535</u>
Net Position, ending	<u><u>\$ 498,835</u></u>



**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**COMBING STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**RESTRICTED FUND BY PROGRAM**

<p>Revenues:</p> <p>Development and financial assistance revenues</p> <p>Interest</p> <p>Total revenues</p>	<p>Preakness Healthcare Center Expansion Project Lease Revenue Bonds, Series 2005</p> <p>\$ 202,100 19</p> <hr/> <p>202,119</p>	<p>Parking Facility Revenue Bonds, Paterson Parking Authority Series 2005</p> <p>\$ 793,977 6</p> <hr/> <p>793,983</p>	<p>Prosecutor's Office Building Improvements Project Lease Revenue Bonds, Series 2005</p> <p>\$ 184,951 104</p> <hr/> <p>185,055</p>	<p>Preakness Healthcare Center Expansion Project Lease Revenue Bonds, Series 2006</p> <p>\$ 969,446 257</p> <hr/> <p>969,703</p>	<p>County Guaranteed Governmental Loan Revenue Bonds, Series 2009</p> <p>\$ 387,070 3</p> <hr/> <p>387,073</p>	<p>Treasurer's Account</p> <p>\$ 1,000</p> <hr/> <p>1,000</p>
<p>Expenses:</p> <p>Services by contract:</p> <p>Administrative fees</p> <p>Trustee fees</p> <p>Other Professional fees</p> <p>Services by contract</p> <p>Interest</p> <p>Total expenses</p>		<p>21,760</p> <hr/> <p>21,760</p>	<p>1,555 4,000</p> <hr/> <p>5,555</p>	<p>20,630 4,300</p> <hr/> <p>24,930</p>	<p>387,073</p> <hr/> <p>387,073</p>	<p>1,000</p> <hr/> <p>1,000</p>
		<p>\$ 793,983</p> <hr/> <p>\$ 793,983</p>	<p>\$ 185,055</p> <hr/> <p>\$ 185,055</p>	<p>\$ 969,703</p> <hr/> <p>\$ 969,703</p>	<p>\$ 387,073</p> <hr/> <p>\$ 387,073</p>	<p>\$ 1,000</p> <hr/> <p>\$ 1,000</p>

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY**  
**COMBING STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**RESTRICTED FUND BY PROGRAM**

	Revenue Refunding Yeshiva K'Tana Series 2010	200 Hospital Plaza Corporation Project Series 2010	Recovery Zone Project Series 2010	Preakness Healthcare Center Expansion Project Lease Revenue Refunding Bonds, Series 2012	Total Restricted Funds
Revenues:					
Development and financial assistance revenues	\$ 779,531	\$ 1,305,722	\$ 535,407	\$ 2,524,893	\$ 7,684,037
Interest	311	11	1	1	712
Total revenues	<u>779,531</u>	<u>1,306,033</u>	<u>535,418</u>	<u>2,524,894</u>	<u>7,684,749</u>
Expenses:					
Services by contract:					
Administrative fees	20,043	59,620	9,329	28,713	159,985
Trustee fees		5,000	2,500	2,000	17,800
Other Professional fees					1,000
Services by contract	<u>20,043</u>	<u>59,620</u>	<u>11,829</u>	<u>30,713</u>	<u>178,785</u>
Interest	759,488	1,247,413	523,589	2,494,122	7,505,964
Total expenses	<u>\$ 779,531</u>	<u>\$ 1,306,033</u>	<u>\$ 535,418</u>	<u>\$ 2,524,894</u>	<u>\$ 7,684,749</u>

**GENERAL COMMENTS AND RECOMMENDATIONS**

**GENERAL COMMENTS**  
**DECEMBER 31, 2013**

Unrestricted Fund

Cash Balances

The cash balances were verified with the statements rendered by the trustee and other depositories and also confirmed by direct communication.

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 Authority did not employ a Qualified Purchasing Agent (Q.P.A.) therefore the minimum threshold was used in 2013.

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 indicate that 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 \$26,000.00 "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 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, 2013**

Unrestricted Fund (Continued)

Expenditures

In accordance with the Statutes, the Authority adopted an annual operating budget for the fiscal year ending December 31, 2013.

All principal and interest on the Authority's bonded indebtedness due in 2013 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

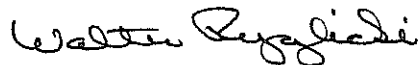
A copy of this report has been filed with the Division of Local Government Services.

**RECOMMENDATIONS**  
**DECEMBER 31, 2013**

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