

PASSAIC COUNTY IMPROVEMENT AUTHORITY

COUNTY OF PASSAIC, NEW JERSEY

REPORT OF AUDIT

YEAR ENDED DECEMBER 31, 2015

PASSAIC COUNTY IMPROVEMENT AUTHORITY

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

December 13, 2016

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, 2015 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 thirteen (13) 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, non-profit entities and school Districts.

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 2016 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 2015 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, 2015

The following were in office at December 31, 2015:

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
Powell Capital Markets	Financial Advisor

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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, 2015 and 2014, 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, 2015 and 2014, 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.

Required Supplementary Information

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 combining and individual fund financial statements information included in the supplementary information is presented for purposes of additional analysis and are not required part of the financial statements.

INDEPENDENT AUDITOR'S REPORT

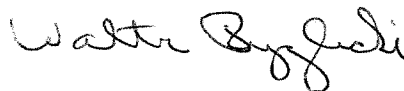
Other Information (Continued)

The combining and individual fund financial statements are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements supplementary information are fairly stated, in all material respects, in relation to the basic 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 December 13, 2016 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
December 13, 2016

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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, 2015, and the related notes to the financial statements, which comprise of the Authority's financial statements, and have issued our report thereon dated December 13, 2016.

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.

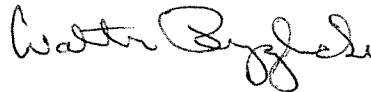
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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
December 13, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis is designed to provide an analysis of the Improvement Authority's financial condition and operating results and to also inform the reader on Improvement Authority financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Transmittal Letter (beginning on page 1) and the Authority's basic financial statements (beginning on page 13).

USING THIS ANNUAL REPORT

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. As enterprise funds, the Authority's basic financial statements include:

Statement of net position – reports the Authority's current financial resources (current spendable resources) with capital assets and noncurrent obligations. (Exhibit A)

Statement of revenues, expenses and change in net position – reports the Authority's operating and nonoperating revenues, by major source along with operating and nonoperating expenses and capital contributions. (Exhibit B)

Statement of cash flows – reports the Authority's cash flows from operating activities, investing, capital and noncapital activities. (Exhibit C)

COMPARATIVE STATEMENT OF NET POSITION

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u> <i>[as Restated]</i>
Assets:		
Current Assets	\$ 673,796	\$ 626,912
Restricted Assets	<u>212,766,417</u>	<u>193,948,779</u>
Total Assets	<u>\$ 213,440,213</u>	<u>\$ 194,575,691</u>
Deferred Outflows	<u>\$ 50,170</u>	<u>\$ 7,752</u>
Liabilities:		
Current Liabilities - Unrestricted	\$ 129,364	\$ 115,015
Current Liabilities - Restricted	25,056,283	21,561,409
Noncurrent Liabilities	<u>188,006,436</u>	<u>172,656,850</u>
Total Liabilities	<u>\$ 213,192,083</u>	<u>\$ 194,333,274</u>
Deferred Inflows	<u>\$ 5,177</u>	<u>\$ 15,199</u>
Net Position:		
Unrestricted	<u>\$ 293,123</u>	<u>234,970</u>

The net position of the Authority increased by \$58,153 during 2015 mainly due to higher operating income; however, offset by higher non-operating expenses than in the prior year.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION

	<u>Years Ended December 31,</u>	
	<u>2015</u>	<u>2014</u> [as Restated]
Total Revenues	\$ 7,150,315	\$ 6,468,954
Operating Expenses	<u>7,135,213</u>	<u>6,736,636</u>
Total Operating Expenses	<u>7,135,213</u>	<u>6,736,636</u>
Operating Income	15,102	(267,682)
Nonoperating Revenues/(Expenses)	<u>43,051</u>	<u>3,817</u>
Change in Net Position - Increase	58,153	(263,865)
Net Position, Beginning	<u>234,970</u>	<u>498,835</u>
Net Position, Ending	<u>\$ 293,123</u>	<u>\$ 234,970</u>

The Authority's operating revenue increased and expenses increased which resulted in an operating revenue of a net of \$15,102 in 2015 when compared to 2014.

FINANCIAL CONTACT

The Authority's statements are designed to present a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about the report or need additional financial information, please contact the Executive Director Nicole S. Fox - Beadle .

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2015 AND 2014

	2015			2014				
	Unrestricted Fund	Restricted Fund	Eliminations	Total	Unrestricted Fund	Restricted Fund	Eliminations	Total
ASSETS								
Current assets:								
Cash and Cash Equivalents	\$ 627,260	\$	\$	\$ 627,260	\$ 604,381	\$	\$	\$ 604,381
Prepaid Expenses	1,500			1,500	2,888			2,888
Accounts Receivable	44,448			44,448	19,428			19,428
Other current assets	588			588	215			215
Due from participants	1,541,326			1,541,326	458,045			458,045
Interfund receivable	2,039,276	(2,037,043)		2,233	1,102,555	(1,100,320)		2,233
Total current assets	673,796	3,560,602	(2,037,043)	2,217,355	626,912	1,560,598	(1,100,320)	1,087,190
Restricted Cash and Cash Equivalents		8,757,112		8,757,112	10,746,548			10,746,548
Restricted net investment in direct financing leases, less construction costs to be incurred of \$438,617 and \$667,963 in 2015 and 2014 respectively		200,428,703	(2,037,043)	200,428,703	181,641,633			181,641,633
Total assets	\$ 673,796	\$ 212,766,417	\$ (2,037,043)	\$ 211,403,170	\$ 626,912	\$ 183,948,779	\$ (1,100,320)	\$ 193,475,371
DEFERRED OUTFLOWS OF RESOURCES								
Pension Obligation	\$ 50,170	\$	\$	\$ 50,170	\$ 7,752	\$	\$	\$ 7,752
Total deferred outflows of resources	\$ 50,170	\$	\$	\$ 50,170	\$ 7,752	\$	\$	\$ 7,752
LIABILITIES								
Current liabilities:								
Current portion of bonds payable	\$	\$ 13,157,185	\$	\$ 13,157,185	\$	\$ 9,922,226	\$	\$ 9,922,226
Due to participants		9,775,543		9,775,543		3,847,188		3,847,188
Accrued expenses and other current liabilities	127,131	86,512		213,643	112,782	6,691,675		6,804,457
Interfund payable	2,233	2,037,043	(2,037,043)	2,233	2,233	1,100,320	(1,100,320)	2,233
Total current liabilities	129,364	25,066,283	(2,037,043)	23,146,604	115,015	21,561,409	(1,100,320)	20,576,104
Noncurrent liabilities:								
Net Pension Obligation	296,302	187,710,134		296,302	246,529	172,387,370		246,529
Bonds payable				187,710,134				172,387,370
Total liabilities	\$ 425,666	\$ 212,766,417	\$ (2,037,043)	\$ 211,155,040	\$ 361,544	\$ 183,948,779	\$ (1,100,320)	\$ 193,210,003
DEFERRED INFLOWS OF RESOURCES								
Pension Obligation	\$ 5,177	\$	\$	\$ 5,177	\$ 15,199	\$	\$	\$ 15,199
Total deferred inflows of resources	\$ 5,177	\$	\$	\$ 5,177	\$ 15,199	\$	\$	\$ 15,199
NET POSITION								
Unrestricted	\$ 283,123	\$	\$	\$ 283,123	\$ 234,970	\$	\$	\$ 234,970

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, 2015 AND 2014

	2015			2014		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
Operating Revenues:						
Administrative	\$ 255,252	\$ -	\$ 255,252	\$ 273,367	\$ -	\$ 273,367
Development and financial assistance		6,895,063	6,895,063		6,195,587	6,195,587
Total operating revenues	255,252	6,895,063	7,150,315	273,367	6,195,587	6,468,954
Operating Expenses:						
Administrative	200,538	164,944	365,482	540,522	167,135	707,657
Interest, net		6,769,731	6,769,731		6,028,979	6,028,979
Total operating expenses	200,538	6,934,675	7,135,213	540,522	6,196,114	6,736,636
Operating income/(loss)	54,714	(39,612)	15,102	(267,155)	(527)	(267,682)
Nonoperating revenues/(expenses):						
Interest on investments	3,439	39,612	43,051	3,290	527	3,817
Total nonoperating revenues (expenses)	3,439	39,612	43,051	3,290	527	3,817
Change in net position - Increases/ (Decreases)	58,153		58,153	(263,865)		(263,865)
Net position, beginning (as adjusted)	234,970	-	234,970	498,835	-	498,835
Net position, ending	\$ 293,123	\$ -	\$ 293,123	\$ 234,970	\$ -	\$ 234,970

See Notes to Financial Statements.

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015		2014	
	Unrestricted Fund	Restricted Fund	Unrestricted Fund	Restricted Fund
	Total		Total	
Cash flows from operating activities:				
Changes in net positions	\$ 58,153		\$ 58,153	
Adjustments to reconcile revenues over/(under) expenses to net cash provided by operating activities:				
Changes in assets and liabilities:				
(Increase)/decrease in prepaid expenses	1,388		1,388	
(Increase)/decrease in Accounts Receivable	(25,020)		(25,020)	
Increase/(decrease) in due to/from participants	1,099,827		1,099,827	
(Increase)/decrease in other current assets	(373)		(373)	
Increase/(decrease) in accrued expenses and other liabilities	53,351	(569,677)	(516,326)	
Net cash provided by operating activities	87,499	530,150	617,649	
Cash flows provided by/(used in) investing activities:				
Increase in restricted bonds receivable				18,567,167
Transferred unused Project Cost, Net				860,310
Net cash (used in)/provided by investing activities				19,427,477
Cash flows from financing activities:				
Payment of bonds payable		(676,971)		(5,534,532)
Increase/(Decrease) in noncurrent net pension position Obligations,net	(64,620)		(64,620)	276,907
(Payment) of/issuance of lease obligations payable		(1,842,615)	(1,842,615)	(14,298,188)
Proceeds utilized for project costs				(26,987)
Net cash provided by/(used in) financing activities	(64,620)	(2,519,586)	(2,584,206)	(19,582,800)
Net increase/(decrease) in cash and cash equivalents	22,879	(1,989,436)	(1,966,557)	(442,446)
Cash and cash equivalents, beginning of year	604,381	10,746,548	11,350,929	11,793,375
Cash and cash equivalents, end of year	\$ 627,260	\$ 8,757,112	\$ 9,384,372	\$ 11,350,929
Reconciliation to balance sheet:				
Cash and cash equivalents - Unrestricted	\$ 627,260		\$ 627,260	
Cash and cash equivalents - Restricted		8,757,112	8,757,112	
	\$ 627,260	\$ 8,757,112	\$ 9,384,372	\$ 11,350,929

See Notes to Financial Statements.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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, 2015, the Authority had no inventory.

F. **Capital Assets**

At December 31, 2015, 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.

H. **Deferred Outflows/Inflows of Resources**

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

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Net Position

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net position to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements. Net Position represents the difference between assets, deferred outflows, deferred inflows and liabilities in the government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any noncurrent debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

J. Accounting and Financial Reporting for Pensions

In fiscal year 2015, the Authority implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

J. **Accounting and Financial Reporting for Pensions (Continued)**

The Authority has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Subsequent Events – Management has reviewed and evaluated all events and transactions from December 31, 2015 through December 13, 2016, the date that the financial statements are issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Authority that would require disclosure.

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.

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.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents (Continued)

Investments

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

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

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, 2015, the Authority's total cash and cash equivalents are as follows:

Unrestricted	\$	627,260
Restricted		<u>8,757,112</u>
		<u>\$ 9,384,372</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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, 2015.

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:	
2016	\$ 13,157,185
2017	10,860,742
2018	9,856,041
2019	9,379,158
2020	8,983,264
	<u>52,236,390</u>
Thereafter:	
2021	8,768,226
2022	9,203,041
2023	9,634,547
2024	10,456,519
2025	16,028,993
	<u>54,091,326</u>
2026	8,004,186
2027	8,411,488
2028	8,334,080
2029	8,600,391
2030	7,875,428
	<u>41,225,573</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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

	<u>Restricted</u>
2031	7,867,380
2032	7,971,442
2033	8,297,077
2034	8,628,960
2035	8,579,171
	41,344,030
2036	2,675,000
2037	1,365,000
2038	1,435,000
2039	1,505,000
2040	1,585,000
	8,565,000
2041	1,660,000
2042	1,745,000
	3,405,000
	\$ 200,867,319

Reconciliation to Statement of Net Position:

Current Portion	\$ 13,157,185
Add- Non Current Portion	\$ 187,710,134
	\$ 200,867,319

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

5. **BONDS PAYABLE RESTRICTED**

\$18,370,000 Parking Facility Revenue Bonds Series 2005 (A)	\$ 15,395,000
\$22,960,000 Preakness Healthcare Center Expansion Project Series 2006 (B)	575,000
\$8,587,000 Capital Equipment Lease Revenue Bonds Series 2009 (C).	7,432,000
\$21,931,500 Yashiva K"Tanah Revenue Refunding Bonds Series 2010 (D)	18,843,451
\$29,620,000 Hospital Plaza Corporation Project Series 2010 (E).	27,845,000
\$10,292,000 Recovery Zone Project Series 2010 (F)	8,615,000.00
\$57,425,000 Lease Revenue Refunding Bonds for Preakness Healthcare Center Expansion Project Series 2012 (G)	56,780,000.00
\$2,876,647 Banc Program for 2013 (H)	1,401,357.00
\$14,323,631 Banc Program for 2014 (I)	12,780,562.00
\$24,795,000 Governmental Loan Revenue Bond for City of Paterson Project Series 2015 (J)	24,795,000.00
\$3,510,000 Lease Revenue Refunding Bonds for Prosecutor's Office Building Project Series 2015 (K)	3,510,000.00
\$19,550,000 Lease Revenue Refunding Bonds for Preakness Healthcare Center Expansion Project Series 2015 (L)	19,550,000.00
\$3,344,949 Banc Program for 2015 (M)	<u>3,344,949.00</u>
Total	\$ 200,867,319
Less: Current Portion	<u>13,157,185</u>
Noncurrent Portion	<u><u>\$ 187,710,134</u></u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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

- (A) 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 \$395,000 in 2016 to \$565,000 in 2025 at interest rates ranging from 3.9% to 4.5%.

The \$3,835,000 Series B (taxable) bonds are payable in annual installments ranging from \$95,000 in 2016 to \$155,000 in 2025 at interest rates ranging from 5.25% 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.

- (B) 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 \$575,000 in 2016. The Bonds bear interest at rates ranging from 4.10%.

A 2015 Refunding issue provided for all bonds that matured after May 1, 2016.

- (C) 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 \$440,000 in 2016 to \$1,075,000 in 2023. The bonds bear interest at rates ranging from 4.00% to 5.5% and a term bond of \$1,587,000 at 5.5% due October 1, 2025.

- (D) 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, 2016 to \$111,963.27 on September 5, 2035.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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

- (E) 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 \$625,000 in 2016 to \$1,745,000 in 2042. The bonds bear interest at rates ranging from 2% to 5%.

- (F) 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.

- (G) 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 \$1,905,000 in 2016 to \$3,915,000 in 2035. The bonds bear interest at rates ranging from 2.125% to 5%.

- (H) The \$2,876,647 Banc Program for 2013 for leases for various school districts.

The lease payments are payable in annual installments ranging from \$685,719 in 2016 to \$257,646 in 2018. The interest rates at rates ranging from .098% to 1.52%.

- (I) The \$14,323,631 Banc Program for 2014 for lease for various school districts.

The lease payments are payable in annual installment ranging from \$1,259,696 in 2016 to \$654,637 in 2029. The interest rates at rates ranging from 1.65% to 2.93%.

- (J) The \$24,795,000 Governmental Loan Revenue Board for 2015 for the City of Paterson Project.

The remaining bonds are payable in annual installments ranging from \$4,910,000 in 2016 to \$7,945,000 in 2015. The bonds bear interest at rates ranging from 2.00% to 5.00%.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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

- (K) The \$3,510,000 Lease Revenue Refunding Bonds for Prosecutor's Office Building Series 2015.

The remaining bonds are payable in annual installments ranging from \$295,000 in 2016 to \$430,000 in 2015. The bonds bear interest at rates ranging from 4.00% to 4.50%.

- (L) The \$19,550,000 Lease Revenue Refunding Bonds for Preakness Healthcare Center Expansion Project Series 2015.

The remaining bonds are payable in annual installments ranging from \$630,000 in 2016 to \$1,375,000 in 2036. The bonds bear interest at rates ranging from 3.00% to 5.00%.

- (M) The \$3,344,949 Banc Program for 2015 for leases for various school districts.

The lease payments are payable in annual a semi-annual payments from \$937,936 in 2016 to \$585,836 in 2020. The lease payments bear interest at rates ranging from 1.70% to 1.82%.

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, 2015

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, 2015

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, 2015

6. PENSION PLAN (CONTINUED)

Employee contributions through June 30, 2015 were six and ninety-two hundredths percent (6.92%) and seven and six hundredths percent (7.06%) effective July 1, 2015 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>
2015	\$ 10,855.00	\$ 6,364.54
2014	11,074.00	6,237.20
2013	10,207.00	5,564.84 *

* 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.

Government-Wide Financial Statements

Public Employees Retirement System (PERS)

The information for PERS was abstracted from State of New Jersey Public Employees' Retirement System Schedules of Employer Allocations and Schedules of Pension Amounts by Employer as of June 30, 2015 and June 30, 2014 Independent Auditor's Report dated April 14, 2016 and November 13, 2015, respectively.

The Authority reported a liability of \$296,302 and \$246,529 for its proportionate share of the net pension liability at December 31, 2015 and December 31, 2014, respectively. The net pension liability was measured as of June 30, 2015 and June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

6. PENSION PLAN (CONTINUED)

Government-Wide Financial Statements (Continued)

Public Employees Retirement System (PERS) (Continued)

	June 30,	
	2015	2014
Local Group Share	\$ 22,447,996,119	\$ 18,722,735,003
Authority Proportionate Percentage	0.0013199465 %	0.0013167382 %
Difference - Increase	0.0000032083	

For the year ended December 31, 2015, the Authority recognized pension expense of \$18,875. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 31,820	
Net difference between expected and actual experience	7,069	
Net difference between projected and actual investment earnings on pension plan investment		\$ 4,764
Changes in proportion	510	413
Authority contributions subsequent to the measurement date	10,771	
Total	\$ 50,170.00	\$ 5,177.00

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

6. PENSION PLAN (CONTINUED)

Government-Wide Financial Statements (Continued)

Public Employees Retirement System (PERS) (Continued)

The \$50,170 reported as deferred outflows of resources related to pensions resulting from entities contributions subsequent to the measurement date (i.e. for the Authority year ending December 31, 2015, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the Authority year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense based on local share is as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 62,124
2017	62,124
2018	62,124
2019	104,904
Thereafter	55,932

Additional Information:

Collective (local and state employers) balances at June 30, 2015 and June 30, 2014 are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Collective deferred outflows of resources		
Local Group	\$ 3,578,755,666	\$ 952,194,675
State Group	2,244,541,929	500,510,863
	<u>\$ 5,823,297,595</u>	<u>\$ 1,452,705,538</u>
Collective deferred inflows of resources		
Local Group	\$ 993,410,455	\$ 1,479,224,662
State Group	221,779,892	667,494,350
	<u>\$ 1,215,190,347</u>	<u>\$ 2,146,719,012</u>
Collective net pension liability		
Local Group	\$ 22,447,996,119	\$ 18,722,735,003
State Group	23,722,135,537	20,127,103,950
	<u>\$ 46,170,131,656</u>	<u>\$ 38,849,838,953</u>
Authority's proportion (of Local Group)	<u>0.0013199465 %</u>	<u>0.0013167382 %</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

6. PENSION PLAN (CONTINUED)

Government-Wide Financial Statements (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. The total pension liability for the December 31, 2015 measurement date was determined by an actuarial valuation as of June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.04 Percent
Salary Increases:	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014 and rolled forward to June 30, 2015.

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% as June 30,2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

6. PENSION PLAN (CONTINUED)

Government-Wide Financial Statements (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015 based on the *Bond Buyer* GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

6. PENSION PLAN (CONTINUED)

Government-Wide Financial Statements (Continued)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of The Collective Net Pension Liability to Changes in the Discount Rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2015 and June 30, 2014, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

		June 30, 2015		
		At Current		
		1% Decrease	Discount Rate	1% Increase
		<u>3.90%</u>	<u>4.90%</u>	<u>5.90%</u>
Authority's proportionate share of				
the Local Group pension liability	\$	3,682,665	\$ 2,963,015	\$ 2,359,665
		June 30, 2014		
		At Current		
		1% Decrease	Discount Rate	1% Increase
		<u>4.39%</u>	<u>5.39%</u>	<u>6.39%</u>
Authority's proportionate share of				
the Local Group pension liability	\$	3,101,423	\$ 2,465,294	\$ 1,931,106

Pension Plan Fiduciary Net Position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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, 2015 financial statements included a liability for accrued sick and vacation days of \$10,700.52.

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**

Starting January 1, 2016 the Authority has an 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.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

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.

12. **PRIOR PERIOD ADJUSTMENT**

GASB Statement No. 68 relates to "*Accounting and Financial Reporting for Pensions*". The net position as of December 31, 2014 was restated in order to account for the net pension (PERS) liability of the Authority, the data was released on November 13, 2015 and it was necessary to retroactively adjust the net position of the Authority as of December 31, 2014. The statement of net position as of December 31, 2014 has been restated to provide for the cumulative impact of the adjustment. The adjustment reduced the net position of the Authority by \$287,782 and increased the net noncurrent pension liabilities by \$246,529. In addition the restricted funds were adjusted and restated for the 2013 and 2014 Banking Programs that were not presented or recorded in the General ledgers provided by the authority.

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2015
UNRESTRICTED FUND

	<u>Total Unrestricted Fund - Administrative</u>
<u>ASSETS</u>	
Current assets:	
Cash and Cash Equivalents	\$ 627,260
Accounts Receivable	44,448
Prepaid Expenses	1,500
Other Receivable	<u>588</u>
Total current assets	<u>673,796</u>
Total assets	<u>\$ 673,796</u>
<u>LIABILITIES</u>	
Liabilities:	
Current liabilities:	
Accrued expenses and other current liabilities	\$ 115,783
Interfund payable	<u>2,233</u>
Total current liabilities	<u>118,016</u>
Total liabilities	<u>\$ 118,016</u>
<u>NET POSITION</u>	
Unrestricted	<u>\$ 555,780</u>
Total Net Position	<u>\$ 555,780</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2015
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
<u>ASSETS</u>						
Current assets:						
Due from participants	\$ 1,051,041			\$ 986,002		\$ 2,233
Interfund receivable	1,051,041			986,002		2,233
Total current assets	28,513	10,764	43,425		16	
Restricted cash and cash equivalents		15,395,000		575,000	7,432,000	
Restricted net investment in direct financing leases						
Total assets	\$ 1,079,554	\$ 15,405,764	\$ 43,425	\$ 1,561,002	\$ 7,432,016	\$ 2,233
<u>LIABILITIES</u>						
Current liabilities:						
Current portion of bonds payable		\$ 490,000		\$ 575,000	\$ 440,000	
Due to participants	93,552	10,764	43,425	986,002	16	2,233
Unearned Revenue						
Reserve for Fees	986,002					
Interfund payable	1,079,554	500,764	43,425	1,561,002	440,016	2,233
Total current liabilities		14,905,000			6,992,000	
Non-current liabilities:						
Bonds payable, net of current portion		\$ 15,405,764	\$ 43,425	\$ 1,561,002	\$ 7,432,016	\$ 2,233
Total liabilities	\$ 1,079,554	\$ 15,405,764	\$ 43,425	\$ 1,561,002	\$ 7,432,016	\$ 2,233

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMBING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2016
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
ASSETS					
Current assets:					
Due from participants	\$ 457,407			\$ 1,051,041	\$
Interfund receivable	457,407			1,051,041	
Total current assets	<u>457,407</u>			<u>1,051,041</u>	
Restricted cash and cash equivalents		8,622,324	8,965		32,610
Restricted net investment in direct financing leases	18,404,835	27,845,000	8,615,000	56,780,000	
Total assets	<u>\$ 18,862,242</u>	<u>\$ 36,467,324</u>	<u>\$ 8,623,965</u>	<u>\$ 57,831,041</u>	<u>\$ 32,610</u>
LIABILITIES					
Current liabilities:					
Current portion of bonds payable	\$ 655,760	\$ 625,000	\$ 374,000	\$ 1,905,000	\$
Due to participants		8,622,324	8,965		32,610
Unearned Revenue Reserve for Fees	18,791			1,051,041	
Interfund payable				2,956,041	32,610
Total current liabilities	<u>674,551</u>	<u>9,247,324</u>	<u>382,965</u>	<u>2,956,041</u>	<u>32,610</u>
Non-current liabilities:					
Bonds payable, net of current portion	18,187,691	27,220,000	8,241,000	54,875,000	
Total liabilities	<u>\$ 18,862,242</u>	<u>\$ 36,467,324</u>	<u>\$ 8,623,965</u>	<u>\$ 57,831,041</u>	<u>\$ 32,610</u>

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMBING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2015
RESTRICTED FUND BY PROGRAM

	Banc Program 2013	Banc Program 2014	Banc Program 2015	Preakness Healthcare Center Expansion Project Lease Revenue - Remaining Bonds, Series 2013	Prosecutor's Office Building Improvements Project Lease Revenue Bonds, Series 2015	City of Paterson Improvements Project Lease Revenue Bonds, Series 2015	Total Restricted Funds
ASSETS							
Current assets:							
Due from participants			\$ 32,878		\$	\$	\$ 1,541,326
Interfund receivable							2,039,276
Total current assets			32,878				3,580,602
Restricted cash and cash equivalents				1,821	4,081	4,593,000	8,757,112
Restricted net investment in direct financing leases	1,401,357	12,780,562	3,349,949	19,550,000	3,510,000	24,795,000	200,433,703
Total assets	\$ 1,401,357	\$ 12,780,562	\$ 3,382,827	\$ 19,551,821	\$ 3,514,081	\$ 24,799,593	\$ 212,771,417
LIABILITIES							
Current liabilities:							
Current portion of bonds payable			\$ 97,936		\$ 295,000	\$ 4,910,000	\$ 12,313,111
Due to participants	685,719	1,259,696		1,821	4,081	4,593,000	9,775,543
Unearned revenue			32,878				34,843
Revenue bonds							51,669
Interfund payable							2,037,043
Total current liabilities	685,719	1,259,696	130,814	1,821	299,081	4,914,593	24,212,209
Non-current liabilities:							
Bonds payable, net of current portion	715,638	11,520,868	3,252,013	19,550,000	3,215,000	19,885,000	188,559,208
Total liabilities	\$ 1,401,357	\$ 12,780,562	\$ 3,382,827	\$ 19,551,821	\$ 3,514,081	\$ 24,799,593	\$ 212,771,417

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015
UNRESTRICTED FUND

	Total Unrestricted Fund - <u>Administrative</u>
Operating Revenues:	
Administrative:	
2005 Paterson Parking Project	\$ 20,865
2005 Prosecutor's Office Building Improvement Project	3,750
2015 Prosecutor's Office Building Improvement Project	500
2006 Preakness Healthcare Center Expansion Project	19,545
2010 Revenue Refunding -Yeshiva K'Tana	18,791
2010 200 Hospital Plaza Corporation Project	52,455
2010 Recovery Zone Project	8,615
2012 Preakness Healthcare Center Expansion Project	
Refunding Bonds	28,500
2015 Preakness Healthcare Center Expansion Project	
Refunding Bonds	25,000
2015 City of Paterson Project	30,994
Miscellaneous	10,500
Banking Program	<u>35,737</u>
Total administrative	<u>255,252</u>
Total operating revenues	<u>255,252</u>
Operating Expenses:	
Salaries And Wages	93,370
Fringe Benefits	33,840
Pension	10,855
Payroll Taxes	5,672
Professional services	72,681
Other Expenses	<u>9,245</u>
Total operating expenses	<u>225,663</u>
Operating Income/(Loss)	<u>29,589</u>
Non-Operating Revenue/(Expenses):	
Interest on Investments	<u>3,439</u>
Total non-operating revenues	<u>3,439</u>
Change in Net Position	33,028
Net Position, beginning	<u>522,752</u>
Net Position, ending	<u>\$ 555,780</u>

**THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMBING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
RESTRICTED FUND BY PROGRAM**

	Preakness Healthcare Center Expansion Project Lease Revenue Bonds, Series 2005	Parking Facility Revenue Bonds Palerson 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	\$ 41,816	\$ 761,113	\$ 173,172	\$ 493,154	\$ 374,000
Interest	59	6	12		4
Total revenues	41,875	761,119	173,184	493,154	374,004
Expenses:					
Services by contract:					
Administrative fees	2,000	20,865		19,545	
Trustee fees				4,300	
Other Professional fees					
Services by contract	2,000	20,865		23,845	
Interest	39,875	740,254	173,184	469,309	374,004
Total expenses	41,875	761,119	173,184	493,154	374,004

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMBING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
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 Grant
Revenues:	\$ 654,514	\$ 1,271,711	\$ 518,311	\$ 2,157,219	\$ 195
Development and financial assistance revenues		557	5		178
Interest		1,272,268	518,316	2,157,219	373
Total revenues	654,514	1,272,268	518,316	2,157,219	373
Expenses:					
Services by contract:					
Administrative fees	18,791	52,455	8,615	28,500	
Trustee fees		5,000	2,500	2,000	
Other Professional fees					373
Services by contract	18,791	57,455	11,115	30,500	373
Interest	635,723	1,214,813	507,201	2,126,719	
Total expenses	\$ 654,514	\$ 1,272,268	\$ 518,316	\$ 2,157,219	\$ 373

THE PASSAIC COUNTY IMPROVEMENT AUTHORITY
COMBING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
RESTRICTED FUND BY PROGRAM

	Banc Program 2013	Banc Program 2014	Banc Program 2015	Preakness Healthcare Center Expansion Project Lease Revenue Refunding Bonds, Series 2015	Prosecutor's Office Building Improvements Project Lease Revenue Bonds, Series 2015	Total Restricted Funds
Revenues:						
Development and financial assistance revenues	\$ 26,311	\$ 66,446	\$ 32,878	\$ 251,704	\$ 72,519	\$ 6,895,063
Interest				38,790	1	39,612
Total revenues	\$ 26,311	\$ 66,446	\$ 32,878	\$ 290,494	\$ 72,520	\$ 6,934,675
Expenses:						
Services by contract:						
Administrative fees						148,771
Trustee fees						15,800
Other Professional fees						373
Services by contract						164,944
Interest	\$ 26,311	\$ 66,446	\$ 32,878	\$ 290,494	\$ 72,520	\$ 6,769,731
Total expenses	\$ 26,311	\$ 66,446	\$ 32,878	\$ 290,494	\$ 72,520	\$ 6,934,675

GENERAL COMMENTS
DECEMBER 31, 2015

Unrestricted Fund

Cash Balances

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

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

N.J.S.A. 40A:11-4 (as amended) states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included with the terms of Section 3 of this act, shall be made or awarded only after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate of \$17,500.00 except by contract or agreement." The Authority did not employ a Qualified Purchasing Agent (Q.P.A.) therefore the minimum threshold was used in 2015.

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 \$36,000.00 "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, 2015

Unrestricted Fund (Continued)

Expenditures

In accordance with the Statutes, the Authority adopted an annual operating budget for the fiscal year ending December 31, 2015.

All principal and interest on the Authority's bonded indebtedness due in 2015 has been paid.

Other Comments

All Restricted General ledgers were not accurately maintained and presented for audit.

There are fees being accrued for professional services that are over two (2) years old and are based upon estimates provided by the Professional. The actual bills for professional service fees should be presented and reviewed for payment or cancellation.

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, 2015

None.

The comments noted in our audit were not of such magnitude that they precluded us from issuing an unmodified 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