

PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
COUNTY OF PASSAIC, NEW JERSEY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
WITH INDEPENDENT AUDITOR'S REPORT

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
TABLE OF CONTENTS**

<u>Page</u>		<u>Exhibit</u>
1	Independent Auditor's Report	
	<u>REQUIRED SUPPLEMENTARY INFORMATION - PART I</u>	
5	Management's Discussion and Analysis	
	<u>FINANCIAL SECTION</u>	
14	Comparative Statements of Net Position	A
16	Comparative Statements of Revenues, Expenses and Changes in Net Position	B
17	Comparative Statements of Cash Flows	C
19	Notes to Financial Statements	
	<u>REQUIRED SUPPLEMENTARY INFORMATION - PART II</u>	
45	Schedules of Authority's Share of Net Pension Liability - PERS	RSI-1
46	Schedule of Authority's Contributions - PERS	RSI-2
47	Note to Required Schedules of Supplementary Information	RSI-3
	<u>SUPPLEMENTARY SCHEDULES</u>	
48	Schedule of Revenues, Expenses and Changes in Net Position	1
49	Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Cash Equivalents	2
50	Schedule of Revenues and Expenses Compared to Budget	3
51	Roster of Officials	4

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
TABLE OF CONTENTS, CONTINUED**

<u>Page</u>		<u>Exhibit</u>
52	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	
54	General Comments	
56	Status of Prior Year Audit Findings/Recommendations	



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INDEPENDENT AUDITOR'S REPORT

Honorable Chairperson and Commissioners
Passaic County Improvement Authority
401 Grand Street, Room 417
Paterson, NJ 07505

Report on the Financial Statements

Opinion

We have audited the accompanying statement of net position of the Passaic County Improvement Authority as of December 31, 2022 and 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Passaic County Improvement Authority as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Passaic County Improvement Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Passaic County Improvement Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Passaic County Improvement Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Passaic County Improvement Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of the Authority's proportionate share of the net pension liability-PERS and schedule of the Authority's contributions-PERS, as identified in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Passaic County Improvement Authority's basic financial statements. The supplemental schedules are presented for purposes of additional analysis, as required by the Division of Local Government Services and are not a required part of the financial statements.



The supplemental schedules as listed in the table of contents are the responsibility of management and were derived from and relate 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 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 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, as listed in the table of contents, are 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 19, 2023 on our consideration of the Passaic County Improvement Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Passaic County Improvement Authority's internal control over financial reporting and compliance.

Wielkocz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

April 19, 2023



Required Supplementary Information - Part I

Management's Discussion and Analysis

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

As management of the Passaic County Improvement Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2022 and 2021. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$554,325 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$359,616.

- Total net position is comprised of the following:
 - (1) Unrestricted net position of \$554,325 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.

- Total assets of the Authority increased by \$164,384 to \$1,089,390 during the fiscal year largely due to operating income.

Overview of the Financial Statements

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this year's activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those assets. The reader can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at fiscal year-end is \$554,325. This is a \$194,709 increase over last year's net position of \$359,616. A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position

	<u>FY 2022</u>	<u>FY 2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current and Other Assets	<u>\$1,089,390</u>	<u>\$925,006</u>	<u>\$164,384</u>	17.77%
Total Assets	<u>1,089,390</u>	<u>925,006</u>	<u>164,384</u>	17.77%
Deferred Outflows:				
Deferred Outflows of Resources Related to PERS	<u>19,668</u>	<u>19,668</u>	_____	0.00%
Total Deferred Outflows	<u>19,668</u>	<u>19,668</u>	_____	0.00%
Liabilities:				
Current Liabilities	291,491	321,816	(30,325)	-9.42%
Noncurrent Liabilities	<u>156,154</u>	<u>156,154</u>	_____	0.00%
Total Liabilities	<u>447,645</u>	<u>477,970</u>	<u>(30,325)</u>	-6.34%
Deferred Inflows:				
Deferred Inflows of Resources Related to PERS	<u>107,088</u>	<u>107,088</u>	_____	0.00%
Total Deferred Inflows	<u>107,088</u>	<u>107,088</u>	_____	0.00%
Net Position:				
Unrestricted	<u>554,325</u>	<u>359,616</u>	<u>194,709</u>	54.14%
Total Net Position	<u>\$554,325</u>	<u>\$359,616</u>	<u>\$194,709</u>	54.14%

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Net Position (Continued)

A summary of the Authority's prior year statement of net position is presented with comparative FY 2020 balances in the following table.

Condensed Statement of Net Position

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current and Other Assets	<u>\$925,006</u>	<u>\$560,116</u>	<u>\$364,890</u>	65.15%
Total Assets	<u>925,006</u>	<u>560,116</u>	<u>364,890</u>	65.15%
Deferred Outflows:				
Deferred Outflows of Resources Related to PERS	<u>19,668</u>	<u>35,494</u>	<u>(15,826)</u>	(44.59%)
Total Deferred Outflows	<u>19,668</u>	<u>35,494</u>	<u>(15,826)</u>	(44.59%)
Liabilities:				
Other Liabilities	321,816	46,316	275,500	594.83%
Noncurrent Liabilities	<u>156,154</u>	<u>223,815</u>	<u>(67,661)</u>	(30.23%)
Total Liabilities	<u>477,970</u>	<u>270,131</u>	<u>207,839</u>	(76.94%)
Deferred Inflows:				
Deferred Inflows of Resources Related to PERS	<u>107,088</u>	<u>98,475</u>	<u>8,613</u>	8.75%
Total Deferred Inflows	<u>107,088</u>	<u>98,475</u>	<u>8,613</u>	8.75%
Net Position:				
Unrestricted	<u>359,616</u>	<u>227,004</u>	<u>132,612</u>	58.42%
Total Net Position	<u>\$359,616</u>	<u>\$227,004</u>	<u>\$132,612</u>	58.42%

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Net Position (Continued)

While the *Statement of Net Position* shows the change in financial position of net position, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by \$194,709.

**Condensed Statement of Revenues, Expenses
And Changes in Net Position**

	<u>FY 2022</u>	<u>FY 2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues:				
Operating Revenues	<u>\$254,421</u>	<u>\$247,459</u>	<u>\$ 6,962</u>	2.81%
Total Operating Revenues	<u>254,421</u>	<u>247,459</u>	<u>6,962</u>	2.81%
Expenses:				
Operating Expense	<u>97,046</u>	<u>135,891</u>	<u>(38,845)</u>	-28.59%
Total Operating Expenses	<u>97,046</u>	<u>135,891</u>	<u>(38,845)</u>	-28.59%
Operating Income (Loss)	<u>157,375</u>	<u>111,568</u>	<u>45,807</u>	41.06%
Non-Operating Revenues (Expenses):				
Non-Operating Income	11,679	21,044	(9,365)	-44.50%
Non-Operating Expense	<u>25,655</u>	<u> </u>	<u>25,655</u>	100%
Total Non-Operating Revenues (Expenses)	<u>37,334</u>	<u>21,044</u>	<u>16,290</u>	77.41%
Change in Net Position	<u>194,709</u>	<u>132,612</u>	<u>62,097</u>	46.83%
Net Position, January 1,	<u>359,616</u>	<u>227,004</u>	<u>132,612</u>	58.42%
Net Position, December 31,	<u>\$554,325</u>	<u>\$359,616</u>	<u>\$194,709</u>	54.14%

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Net Position (Continued)

A summary of the Authority's prior year statement of revenues, expenses and change in net position is presented with comparative FY 2020 figures in the following table.

**Condensed Statement of Revenues, Expenses
And Changes in Net Position**

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues:				
Operating Revenues	\$247,459	\$249,857	(\$2,398)	(0.96%)
Total Revenues	<u>247,459</u>	<u>249,857</u>	<u>(2,398)</u>	<u>(0.96%)</u>
Expenses:				
Operating Expense	135,891	187,994	(52,103)	(27.72%)
Total Operating Expenses	<u>135,891</u>	<u>187,994</u>	<u>(52,103)</u>	<u>(27.72%)</u>
Operating Income (Loss)	<u>111,568</u>	<u>61,863</u>	<u>49,705</u>	<u>80.35%</u>
Non-Operating Revenues (Expenses):				
Non-Operating Income	21,044	22,888	(1,844)	(8.06%)
Non-Operating Expense	<u>-</u>	<u>(100,000)</u>	<u>100,000</u>	<u>(100.00%)</u>
Total Non-Operating Revenues (Expenses)	<u>21,044</u>	<u>(77,112)</u>	<u>98,156</u>	<u>(127.29%)</u>
Change in Net Position	<u>(132,612)</u>	<u>(15,249)</u>	<u>147,861</u>	<u>(969.64%)</u>
Net Position, January 1,	<u>227,004</u>	<u>242,253</u>	<u>(15,249)</u>	<u>(6.29%)</u>
Net Position, December 31,	<u>\$359,616</u>	<u>\$227,004</u>	<u>\$132,612</u>	<u>58.42%</u>

Budgetary Highlights

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Budgetary Highlights (Continued)

The following tables provides a FY 2022 and FY 2021 budget comparison:

**Budget vs. Actual
FY 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Unrestricted Net Position Utilized	\$83,173	\$83,173	\$
Operating Revenues:			
Annual Administration Fees	163,677	219,621	55,944
Miscellaneous	<u>20,000</u>	<u>34,800</u>	<u>14,800</u>
Total Operating Revenues	<u>183,677</u>	<u>254,421</u>	<u>70,744</u>
Non-Operating Revenues:			
Interest on Investments, Other	<u>1,400</u>	<u>11,679</u>	<u>10,279</u>
Total Non-Operating Revenues	<u>1,400</u>	<u>11,679</u>	<u>10,279</u>
Total Revenues and Net Position Utilized	<u>268,250</u>	<u>349,273</u>	<u>81,023</u>
Operating Appropriations:			
Administration and COPS:			
Salaries and Wages	98,600		98,600
Fringe Benefits	45,000	17,066	27,934
Other Expenses	<u>124,650</u>	<u>79,980</u>	<u>44,670</u>
Total Operating Appropriations	<u>268,250</u>	<u>97,046</u>	<u>171,204</u>
Total Appropriations	<u>268,250</u>	<u>97,046</u>	<u>171,204</u>
Total Budgetary Income/(Loss)	<u>\$</u>	<u>\$252,227</u>	<u>\$252,227</u>

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Budgetary Highlights (Continued)

	Budget vs. Actual FY 2021		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Unrestricted Net Position Utilized	\$74,518	\$74,518	\$ _____
Operating Revenues:			
Annual Administration Fees	172,332	231,659	59,327
Miscellaneous	<u>10,000</u>	<u>15,800</u>	<u>5,800</u>
Total Operating Revenues	<u>182,332</u>	<u>247,459</u>	<u>65,127</u>
Non-Operating Revenues:			
Interest on Investments, Other	<u>11,400</u>	<u>21,044</u>	<u>9,644</u>
Total Non-Operating Revenues	<u>11,400</u>	<u>21,044</u>	<u>9,644</u>
Total Revenues and Net Position Utilized	<u>268,250</u>	<u>343,021</u>	<u>74,771</u>
Operating Appropriations:			
Administration and COPS:			
Salaries and Wages	98,600	62,919	35,681
Fringe Benefits	45,000	34,487	10,513
Other Expenses	<u>124,650</u>	<u>74,674</u>	<u>49,976</u>
Total Operating Appropriations	<u>268,250</u>	<u>172,080</u>	<u>96,170</u>
Total Non-Operating Appropriations			
Total Appropriations	<u>268,250</u>	<u>172,080</u>	<u>96,170</u>
Total Budgetary Income/(Loss)	<u>\$ _____</u>	<u>\$170,941</u>	<u>\$170,941</u>

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)**

Economic Factors, Future Years' Budgets and Rates

The Commissioners and management of the Authority consider many factors when preparing each year's budget. The main factors are growth in the Authority's customer base.

Contacting the Authority

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Passaic County Improvement Authority, 401 Grand Street, Room 439, Paterson, NJ 07505.

Financial Statements

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets:		
Unrestricted:		
Cash and Cash Equivalents	1,036,160	851,812
Accounts Receivable	53,230	73,194
	<u>1,089,390</u>	<u>925,006</u>
TOTAL ASSETS	<u>1,089,390</u>	<u>925,006</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Debits:		
Deferred Outflows Related to Pension	19,668	19,668
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>19,668</u>	<u>19,668</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable	10,887	49,482
Accounts Payable - Pension	17,057	15,243
Escrow Payable	25,000	
Advance on Assessment Revenues	238,547	257,091
	<u>291,491</u>	<u>321,816</u>
Total Current Liabilities (Payable from Unrestricted Assets)		
Long-Term Liabilities:		
Payable from Unrestricted Assets:		
Net Pension Obligation	156,154	156,154
	<u>156,154</u>	<u>156,154</u>
Total Long-Term Liabilities		
	<u>156,154</u>	<u>156,154</u>
TOTAL LIABILITIES	<u>447,645</u>	<u>477,970</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Credits:		
Deferred Inflows Related to Pension	107,088	107,088
	<u>107,088</u>	<u>107,088</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>107,088</u>	<u>107,088</u>
<u>NET POSITION</u>		
Unrestricted: Undesignated	554,325	359,616
	<u>554,325</u>	<u>359,616</u>
TOTAL NET POSITION	<u>554,325</u>	<u>359,616</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Administration Fees	219,621	231,659
Banc Program	15,800	15,800
Property Registration Program	19,000	
Total Operating Revenues	<u>254,421</u>	<u>247,459</u>
Operating Expenses:		
Administration:		
Personnel - Salary & Benefits	6,827	20,868
Other Expenses	16,210	29,572
Cost of Providing Services:		
Personnel - Salary & Benefits	10,239	40,349
Other Expenses	63,770	45,102
	<u>97,046</u>	<u>135,891</u>
Operating Income (Loss)	<u>157,375</u>	<u>111,568</u>
Non-Operating Revenues (Expenses)		
Interest Income	11,679	4,144
Other Income		16,900
Cancellation of Accounts Payable	25,655	
	<u>37,334</u>	<u>21,044</u>
Change in Net Position	194,709	132,612
Net Position, January 1	<u>359,616</u>	<u>227,004</u>
Net Position, December 31	<u><u>554,325</u></u>	<u><u>359,616</u></u>

The accompanying and "Notes to the Financial Statements" are an integral part of this report.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 300,040	506,447
Cash Paid to Employees	(17,066)	(97,406)
Cash Paid to Suppliers and Others	(110,305)	(63,298)
	<u>172,669</u>	<u>345,743</u>
Cash Flows from Investing Activities:		
Interest Received	11,679	4,144
	<u>11,679</u>	<u>4,144</u>
Net Increase (Decrease) in Cash and Cash Equivalents	184,348	349,887
Cash and Cash Equivalents, January 1,	851,812	501,925
Cash and Cash Equivalents, December 31,	<u>\$ 1,036,160</u>	<u>851,812</u>
Analysis of Balance at December 31,		
Unrestricted - Cash and Cash Equivalents	1,036,160	851,812
	<u>\$ 1,036,160</u>	<u>851,812</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ <u>157,375</u>	<u>111,568</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
(Increase)/Decrease in Accounts Receivable	19,964	(15,003)
Adjustment to Pension Obligation	-	(36,189)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	(11,781)	11,376
Increase/(Decrease) in Deferred Revenue	(18,544)	257,091
Other Non-Operating Income	-	16,900
Cancellation of Accounts Payable	25,655	
Total Adjustments	<u>15,294</u>	<u>234,175</u>
Net Cash Provided by Operating Activities	\$ <u><u>172,669</u></u>	<u><u>345,743</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

Notes to Financial Statements

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Passaic County Improvement Authority (the "Authority") is a public body politic, corporate, organized and existing under the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 160, as Amended and Supplemented (the "Act"), N.J.S.A. 40:37A-1, et. seq. The Authority has broad powers under the Act including, among others, the following: to retain, operate and administer its property; to provide for bonds and to secure their payment and rights of holders thereof; to charge and collect service charges for the use of its facilities and to revise such service charges to ensure that the revenues of the Authority will at all times be adequate to pay all operating and maintenance and expenses, including reserves, insurance, extensions and replacements, and to pay the principal of and the interest on any bonds or loans, and to maintain such reserves or sinking funds therefore as may be required by the terms of any contract of the Authority; and to make and enforce rules and regulations for the management of its business and affairs.

The Authority is governed by a Board of Commissioners (the "Board") consisting of five members appointed by the County of Passaic Board of Chosen Freeholders. An Executive Director is appointed by the Board and functions as Chief Executive Officer responsible for the daily operations of the Authority.

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Component Unit, (continued)

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the County of Passaic.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the Authority are organized on the basis of funds, in accordance with the various Bond Resolutions, each of which is considered a separate accounting activity. The operations of each system are accounted for with a separate set of self-balancing accounting records that comprise its assets, deferred inflows and outflows, liabilities, net position, revenues and expenses. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various activities are grouped into one generic fund type and one broad fund category, as follows:

Proprietary Fund Type

Enterprise Fund- The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its users on a continuing basis be financed or recovered primarily through user charges.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation, (continued)

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, all deferred inflows and outflows and all liabilities associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority's financial transactions are recorded in accounts that are created by various resolutions adopted by the Authority to meet bond or note covenant requirements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used to determine useful lives of leasehold improvements and certain claims and judgment liabilities, among other accounts. Accordingly, actual results could differ from those estimates.

C. Assets, Deferred Inflows and Outflows, Liabilities and Net Position

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, cash in banks, certificates of deposit, deposits with the New Jersey Cash Management Fund and all short-term investments with original maturities of three months or less from the date of purchase. Investments are reported at market value and except for the operating accounts are limited by the 1997 Bond Resolution as amended and supplemented thereto. Operating account investments are limited by NJSA 40A:5-15.1 et seq.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Assets, Deferred Inflows and Outflows, Liabilities and Net Position, (continued)

Inventory

The costs of inventories are deemed immaterial and are recognized as expenses when purchased rather than when consumed. The Authority does not record inventory on its statement of net position.

Accounts Receivable

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Changes in the allowance for uncollectibles is recorded as an adjustment to revenue or as bad debt expenses depending on its effect on current year or prior year allowance amounts and the results of those changes.

Interfunds Receivable and Payable

During the course of its operations, the Authority has numerous transactions between funds (accounts) to finance operations, provide services, construct assets, and retire debt. To the extent that certain transactions between the accounts had not been paid or received as of the balance sheet dates, balances of interfund amounts receivable and payable have not been recorded.

Restricted Assets

Certain assets are classified as restricted on the statement of net position because they are maintained in separate bank accounts and their use is limited by the various Bond Resolutions as amended and supplemented thereto.

Deferred Outflows and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Assets, Deferred Inflows and Outflows, Liabilities and Net Position, (continued)

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Compensated Absences

Sick leave, personnel time, compensatory time and salary related payments and in certain instances vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Authority will compensate the employee for the benefits.

Net Position

Restricted net position is limited to outside third-party restrictions either by law or by other organizations or persons external to the Authority. Unrestricted net position represents the net position neither restricted nor invested in capital assets, net of related debt.

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted — net position and unrestricted — net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted — net position to have been depleted before unrestricted— net position is applied.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services, specifically, service charge fees for managing the conduit debt. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. State and federal grants for the operation of the Authority are considered operating revenues. Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

E. Recent Accounting Pronouncements

In April 2022, the Government Accounting Standards Board issued GASB Statement No. 99, Omnibus 2022. The Objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. Recent Accounting Pronouncements, (continued)

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmentary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The Authority is determining the effects, if any, this statement will have on future financial statements.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. Recent Accounting Pronouncements, (continued)

In June 2022, the Government Accounting Standards Board issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Authority is determining what effects, if any, this pronouncement will have on future financial statements.

In June 2022, the Government Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Authority is determining what effects, if any, this pronouncement will have on future financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Authority annually prepares a operating budget for the General Fund. The budget is prepared in accordance with the Budget Manual for Local Public Authorities as promulgated by the Division of Local Government Services, Bureau of Authority Regulation, which differs in certain respects from accounting principles generally accepted in the United States of America. The budgets serve as a plan for expenses and the proposed means for financing them. Budgetary control is exercised within the respective system.

The annual budgets are approved at least sixty days prior to the beginning of the fiscal year. The budgets must be approved by the Board and submitted to the Division of Local Government Services, Bureau of Authority Regulation for approval prior to adoption. Budget adoptions and amendments are recorded in the Authority's minutes.

The encumbrance method of accounting is utilized by the Authority for budgetary purposes. Under this method purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve a portion of the applicable budget appropriation.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, (continued)

Budgets and Budgetary Accounting, (continued)

In accordance with accounting principles generally accepted in the United States of America, outstanding encumbrances at year-end for which goods or services are received, are classified to expenses and accounts payable. All other encumbrances in the annual budgeted funds are designated at year-end and are either cancelled or are included as reappropriations of unrestricted net position for the subsequent year.

3. DEPOSITS AND INVESTMENTS

Deposits - The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2022 and 2021, the book value of the Authority's deposits were \$1,036,160 and \$851,812, respectively, and bank balances of the Authority's cash and deposits amounted to \$1,036,160 and \$850,960, respectively.

The Authority's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>2022</u>	<u>2021</u>
Insured:		
Unrestricted	\$1,036,160	\$851,812
	<u>\$1,036,160</u>	<u>\$851,812</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2022, none of the Authority's bank balances were exposed to custodial credit risk.

PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)

4. ADMINISTRATIVE FEES RECEIVABLE

Administrative fees receivable at December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Accounts Receivable - Administrative Fees	\$53,230	\$73,194
Total Accounts Receivable	<u>\$53,230</u>	<u>\$73,194</u>

5. CONDUIT DEBT OBLIGATIONS

The Authority has issued debt on behalf of third-party entities. The Authority has no obligation for the debt beyond the resources provided by the related leases or loans, and, accordingly, the debt is not reflected as a liability in the accompanying financial statements.

The Authority has issued and has outstanding the following conduit debt obligations as of December 31, 2022 and 2021:

	<u>Balance</u>		<u>Balance</u>
	<u>Dec. 31, 2021</u>	<u>Issued</u>	<u>Dec. 31, 2022</u>
2005 Parking Facility Revenue Bonds (Note A)	\$12,125,000	\$	\$11,495,000
2009 Capital Equipment Lease Revenue Bonds	1,795,000		1,390,000
2010 Yashiva K"Tana Revenue Refund Bonds	14,429,727		13,603,326
2010 Recovery Zone Project Bonds	5,731,000		5,115,000
2012 Lease Revenue Refunding Bonds for Preakness Healthcare Center Expansion Project	44,000,000		41,570,000
2015 Government Loan Revenue for City of Paterson Project	11,350,000		10,215,000
2015 Lease Revenue Refunding Bonds for Prosecutor's Office Building Project	1,595,000		1,225,000
2015 Lease Revenue Refunding Bonds for Preakness Healthcare Center Expansion Project	16,095,000		15,300,000
2017 Governmental Loan Revenue Bonds for City of Paterson Project	26,240,000		24,600,000
2017 Hospital Plaza Corporation Project Refunding Bonds	23,815,000		23,095,000
2018 DPW Building Revenue Bonds	12,280,000		11,510,000
2020 Revenue Refunding Bonds for Passaic County Community College	11,155,000		10,820,000
2020 Energy Savings Obligation Refunding Bonds for Paterson Board of Education	17,010,000		17,010,000
2020 Governmental Loan Revenue Bonds for the City of Paterson Project	27,610,000		25,090,000
2021 Taxable Revenue Notes	47,461,874		47,461,874
2022 Government Lease Revenue Bonds for Paterson Board of Education Project		8,215,000	8,215,000
	<u>\$272,692,601</u>	<u>\$8,215,000</u>	<u>\$267,715,200</u>

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

5. CONDUIT DEBT OBLIGATIONS, (continued)

	Balance			Balance
	<u>Dec. 31, 2020</u>	<u>Issued</u>	<u>Retired</u>	<u>Dec. 31, 2021</u>
2005 Parking Facility Revenue Bonds (Note A)	\$12,730,000	\$	\$605,000	\$12,125,000
2009 County Guaranteed Loan Revenue Bonds	2,190,000		395,000	1,795,000
2010 Yashiva K"Tana Revenue Refund Bonds	15,226,069		796,342	14,429,727
2010 Recovery Zone Project Bonds	6,322,000		591,000	5,731,000
2012 Lease Revenue Refunding Bonds for Preakness Healthcare Center Expansion Project	46,330,000		2,330,000	44,000,000
2015 Government Loan Revenue for City of Paterson Project	12,485,000		1,135,000	11,350,000
2015 Lease Revenue Refunding Bonds for Prosecutor's Office Building Project	1,950,000		355,000	1,595,000
2015 Lease Revenue Refunding Bonds for Preakness Healthcare Center Expansion Project	16,855,000		760,000	16,095,000
2017 Governmental Loan Revenue Bonds for City of Paterson Project	27,310,000		1,070,000	26,240,000
2017 Hospital Plaza Corporation Project Refunding Bonds	24,505,000		690,000	23,815,000
2018 DPW Building Revenue Bonds	13,015,000		735,000	12,280,000
2020 Revenue Refunding Bonds for Passaic County Community College	11,475,000		320,000	11,155,000
2020 Energy Savings Obligation Refunding Bonds for Paterson Board of Education	17,010,000			17,010,000
2020 Governmental Loan Revenue Bonds for the City of Paterson Project	30,125,000		2,515,000	27,610,000
2021 Taxable Revenue Notes		47,461,874		47,461,874
	<u>\$237,528,069</u>	<u>\$47,461,874</u>	<u>\$12,297,342</u>	<u>\$272,692,601</u>

A. Series 2005 Revenue Bonds

In April 2005, the PICA issued bonds in the amount of \$18,370,000 with a final maturity of April 15, 2024, and an interest rate varying from 3.10% to 5.10%. The Series 2005 Bonds were issued pursuant to (i) finance a portion of the development, design and construction costs of an approximately 960-space parking garage facility on the premises owned by the Parking Authority; (ii) fund capitalized interest on the Series 2005 Bonds from their date of initial issuance and delivery through and including April 15, 2007; (iii) fund the Bonds Reserve Fund Requirement and; (v) reimburse the Parking Authority for a portion of the costs of acquiring the Property.

B. Series 2009 Revenue Bonds

In October 2009, the PICA issued bonds in the amount of \$8,587,000 with a final maturity of October 1, 2025, and an interest rate varying from 4.00% to 5.50%. The Series 2009 Bonds were issued to provide funds to make loans to certain municipalities in the County of Passaic, New Jersey to (i) refinance certain of the outstanding bonds anticipation notes of the Borrowers; and (ii) pay certain of the costs of issuance of the Series 2009 Bonds and the Borrower Bonds.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

5. CONDUIT DEBT OBLIGATIONS, (continued)

C. Series 2010 Refund Bonds

In August 2010, the PICA issued bonds in the amount of \$21,931,500 with a final maturity of September 5, 2035, and an interest rate varying from 4.00% to 5.50%. The Series 2010 Bonds were issued to consolidate previously issued taxable and tax-exempt notes, mortgages and loans. In June 2018, the PCIA modified the existing credit facility by terminating the existing swap and executing a new 10-year interest swap rate. The Yeshiva Ktana of Passaic, a not-for-profit educational institution located in the City of Passaic.

D. Series 2010 Hospital Plaza Project Bonds

In October 2010 the PICA issued bonds in the amount of \$29,620,000 with a final maturity of May 1, 2042, and an interest rate varying from 3.00% to 5.00%. The Bonds fully consist of Governmental Loan Revenue Bonds. The Series 2010 Bonds were issued to make a loan to 200 Hospital Plaza Corporation to (i) finance a portion of Project Costs associated with the design and construction of a mixed-use parking/retail seven-level structure consisting of approximately 1,120 parking spaces and approximately 20,400 square feet of retail space in Paterson, New Jersey; (ii) pay capitalized interest on the Series 2010 Bonds for a period of 18 months; (iii) fund the Series 2010 Bonds Debt Service Reserve Account in the Debt Service Reserve Fund in an amount equal to the Series 2010 Bonds Reserve Requirement; and (iv) pay certain Costs of Issuance relating to the Series 2010 Bonds.

E. Series 2010 Recovery Zone Project Bonds

In July 2010 the PICA issued bonds in the amount of \$10,292,000 with a final maturity of August 1, 2031, and an interest rate varying from 1.66% to 6.54%. The Bonds fully consist of Governmental Loan Revenue Bonds. The Series 2010 Recovery Zone Project Bonds were issued in response to the American Recovery and Reinvestment Act (ARRA) of 2009. The ARRA was a stimulus package enacted to promote public spending and create jobs through the Great Recession in 2009. These bonds were issued to provide funds to finance (i) the costs associated with the construction of a new municipal Justice Complex and the acquisition of all materials and equipment, and completion of all work necessary for the Complex for Little Falls, (ii) the replacement of approximately 11,800 feet of water main, water connections and fire hydrants along Ringwood Avenue in Wanaque, New Jersey, and (iii) the street paving and other capital projects on behalf of the County of Passaic. The Little Falls and Wanaque Projects were enacted in pursuant of the ARRA of 2009.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

5. CONDUIT DEBT OBLIGATIONS, (continued)

F. Series 2012 Refunding Bonds

In August 2012 the PICA issued bonds in the amount of \$57,425,000 with a final maturity of March 15, 2035, and an interest rate varying from 1.50% to 5.00%. The Series 2012 Preakness Bonds were issued to provide funds to finance (i) the advance refunding of a portion of the Authority's outstanding Preakness Healthcare Center Expansion Project Lease Revenue Bonds (Series 2005), and (ii) the costs of issuance associated with the Series 2012 Preakness Bonds.

G. Series 2015 Government Loan Revenue

In December 2015 the PICA issued bonds in the amount of \$24,795,000 with a final maturity of August 1, 2031, and an interest rate varying from 2.00% to 5.00%. The Bonds fully consist of Governmental Loan Revenue Bonds. The Series 2015 Bonds were issued to provide funds to make a loan to the City of Paterson, New Jersey to (i) refinance certain outstanding general capital bond anticipation notes, emergency notes, special emergency notes and tax appeal refunding bonds anticipation notes of the City of Paterson, and (ii) pay certain of the costs of issuance of the Series 2015 Bonds, and the Borrower Bonds.

H. Series 2015 Refunding Bonds – Prosecutor's Office

In June 2015 the PICA issued bonds in the amount of \$3,510,000 with a final maturity of December 15, 2025, and an interest rate varying from 2.00% to 5.00%. The Series 2015 Prosecutor's Building Bonds were issued to provide funds to finance (i) the advance refunding of a portion of the Authority's outstanding Prosecutor's Office Building Improvement Project Lease Revenue Bonds (Series 2005), and (ii) the costs of issuance associated with the Series 2015 Prosecutor's Building Bonds.

I. Series 2015 Refunding Bonds – Preakness Healthcare Center

In June 2015 the PICA issued bonds in the amount of \$19,550,000 with a final maturity of May 1, 2025, and an interest rate varying from 3.125% to 5.00%. The Series 2015 Preakness Bonds were issued to provide funds to finance (i) the advance refunding of a portion of the Authority's outstanding Preakness Healthcare Center Expansion Project Lease Revenue Bonds (Series 2006), and (ii) the costs of issuance associated with the Series 2015 Preakness Bonds.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

5. CONDUIT DEBT OBLIGATIONS, (continued)

J. Series 2017 Revenue Bonds

In June 2017 the PICA issued bonds in the amount of \$33,835,000 with a final maturity of June 15, 2037, and an interest rate varying from 2.00% to 5.00%. The Bonds fully consist of Governmental Loan Revenue Bonds. Proceeds from the Series 2017 bonds were used to provide funds to make loan to the City of Paterson New Jersey for various capital improvements.

K. Series 2017 Revenue Refunding Bonds

In December 2017 the PCIA issued bonds in the amount of \$24,650,000 with a final maturity of May 1, 2042, and an interest rate varying from 2.00% to 5.00%. The bonds fully consist of Governmental Loan Revenue Bonds. The Series 2017 Bonds were issued to make a loan to 200 Hospital Plaza Corporation. The proceeds will be used to (i) advance refund of all of the Authority's County Guaranteed Parking Revenue Bonds (Series 2010 Bonds) maturing in the years 20121 through 2042, and (ii) pay certain Costs of Issuance relating to the Series 2017 Bonds.

L. Series 2018 Revenue Bonds

In July 2018 the PCIA issued bonds in the amount of \$14,530,000 with a final maturity of May 1, 2033, and an interest rate of 5.00%. The bonds fully consist of County General Obligation Lease Revenue Bonds. The Series 2018 Bonds were issued to provide funding for the construction, reconstruction and equipment of a new County Department of Public Works building on a certain piece of real property currently owned by the County ("Project Site").

M. Series 2020 Lease Revenue Refunding Bonds

In July 2020, the PCIA issued bonds in the amount of \$11,475,000 with a maturity date of July 1, 2041, and an interest rate varying from 4.375% to 5.375%. The bonds fully consist of county guaranteed lease revenue bonds. The Series 2020 bonds were issued to the Cede & Co., on behalf of The Depository Trust Company. The proceeds will be used to (i) currently refund a portion of the outstanding principal amount of The New Jersey Educational Facilities Authority Revenue Bonds, Passaic County Community College Issue, Series 2010C, and (ii) pay the cost of issuance of the Bonds.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

5. CONDUIT DEBT OBLIGATIONS, (continued)

N. Series 2020 Refunding Bonds

In July 2020, the PCIA issued bonds in the amount of \$17,010,000 with a maturity date of February 1, 2042, and an interest rate varying from 2.00% to 5.00%. The bonds fully consist of governmental loan revenue bonds. The Series 2020 bonds were issued to the Paterson Board of Education to be used to (i) finance the costs of various energy savings improvements to the School District's facilities, and (ii) pay certain costs of the issuance of the Series 2020 Bonds, and the Board of Education Bonds.

O. Series 2020 Revenue Bonds

In August 2020, the PCIA issued bonds in the amount of \$30,125,000 with a maturity date of August 15, 2040 for the serial bonds and August 15, 2044 for the term bonds, and an interest rate varying from 1.00% to 5.00%. The bonds fully consist of Governmental Loan Revenue Bonds. The Series 2020 bonds were issued to make a loan to the City of Paterson. The proceeds will be used to (i) refund a portion of the outstanding bond anticipation notes of the City of Paterson issued to finance various capital projects, the funding of contractually required employee retirement severance liabilities by the City and the funding of an emergency appropriation for public safety and access prevention improvements to a former industrial site; (ii) finance the undertaking of various capital projects by the City; and (iii) pay certain costs of the issuance of the Series 2020 Bonds, and the Borrower Bonds, as hereinafter defined.

P. Series 2021 Taxable Revenue Note

In May 2021, the Authority issued Taxable Revenue Notes of \$47,461,874 to finance the redevelopment of a portion of a project to renovate historic Hinchliffe Stadium in the City of Paterson that will be owned, developed and leased by RPM Development and BAW Development, L.L.C. These notes have an interest rate varying from 1-2% and a maturity date of May 12, 2061. The notes fully consist of taxable revenue notes.

Q. Series 2022 Lease Revenue Bonds

In August 2022, the Authority issued Governmental Lease Revenue Bonds in the amount of \$8,215,000 with a maturity date of August 1, 2042, and an interest rate varying from 2.76% - 5.00%. The bonds fully consist of governmental loan revenue bonds. The Series 2022 bonds were issued to the City of Paterson Board of Education to be used to (i) finance the Property Acquisition being undertaken by the Board of Education, and (ii) pay certain costs incurred in connection with the issuance of the Bonds.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

5. CONDUIT DEBT OBLIGATIONS, (continued)

R. Passaic County Banc Program

In addition to the debt obligations described above, the Authority allows local government entities to take advantage of below market tax-exempt interest rate when financing equipment purchases through the Passaic County Banc Program. As of December 31, 2022 and 2021, the Authority had issued and has outstanding the following conduit debt obligations through this program:

	Balance <u>Dec. 31, 2021</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>Dec. 31, 2022</u>
2014 Banc Program	8,002,193		730,640	7,271,553
2017 Banc Program	461,384		461,384	0
2018 Banc Program	415,865		204,908	210,957
2019 Banc Program	1,741,057		549,994	1,191,063
2020 Banc Program	2,718,216		397,710	2,320,506
2021 Banc Program	1,515,800		294,605	1,221,195
2022 Banc Program		4,480,961	388,315	4,092,646
	<u>\$ 14,854,515</u>	<u>4,480,961</u>	<u>3,027,556</u>	<u>16,307,920</u>

	Balance <u>Dec. 31, 2020</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>Dec. 31, 2021</u>
2014 Banc Program	8,694,077		691,884	8,002,193
2016 Banc Program	342,887		342,887	0
2017 Banc Program	1,052,625		591,241	461,384
2018 Banc Program	1,156,574		740,709	415,865
2019 Banc Program	2,276,877		535,820	1,741,057
2020 Banc Program	3,115,800		397,584	2,718,216
2021 Banc Program		1,515,800		1,515,800
	<u>\$ 16,638,840</u>	<u>1,515,800</u>	<u>3,300,125</u>	<u>14,854,515</u>

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

5. CONDUIT DEBT OBLIGATIONS, (continued)

S. Forward Bond Purchase Agreement

On December 15, 2010, the New Jersey Educational Facilities Authority (the "NJEFA") issued \$13,635,000 Revenue Bonds, Passaic County Community College Issue, Series 2010C (the "Prior Bonds"). Pursuant to the Official Statement and other documents relating to the Prior Bonds, the College has a general obligation to make Basic Lease Payments and Additional Lease Payments to the NJEFA. The Basic Lease Payments are sufficient to pay principal and interest on the prior bonds. The Prior Bonds includes \$11,475,000 in outstanding callable maturities that have interest rates between 4.375% and 5.375% that are subject to redemption on or after July 1, 2020. These rates were greater than the market interest rates in 2018. The PCIA estimated that if the Prior Bonds were advance refunded in the 2018 marketplace, they would produce approximately \$790,000 in savings (assuming a County Guaranty). However, due to changes in tax law, advance refundings are no longer permissible on a tax-exempt basis.

To take advantage of favorable interest rates, the PCIA, the College and the County entered into a Forward Bond Purchase Agreement in October 2018 which generated an upfront payment of \$470,000 (4.10% of the callable Prior Bonds) to the College in exchange for giving the Purchaser a Purchase Option. Pursuant to the Purchase Option, the Authority, the College and the County agreed to issue and deliver County-Guaranteed Refunding Bonds to the Purchaser for a purchase price sufficient to defease the Prior Bonds. The debt service on the Refunding Bonds substantially mirrors the debt service on the Prior Bonds and does not exceed it. The Refunding Bonds are not callable. The net effect of this transaction is that the College will make payments until the original final maturity of the Prior Bonds (July 1, 2041) as if the Prior Bonds had not been refunded, except that it is better off by the amount of the upfront payment.

6. PENSION PLANS

Description of Plans:

Authority employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

6. PENSION PLAN, (continued)

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

6. PENSION PLAN, (continued)

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds originally provided for employee contributions based on 7.5% for PERS. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS.

The Authority's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Fiscal Year</u>	<u>PERS</u>
2022	\$15,437
2021	14,603
2020	13,223

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

6. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS)

At December 31, 2022 and 2021, the Authority reported a liability of \$156,154 and \$156,154 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 employers, actuarially determined. At June 30, 2021, the Authority's proportion was 0.0013181441 percent, which was a decrease of 0.000000167 percent from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Authority recognized pension expense of \$-0-. At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>2022</u>	<u>2021</u>
Deferred Outflows of Resources:		
Changes of assumptions	\$813	\$813
Net difference between projected and actual earnings on pension plan investments	2,463	2,463
Changes in proportion and differences between Authority contributions and proportionate share of contributions	1,149	1,149
Authority contributions subsequent to the measurement date	<u>15,243</u>	<u>15,243</u>
Total	<u>\$19,668</u>	<u>\$19,668</u>
	<u>2022</u>	<u>2021</u>
Deferred Inflows of Resources:		
Changes of assumptions	\$55,592	\$55,592
Net difference between projected and actual earnings on pension plan investments	41,135	41,135
Changes in proportion and differences between Authority contributions and proportionate share of contributions	7,467	7,467
Deferred pension adjustment	<u>2,894</u>	<u>2,894</u>
Total	<u>\$107,088</u>	<u>\$107,088</u>

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

6. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2021) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended:	
2022	(36,846)
2023	(26,308)
2024	(17,937)
2025	(13,484)
2026	5

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is N/A, 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at June 30, 2022 and June 30, 2021 are as follows:

Collective deferred outflows of resources	\$1,164,738,169
Collective deferred inflows of resources	8,339,123,762
Collective net pension liability	11,972,782,878
Authority's Proportion	0.0013181441%

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

6. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which rolled forward to June 30, 2021. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% (based on years of service)
Thereafter	3.00-7.00% (based on years of service)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non- Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement based on Scale MP-2021.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

6. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

6. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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, 2022 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, 2022 and 2021		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Authority's proportionate share of the pension liability	\$214,917	\$156,154	\$109,363

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

6. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

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 financial report may be accessed at www.state.nj.us/treasury/pensions.

During 2022, the Authority had no employees who were on the PERS. In 2023, the Authority hired a new executive director who will be eligible for the PERS. To avoid material variances in the Authority's net position as a result in actuarial adjustments during the Authority's transition, the financial statements will include the June 30, 2021 measurements in the 2022 financial statements.

7. COMMITMENTS AND CONTINGENT LIABILITIES

On July 19, 2019, the PCIA entered into a sale-leaseback transaction with the City of Paterson Board of Education for \$12,126,000. The leaseback is for textbooks and will be for a period of 5 years.

The Authority's attorney has informed management of no other commitments or contingent liabilities.

8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Authority has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Authority should they occur.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

The Authority has joined the County of Passaic self insured health and prescription benefits plan for its employees. The participating members fund the entire cost of the plan. Claims are paid directly by the plan.

The Authority is a member of the County of Passaic's Self Insurance pool for property, general liability and automobile liability.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(CONTINUED)**

8. RISK MANAGEMENT, (continued)

The relationship between the Authority and the County of Passaic is governed by a contract and by-laws that have been adopted by resolution of the unit's governing body. The Authority has agreed to pay an annual installment based on a computation of the Authority's share of the County's premium as provided by the County. In return for this, the County of Passaic administers the Authority's insurance funds.

9. SUBSEQUENT EVENTS

In March 2023, the PCIA issued bonds in the amount of \$33,470,000 with a final maturity date of July 1, 2058, and an interest rate varying from 4.25%-5.50%. The bonds fully consist of Charter School Revenue Bonds. The Series 2023 Bonds were issued to (i) acquire certain real property consisting of the land and school facilities built thereon located at 183-229 Grant Street and 8-14 Morris Street, Paterson, New Jersey; (ii) funding a deposit to the debt service reserve fund; and (iii) paying certain costs of issuing the Series 2023 Bonds.

The Authority has evaluated subsequent events through April 19, 2023, the date which the financial statements were available to be issued and no other items were noted for disclosure.

10. UNRESTRICTED NET POSITION

The Authority's unrestricted:undesignated net position was comprised of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Pension Related	\$(243,574)	\$(243,574)
Available for Use in Future Budgets	<u>797,899</u>	<u>603,190</u>
	<u>\$554,325</u>	<u>\$359,616</u>

Required Supplementary Information - Part II

PASSIAC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
 Schedules of Required Supplementary Information
 Schedule of Authority's Share of Net Pension Liability - PERS
*Last 10 Fiscal Years**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset)	N/A	0.0013181441%	0.0013348879%	0.0013594043%	0.0013535048%	0.0013539607%	0.0013235242%	0.0013199465%	0.0013167382%
Authority's proportionate share of the net pension liability (asset)	N/A	\$ 156,154	\$ 217,685	\$ 244,944	\$ 266,498	\$ 315,180	\$ 391,990	\$ 296,302	\$ 246,529
Authority's covered payroll - PERS	\$ -	\$ 64,400	\$ 96,600	\$ 96,600	\$ 96,600	\$ 97,403	\$ 96,867	\$ 93,370	\$ 91,054
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	242.48%	225.35%	253.57%	275.88%	323.58%	404.67%	317.34%	270.75%

* GASB requires that ten years of information be presented. However, since 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

PASSIAC COUNTY IMPROVEMENT AUTHORITY
 (A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
 Schedules of Required Supplementary Information
 Schedule of Authority's Contributions - PERS
 Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	15,437	14,603	13,223	13,463	12,543	12,542	11,348	10,855	11,074
Contributions in relation to the contractually required contribution	(15,437)	(14,603)	(13,223)	(13,463)	(12,543)	(12,542)	(11,348)	(10,855)	(11,074)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Authority's covered payroll - PERS	\$ -	\$ 64,400	\$ 96,600	\$ 96,600	\$ 96,600	\$ 97,403	\$ 96,867	\$ 93,370	\$ 91,054
Contributions as a percentage of covered payroll	0.00%	22.68%	13.69%	13.94%	12.98%	12.88%	11.72%	11.63%	12.16%

* GASB requires that ten years of information be presented. However, since 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**PASSIAC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
Note to Required Schedules of Supplementary Information - Part III
For the Year Ended December 31, 2022**

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in Benefit Terms - None

Change in Assumptions - the discount rate did not change from 7.00% as of June 30, 2020 to June 30, 2021, in accordance with Paragraph 44 of GASB Statement No. 67.

Supplementary Schedules

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
 (A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
 SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Unrestricted:</u>
	<u>Undesignated</u>
Operating Revenues:	
Administration Fees	\$ 219,621
Banc Program	15,800
Property Registration Program	19,000
Total Operating Revenues	<u>254,421</u>
Operating Expenses:	
Administration	23,037
Cost of Providing Services	74,009
Total Operating Expenses	<u>97,046</u>
Operating Income (Loss)	<u>157,375</u>
Non-Operating Revenues (Expenses)	
Interest Income	11,679
Cancellation of Accounts Payable	25,655
	<u>37,334</u>
Increase (Decrease) in Net Position	194,709
Net Position, January 1	\$ <u>359,616</u>
Net Position, December 31	\$ <u><u>554,325</u></u>

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND CASH EQUIVALENTS
UNRESTRICTED AND RESTRICTED ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Unrestricted</u>
Cash and Cash Equivalents - January 1, 2022	\$ 851,812
Cash Receipts:	
Interest on Investments	11,679
Administration Fees	284,240
Banc Program	<u>15,800</u>
Total Cash Receipts	<u>311,719</u>
Cash Disbursements:	
Operations	<u>127,371</u>
Total Operating Expenses	<u>127,371</u>
Cash and Cash Equivalents - December 31, 2022	<u><u>1,036,160</u></u>
Analysis of Balance:	
Cash and Cash Equivalents	<u><u>1,036,160</u></u>

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>FY 2022 Adopted Budget</u>	<u>FY 2022 Budget as Amended</u>	<u>Current Year Actual</u>	<u>Excess / (Deficit)</u>	<u>Prior Year Actual</u>
Revenues:					
Unrestricted Net Position	\$ 83,173	83,173	83,173	-	74,518
Operating Revenues:					
Administration Fees	163,677	163,677	219,621	55,944	231,659
Banc Program	10,000	10,000	15,800	5,800	15,800
Property Registration Program	10,000	10,000	19,000	9,000	-
Non Operating Revenues:					
Interest on Investments and Deposits	1,400	1,400	11,679	10,279	4,144
Other Income				-	16,900
Total Revenues and Unrestricted Net Position	<u>268,250</u>	<u>268,250</u>	<u>349,273</u>	<u>81,023</u>	<u>343,021</u>
Expenses:					
Operating Appropriations:					
Administration					
Personnel:					
Salaries and wages	39,440	39,440	-	39,440	25,168
Fringe Benefits	18,000	18,000	6,827	11,173	13,795
Other Expenses:					
Dues and Subscriptions	1,200	1,200		1,200	786
Office Supplies	80	80		80	
Payroll Expense	6,900	6,900		6,900	4,442
Phone	850	850		850	520
Professional Fees	17,275	17,275	13,960	3,315	10,084
Rent	18,000	18,000		18,000	13,500
Surety Bond	175	175		175	175
Conferences	1,400	1,400	2,250	(850)	65
Cost of Producing Services					
Personnel:					
Salaries and wages	59,160	59,160	-	59,160	37,751
Fringe Benefits	27,000	27,000	10,239	16,761	20,692
Other Expenses:					
Automobile Expense (Mileage, Parking, Tolls)	875	875		875	258
Travel (Lodging, Meals)	750	750		750	
Postage	300	300	63	237	158
Office Supplies	120	120	110	10	
Professional Fees	76,725	76,725	63,597	13,128	44,686
Total Operating Appropriations	<u>268,250</u>	<u>268,250</u>	<u>97,046</u>	<u>171,204</u>	<u>172,080</u>
Non-Operating Appropriations:					
Tourism Expense					
Total Expenses	<u>268,250</u>	<u>268,250</u>	<u>97,046</u>	<u>171,204</u>	<u>172,080</u>
Excess (Deficit) of Revenues Over Expenses	-	-	252,227	252,227	170,941
Reconciliation of Budgetary Basis to GAAP:					
Unrestricted Net Position			(83,173)		(74,518)
Cancellation of Accounts Payable			25,655		
Net Pension Adjustments					36,189
Change in Net Position			<u>194,709</u>		<u>132,612</u>

SCHEDULE 4

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)
ROSTER OF OFFICIALS
DECEMBER 31, 2022**

<u>COMMISSIONERS</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Dennis Marco	Chairperson	03/2025
Joseph Petriello	Vice Chairperson	03/2023
Michael Bradley	Secretary/Treasurer	03/2024
Wayne Alston	Commissioner	03/2024
Michael Glovin	Commissioner	10/2025

Government Auditing Standards Report



WIELKOTZ & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Chairperson and Commissioners
Passaic County Improvement Authority
930 Riverview Drive, Suite 250
Totowa, NJ 07512

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Passaic County Improvement Authority, as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the Passaic County Improvement 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 Passaic County Improvement Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Passaic County Improvement 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.



Honorable Chairman and Members of the
Passaic County Improvement Authority
Page 2.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Passaic County Improvement 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.

Wielkotsz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

April 19, 2023



General Comments and Recommendations

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)**

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term ‘competitive contracting’, which is defined as “the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors’ formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received.”

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. “When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations.” If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$44,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

N.J.S.A. 40A:11-4 states that every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

Effective July 1, 2015, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$44,000.

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. “Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months.”

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)**

**GENERAL COMMENTS
(CONTINUED)**

The governing body of the Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Authority Counsel's opinion should be sought before a commitment is made.

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 40A:11-5.

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 material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

**PASSAIC COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PASSAIC)**

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

Problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

We wish to thank the Passaic County Improvement Authority for their cooperation during the performance of our audit.

Respectfully submitted,

Wielkocz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey