

PASSAIC COUNTY IMPROVEMENT AUTHORITY

COUNTY OF PASSAIC, NEW JERSEY

REPORT OF AUDIT

YEAR ENDED DECEMBER 31, 2014

PASSAIC COUNTY IMPROVEMENT AUTHORITY

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INTRODUCTORY SECTION

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

April 28, 2015

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, 2014 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 twelve (12) 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 2015 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 2014 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, 2014

The following were in office at December 31, 2014:

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 2019
Russell J. Bleeker	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. 07102-9969
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, 2014 and 2013, 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, 2014 and 2013, 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 28, 2015 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 28, 2015

SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2014, and the related notes to the financial statements, which comprise of the Authority's financial statements, and have issued our report thereon dated April 28, 2015.

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 28, 2015

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, 2014.

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 \$174,529,949. Total liabilities were \$174,007,197. Assets exceed liabilities by \$522,752.

The Passaic County Improvement Authority's Net Position of \$522,752 are comprised of the following:

1. Unrestricted Net Position \$522,752 represent the portion available to maintain the Authority's continuing operating obligations.

	<u>Year Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Total Current Assets	\$ 1,087,190	\$ 1,635,809
Total Restricted Assets	<u>173,442,759</u>	<u>177,775,084</u>
 Total Assets	 <u>\$ 174,529,949</u>	 <u>\$ 179,410,893</u>
 Total Current Liabilities	 \$ 15,801,746	 \$ 15,547,884
Total Noncurrent Liabilities	<u>158,205,451</u>	<u>163,364,174</u>
 Total Liabilities	 <u>\$ 174,007,197</u>	 <u>\$ 178,912,058</u>
 Net Position - Unrestricted	 <u>\$ 522,752</u>	 <u>\$ 495,835</u>

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

Statement of Revenues, Expenses and Change in Net Position

Net Position as of December 31, 2014 was \$522,752.

	<u>Year Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Operating Revenues	<u>\$ 6,422,719</u>	<u>\$ 7,883,988</u>
Operating Expenses	<u>\$ 6,402,619</u>	<u>\$ 7,887,089</u>
Operating Income	\$ 20,100	\$ (3,101)
Nonoperating Revenues/ (Expenses) - Net	<u>\$ 3,817</u>	<u>\$ 4,401</u>
Change in Net Position	23,917	1,300
Net Position, Beginning	<u>498,835</u>	<u>497,535</u>
Net Position, Ending	<u><u>\$ 522,752</u></u>	<u><u>\$ 498,835</u></u>

Statement of Cash Flows

Net decrease in Cash and Cash Equivalents is \$442,446.

FINANCIAL STATEMENTS

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2014 AND 2013

	2014				2013			
	Unrestricted Fund	Restricted Fund	Eliminations	Total	Unrestricted Fund	Restricted Fund	Eliminations	Total
ASSETS								
Current assets:								
Cash and Cash Equivalents	\$ 604,381	\$	\$	\$ 604,381	\$ 560,804	\$	\$	\$ 560,804
Prepaid Expenses	2,888			2,888				
Accounts Receivable	19,428			19,428	20,043			20,043
Other current assets	215			215	304	366,846		367,150
Due from participants		458,045		458,045		685,579		685,579
Interfund receivable		1,102,553	(1,100,320)	2,233		62,343	(60,110)	2,233
Total current assets	626,912	1,560,598	(1,100,320)	1,087,190	581,151	1,114,768	(60,110)	1,635,809
Restricted Cash and Cash Equivalents		10,746,548		10,746,548		11,232,571		11,232,571
Restricted net investment in direct financing leases, less construction costs to be incurred of \$667,963 and \$1,555,260 in 2014 and 2013 respectively		162,696,211		162,696,211		166,542,513		166,542,513
Total assets	\$ 626,912	\$ 175,003,357	\$ (1,100,320)	\$ 174,529,949	\$ 581,151	\$ 178,889,852	\$ (60,110)	\$ 179,410,893
LIABILITIES								
Current liabilities:								
Current portion of bonds payable	\$	\$ 5,158,723	\$	\$ 5,158,723	\$	\$ 4,733,600	\$	\$ 4,733,600
Due to participants		3,847,188		3,847,188		1,278,911		1,278,911
Accrued expenses and other current liabilities	101,927	6,691,675		6,793,602	80,083	9,453,057		9,533,140
Interfund payable	2,233	1,100,320	(1,100,320)	2,233	2,233	60,110	(60,110)	2,233
Total current liabilities	104,160	16,797,906	(1,100,320)	15,801,746	82,316	15,525,678	(60,110)	15,547,884
Noncurrent liabilities:								
Bonds payable		158,205,451		158,205,451		163,364,174		163,364,174
Total liabilities	104,160	175,003,357	(1,100,320)	174,007,197	82,316	178,889,852	(60,110)	178,912,058
NET POSITION								
Unrestricted	\$ 522,752	\$ -	\$	\$ 522,752	\$ 498,835	\$ -	\$	\$ 498,835

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, 2014 AND 2013**

	2014			2013		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
Operating Revenues:						
Administrative	\$ 273,367	\$ -	\$ 273,367	\$ 199,951	\$ -	\$ 199,951
Development and financial assistance		6,149,352	6,149,352		7,684,037	7,684,037
Total operating revenues	273,367	6,149,352	6,422,719	199,951	7,684,037	7,883,988
Operating Expenses:						
Administrative	252,740	167,135	419,875	202,340	178,785	381,125
Interest, net		5,982,744	5,982,744		7,505,964	7,505,964
Total operating expenses	252,740	6,149,879	6,402,619	202,340	7,684,749	7,887,089
Operating income/(loss)	20,627	(527)	20,100	(2,389)	(712)	(3,101)
Nonoperating revenues/(expenses):						
Interest on investments	3,290	527	3,817	3,689	712	4,401
Total nonoperating revenues (expenses)	3,290	527	3,817	3,689	712	4,401
Change in net position	23,917		23,917	1,300		1,300
Net position, beginning	498,835	-	498,835	497,535	-	497,535
Net position, ending	\$ <u>522,752</u>	\$ <u>-</u>	\$ <u>522,752</u>	\$ <u>498,835</u>	\$ <u>-</u>	\$ <u>498,835</u>

See Notes to Financial Statements.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
Cash flows from operating activities:						
Changes in net positions	\$ 23,917		\$ 23,917	\$ 1,300		\$ 1,300
Adjustments to reconcile revenues over/(under) expenses to net cash provided by operating activities:						
Changes in assets and liabilities:						
(Increase)/decrease in prepaid expenses	(2,888)		(2,888)	1,259		1,259
(Increase)/decrease in Accounts Receivable	615		615	592		592
Increase/(decrease) in due to/from participants		(227,534)	(227,534)		614,382	614,382
(Increase)/decrease in other current assets	109	366,846	366,955	(304)	(2,543)	(2,847)
Increase/(decrease) in accrued expenses and other liabilities	21,824	(193,105)	(171,281)	21,866	(766,623)	(744,757)
Net cash provided by operating activities	<u>43,577</u>	<u>(53,793)</u>	<u>(10,216)</u>	<u>24,713</u>	<u>(154,784)</u>	<u>(130,071)</u>
Cash flows provided by/(used in) investing activities:						
Increase in restricted bonds receivable		3,468,047	3,468,047		2,612,876	2,612,876
Transferred unused Project Cost, Net		860,310	860,310			
Net cash (used in)/provided by investing activities	<u>-</u>	<u>4,328,357</u>	<u>4,328,357</u>	<u>-</u>	<u>2,612,876</u>	<u>2,612,876</u>
Cash flows from financing activities:						
Payment of bonds payable		(4,733,600)	(4,733,600)		(4,550,318)	(4,550,318)
Proceeds utilized for project costs		(26,987)	(26,987)		(629,919)	(629,919)
Net cash provided by/(used in) financing activities		<u>(4,760,587)</u>	<u>(4,760,587)</u>		<u>(5,180,237)</u>	<u>(5,180,237)</u>
Net increase/(decrease) in cash and cash equivalents	43,577	(486,023)	(442,446)	24,713	(2,722,145)	(2,697,432)
Cash and cash equivalents, beginning of year	<u>560,804</u>	<u>11,232,571</u>	<u>11,793,375</u>	<u>536,091</u>	<u>13,954,716</u>	<u>14,490,807</u>
Cash and cash equivalents, end of year	<u>\$ 604,381</u>	<u>\$ 10,746,548</u>	<u>\$ 11,350,929</u>	<u>\$ 560,804</u>	<u>\$ 11,232,571</u>	<u>\$ 11,793,375</u>
Reconciliation to balance sheet:						
Cash and cash equivalents - Unrestricted	\$ 604,381		\$ 604,381	\$ 560,804		\$ 560,804
Cash and cash equivalents - Restricted		10,746,548	10,746,548		11,232,571	11,232,571
	<u>\$ 604,381</u>	<u>\$ 10,746,548</u>	<u>\$ 11,350,929</u>	<u>\$ 560,804</u>	<u>\$ 11,232,571</u>	<u>\$ 11,793,375</u>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014

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, 2014, the Authority had no inventory.

F. **Capital Assets**

At December 31, 2014, the Authority had no Capital Assets.

G. **Refunding's of Debt**

Governmental Accounting Standard Statement No. 65, "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, 2014

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, 2014

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, 2014, the Authority's total cash and cash equivalents are as follows:

Unrestricted	\$ 604,381
Restricted	<u>10,746,548</u>
	<u><u>\$ 11,350,929</u></u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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, 2014.

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:	
2015	\$ 5,158,723
2016	5,376,760
2017	5,593,547
2018	6,071,386
2019	6,316,200
	<u>28,516,616</u>
Thereafter:	
2020	6,648,361
2021	6,919,840
2022	7,399,805
2023	7,690,890
2024	8,465,844
	<u>37,124,740</u>
2025	7,169,606
2026	7,029,355
2027	7,399,416
2028	7,282,908
2029	7,549,637
	<u>36,430,922</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

	Restricted
2030	\$ 7,846,937
2031	7,848,757
2032	7,962,683
2033	8,298,174
2034	8,644,910
	40,601,461
2035	8,670,435
2036	2,725,000
2037	1,365,000
2038	1,435,000
2039	1,505,000
	15,700,435
2040	1,585,000
2041	1,660,000
2042	1,745,000
	4,990,000
	\$ 163,364,174

Reconciliation to Statement of Net Position:

Current Portion	\$ 5,158,723
Add- Non Current Portion	\$ 158,205,451
	\$ 163,364,174

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

5. **BONDS PAYABLE RESTRICTED**

	2014
\$6,000,000 Prosecutors Office Building Improvements Series 2005 (A)	\$ 4,050,000
\$18,370,000 Parking Facility Revenue Bonds Series 2005 (B)	15,865,000
\$65,000,000 Preakness Healthcare Center Expansion Project Series 2005 (C)	1,595,000
\$22,960,000 Preakness Healthcare Center Expansion Project Series 2006 (D)	20,100,000
\$8,587,000 Capital Equipment Lease Revenue Bonds Series 2009 (E)	7,842,000
\$21,931,500 Yashiva K"Tanah Revenue Refunding Bonds Series 2010 (F)	19,479,174
\$29,620,000 Hospital Plaza Corporation Project Series 2010 (G)	28,455,000
\$10,292,000 Recovery Zone Project Series 2010 (H)	8,978,000
\$57,425,000 Lease Revenue Refunding Bonds For Preakness Healthcare Center Expansion Project Series 2012 (I)	57,000,000
Total	\$ 163,364,174
Less: Current Portion	5,158,723
Noncurrent Portion	\$ 158,205,451

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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 \$300,000 in 2015 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 \$380,000 in 2015 to \$565,000 in 2025 at interest rates ranging from 3.7% to 4.5%.

The \$3,835,000 Series B (taxable) bonds are payable in annual installments ranging from \$90,000 in 2015 to \$155,000 in 2025 at interest rates ranging from 5.10% 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, 2014

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 an annual installment of \$1,515,000 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 \$550,000 in 2015 to \$1,425,000 in 2036. The Bonds bear interest at rates ranging from 4% to 4.75%.

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 \$410,000 in 2015 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 \$52,927.86 on January 1, 2015 to \$111,963.27 on September 5, 2035.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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 \$610,000 in 2015 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 \$220,000 in 2015 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, 2014

6. PENSION PLAN

Plan Description

Substantially all of the Authority's employees participate in the contributory defined benefit public employee retirement system which has been established by State statute, the Public Employees' Retirement System (PERS). This system is sponsored and administered by the New Jersey Division of Pensions and Benefits. The Public Employees' Retirement System (PERS) is considered a cost sharing multiple-employer plan. The PERS issues a publicly available financial report that includes financial statements and required supplementary information and separate actuarial valuations. Those reports may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

Funding Policy

The Public Employees' Retirement System (PERS) was established January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after eight to ten years of service and twenty-five years for health care coverage. Members are eligible for retirement at age sixty with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Pension benefits for members enrolled in the system after May 21, 2010 would be based on 1/60th of the average annual compensation for the last five (5) years of service or any five fiscal years of membership that provide the largest benefit to the member of the member's beneficiary. Early retirement is available to those under age sixty with twenty-five or more years of credited service. Anyone who retires early and is under age fifty-five receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age fifty-five).

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

6. PENSION PLAN (CONTINUED)

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 62 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.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an addition one percent phased-in over 7 years. For fiscal year 2014, the member contribution rates increased in July 2014. 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 PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

6. PENSION PLAN (CONTINUED)

Employee contributions through June 30, 2014 were six and sixty-four hundredths percent (6.64%) and six and ninety-two hundredths percent (6.92%) effective July 1, 2014 of the employee's base wages. Employer's contributions are actuarially determined annually by the Division of Pensions.

The Authority's 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>
2014	\$ 11,074.00	\$ 6,237.23
2013	10,207.00	5,564.84
2012	10,140.00	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.

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.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

7. **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, 2014 financial statements included a liability for accrued sick and vacation days of \$8,384.22.

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 was renewed on or about May 28, 2014 but either party may terminate upon thirty (30) days written notice.

10. **ADMINISTRATIVE OFFICE LEASE**

For 2014 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 (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.

SUPPLEMENTARY INFORMATION

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2014
UNRESTRICTED FUND

	<u>Total Unrestricted Fund - Administrative</u>
<u>ASSETS</u>	
Current assets:	
Cash and Cash Equivalents	\$ 604,381
Accounts Receivable	19,428
Prepaid Expenses	2,888
Other Receivable	<u>215</u>
Total current assets	<u>626,912</u>
Total assets	<u><u>\$ 626,912</u></u>
<u>LIABILITIES</u>	
Liabilities:	
Current liabilities:	
Accrued expenses and other current liabilities	\$ 101,927
Interfund payable	<u>2,233</u>
Total current liabilities	<u>104,160</u>
Total liabilities	<u><u>\$ 104,160</u></u>
<u>NET POSITION</u>	
Unrestricted	<u>\$ 522,752</u>
Total Net Position	<u><u>\$ 522,752</u></u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2014
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
ASSETS						
Current assets:						
Due from participants	\$	\$	\$	\$	\$	\$
Interfund receivable	<u>109,982</u>	<u> </u>	<u> </u>	<u>990,338</u>	<u> </u>	<u>2,233</u>
Total current assets	<u>109,982</u>	<u> </u>	<u> </u>	<u>990,338</u>	<u> </u>	<u>2,233</u>
Restricted cash and cash equivalents	<u>977,849</u>	<u>14,515</u>	<u>257,099</u>	<u> </u>	<u>14</u>	<u> </u>
Restricted net investment in direct financing leases	<u>1,595,000</u>	<u>15,865,000</u>	<u>3,820,654</u>	<u>20,100,000</u>	<u>7,842,000</u>	<u> </u>
Total assets	<u>\$ 2,682,831</u>	<u>\$ 15,879,515</u>	<u>\$ 4,077,753</u>	<u>\$ 21,090,338</u>	<u>\$ 7,842,014</u>	<u>\$ 2,233</u>
LIABILITIES						
Current liabilities:						
Current portion of bonds payable	\$ 1,595,000	\$ 470,000	\$ 300,000	\$ 555,000	\$ 410,000	\$
Due to participants	73,493	14,515	27,753	986,038	14	
Unearned Revenue						2,233
Reserve for Fees	24,000			4,300		
Interfund payable	<u>990,338</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	<u>2,682,831</u>	<u>484,515</u>	<u>327,753</u>	<u>1,545,338</u>	<u>410,014</u>	<u>2,233</u>
Non-current liabilities:						
Bonds payable, net of current portion	<u> </u>	<u>15,395,000</u>	<u>3,750,000</u>	<u>19,545,000</u>	<u>7,432,000</u>	<u> </u>
Total liabilities	<u>\$ 2,682,831</u>	<u>\$ 15,879,515</u>	<u>\$ 4,077,753</u>	<u>\$ 21,090,338</u>	<u>\$ 7,842,014</u>	<u>\$ 2,233</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMBING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2014
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	Tourism Program	Total Restricted Funds
ASSETS						
Current assets:						
Due from participants	\$ 458,045	\$	\$		\$	\$ 458,045
Interfund receivable						1,102,553
Total current assets	<u>458,045</u>					<u>1,560,598</u>
Restricted cash and cash equivalents		<u>9,231,856</u>	<u>12,109</u>	<u>220,674</u>	<u>32,432</u>	<u>10,746,548</u>
Restricted net investment in direct financing leases	<u>19,040,557</u>	<u>28,455,000</u>	<u>8,978,000</u>	<u>57,000,000</u>		<u>162,696,211</u>
Total assets	<u>\$ 19,498,602</u>	<u>\$ 37,686,856</u>	<u>\$ 8,990,109</u>	<u>\$ 57,220,674</u>	<u>\$ 32,432</u>	<u>\$ 175,003,357</u>
LIABILITIES						
Current liabilities:						
Current portion of bonds payable	\$ 635,723	\$ 610,000	\$ 363,000	\$ 220,000	\$	\$ 5,158,723
Due to participants		2,624,574	12,109	108,692		3,847,188
Unearned Revenue					32,432	32,432
Reserve for Fees	19,428	6,607,282		2,000		6,659,243
Interfund payable				109,982		1,100,320
Total current liabilities	<u>655,151</u>	<u>9,841,856</u>	<u>375,109</u>	<u>440,674</u>	<u>32,432</u>	<u>16,797,906</u>
Non-current liabilities:						
Bonds payable, net of current portion	<u>18,843,451</u>	<u>27,845,000</u>	<u>8,615,000</u>	<u>56,780,000</u>		<u>158,205,451</u>
Total liabilities	<u>\$ 19,498,602</u>	<u>\$ 37,686,856</u>	<u>\$ 8,990,109</u>	<u>\$ 57,220,674</u>	<u>\$ 32,432</u>	<u>\$ 175,003,357</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014
UNRESTRICTED FUND

	<u>Total Unrestricted Fund - Administrative</u>
Operating Revenues:	
Administrative:	
2005 Preakness Healthcare Center Expansion Project	\$ 798
2005 Paterson Parking Project	21,320
2005 Prosecutor's Office Building Improvement Project	4,050
2006 Preakness Healthcare Center Expansion Project	20,100
2010 Revenue Refunding -Yeshiva K'Tana	19,428
2010 200 Hospital Plaza Corporation Project	53,045
2010 Recovery Zone Project	8,978
2012 Preakness Healthcare Center Expansion Project	
Refunding Bonds	28,607
Miscellaneous	3
Banking Program	<u>117,038</u>
Total administrative	<u>273,367</u>
Total operating revenues	<u>273,367</u>
Operating Expenses:	
Salaries And Wages	91,054
Fringe Benefits	28,860
Pension	11,074
Payroll Taxes	4,694
Professional services	107,131
Other Expenses	<u>9,927</u>
Total operating expenses	<u>252,740</u>
Operating Income/(Loss)	<u>20,627</u>
Non-Operating Revenue/(Expenses):	
Interest on Investments	<u>3,290</u>
Total non-operating revenues	<u>3,290</u>
Change in Net Position	23,917
Net Position, beginning	<u>498,835</u>
Net Position, ending	<u>\$ 522,752</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMBING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
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
Revenues:					
Development and financial assistance revenues	\$ 94,420	\$ 619,967	\$ 183,655	\$ 793,734	\$ 286,237
Interest	<u>85</u>	<u>4</u>	<u>19</u>	<u>48</u>	<u>3</u>
Total revenues	<u>94,505</u>	<u>619,971</u>	<u>183,674</u>	<u>793,782</u>	<u>286,240</u>
Expenses:					
Services by contract:					
Administrative fees	797	21,320	4,050	20,100	
Trustee fees	2,000			4,310	
Services by contract	2,797	21,320	4,050	24,410	
Interest	<u>91,708</u>	<u>598,651</u>	<u>179,624</u>	<u>769,372</u>	<u>286,240</u>
Total expenses	<u>\$ 94,505</u>	<u>\$ 619,971</u>	<u>\$ 183,674</u>	<u>\$ 793,782</u>	<u>\$ 286,240</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMBING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
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	\$ 754,582	\$ 1,078,552	\$ 530,432	\$ 1,807,773	\$ 6,149,352
Interest		362	6		527
Total revenues	754,582	1,078,914	530,438	1,807,773	6,149,879
Expenses:					
Services by contract:					
Administrative fees	19,428	53,045	8,978	28,607	156,325
Trustee fees			2,500	2,000	10,810
Services by contract	19,428	53,045	11,478	30,607	167,135
Interest	735,154	1,025,869	518,960	1,777,166	5,982,744
Total expenses	\$ 754,582	\$ 1,078,914	\$ 530,438	\$ 1,807,773	\$ 6,149,879

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS
DECEMBER 31, 2014

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 2014.

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, 2014

Unrestricted Fund (Continued)

Expenditures

In accordance with the Statutes, the Authority adopted an annual operating budget for the fiscal year ending December 31, 2014.

All principal and interest on the Authority's bonded indebtedness due in 2014 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, 2014

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