ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

Financial Statements and Supplementary Information

For the years ended December 31, 2017 and 2016

(With Independent Auditor's Report thereon)

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(A Component Unit of the County of Atlantic, New Jersey)
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SINGLE AUDIT SECTION

GENERAL COMMENTS AND RECOMMENDATIONS

INTRODUCTORY SECTION

ACIA
Atlantic County Improvement Authority
1333 Atlantic Avenue, Suite 700 · Atlantic City, NJ 08401
Phone: 609-343-2390 Fax: 609-343-2188

John C. Lamey, Jr.
Executive Director

May 9, 2018

Chairperson Foster and Authority Commissioners:

Presented to you are the audited financial statements for the 2017 year. There are separate financial statements for the Administrative, Bond, Grant and Agency Funds, consistent with prior years. The financial statements are presented separately for the Administrative Fund, each bond issue and each grant and agency fund because each is separate and distinct.

The report is presented in three sections: introductory, financial and single audit. The introductory section consists of this transmittal letter. The financial section includes the basic financial statements and schedules, management's discussion and analysis as well as the independent auditors' report thereon. The Authority is required to undergo an annual single audit in conformity with the provisions of the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

Government Auditing Standards and New Jersey statutes require that the Atlantic County Improvement Authority publish a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America and audited in accordance with generally accepted auditing standards. The financial statements for the 2017 year are presented as required.

The Management Discussion & Analysis ("MD&A") report consists of management's representations concerning the finances of the Administrative, Bonds, Grant, and Agency Funds. Management assumes full responsibility for the completeness and reliability of all the information presented in the MD&A.

Regarding the reliability of the statements presented, a reasonable internal control framework and procedures exist to protect the Authority's assets from loss, theft or misuse. This internal control framework provides a basis that allows staff to compile sufficient and reliable information for the preparation of the Authority's financial statements in conformity with GAAP and for the audit by the Authority's independent auditor. Because the cost of internal controls should not outweigh their benefits, the internal controls cannot provide an absolute assurance, but can provide reasonable assurance as to the credibility and accuracy of the financial statements.

The Authority's staff prepared the basic financial statements and the supplemental financial statements and schedules as discussed above. Holman Frenia Allison, PC, a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors and assessing the overall financial statements presentation. The auditors have opined that the basic financial statements, which were prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards present fairly, in all material respects, the financial position of the Atlantic County Improvement Authority as of December 31, 2017.

Sincerely,

John C. Lamey, Jr., Executive Director

FINANCIAL SECTION

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Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Atlantic County Improvement Authority, a component unit of the County of Atlantic, State of New Jersey, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Atlantic County Improvement Authority, a component unit of the County of Atlantic, State of New Jersey, as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 Atlantic County Improvement Authority's basic financial statements. The introductory section, accompanying schedule of appropriations compared to budget - administrative fund, and other supplementary information as listed in the table of contents, are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of appropriations compared to budget - administrative fund, other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of appropriations compared to budget - administrative fund, other supplementary information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectively Submitted,

Holman, Frenia, Allison

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 9, 2018
Toms River, New Jersey

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the Authority's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

The following are key financial highlights:

- Total assets and deferred outflows of resources at year-end were $37,697,499 and exceeded liabilities and deferred inflows of resources in the amount of $1,322,857 (i.e. net position).

- Operating revenues were $5,179,064, an increase from year 2016 in the amount of $1,214,884. This primarily resulted from an increase in grants, fees and foreclosure registries compared to 2016.

- Operating expenses increased $1,508,908 from 2016, which was primarily the result of an increase in grant related expenses and AC demo expenses.

Overview of Annual Financial Report

Management's Discussion and Analysis ("MD&A") serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplemental information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's budget, bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Financial Position presents the financial position of the Authority on a full accrual historical cost basis. The Statement of Financial Position presents information on all of the Authority's assets and liabilities with the difference reported as net positions. Over time, increases and decreases in net positions are one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Financial Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses, and Changes in Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This Statement also provides certain information about the Authority's recovery of its costs.

Overview of Annual Financial Report (continued)

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This Statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the Statements. The Notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Supplementary Information comparing the budget to actual expenses, as well as combining statements are included to provide additional information to the reader of the financial statements.

Summary of the Organization and Business

The Authority was created pursuant to a resolution adopted by the Board of Chosen Freeholders of the County of Atlantic on February 8, 1961. The Authority is a component unit of the County of Atlantic.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

The Authority has no taxing power. Operational costs are funded from fees charged for Project Management, grant administration, Financing activities, mortgages and agency funds.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

Condensed Financial Statements

Condensed Statement of Net Position

	2017	2016	2015
Cash and Investments	$ 6,735,654	$ 8,922,343	$ 644,013
Current Assets (Less Cash)			
And Capital Assets, Net	10,123,682	4,353,660	3,872,224
Noncurrent Assets:			
Net Mortgage and Note Receivable	19,276,377	20,390,521	21,428,417
Deferred Outflows of Resources Related to Pension	1,561,786	1,127,542	254,270
Total Assets and Deferred Outflows of Resources	$ 37,697,499	$ 34,794,066	$ 26,198,924
Current Liabilities	$ 12,946,047	$ 9,886,665	$ 1,883,563
Long Term Liabilities:			
Other	132,693	126,372	100,130
Bonds Payable	19,276,377	20,390,521	21,428,417
Net Pension Liability	3,203,744	3,112,549	1,937,318
Deferred Inflows of Resources Related to Pension	815,781	242,534	343,513
Total Liabilities and Deferred Inflows of Resources	36,374,642	33,758,641	25,692,941
Net Position:			
Restricted or Net Invested in			
Capital Assets	1,897,609	1,881,366	1,904,584
Unrestricted	(574,752)	(845,941)	(1,398,601)
Total Net Position	1,322,857	1,035,425	505,983
Total Liabilities and Net Position	$ 37,697,499	$ 34,794,066	$ 26,198,924

Condensed Statement of Activities

	2017 Actual	2016 Actual	2015 Actual
Revenues:			
Fees	$ 1,454,338	$ 1,401,858	$ 892,335
Grants	1,756,631	1,354,996	1,981,017
Other Revenues	1,968,095	1,207,326	1,293,765
Total Operating Revenues	5,179,064	3,964,180	4,167,117
Expenses:			
Project Costs	1,505,482	897,104	1,741,271
Depreciation	61,017	55,292	29,047
General and Administrative	3,378,090	2,483,285	2,294,076
Total Operating Expenses	4,944,589	3,435,681	4,064,394
Operating Surplus/(Deficit)	234,475	528,499	102,723
Non-Operating Revenues (Expenses), Net	52,957	943	1,901,545
Increase/(Decrease) in Net Position	$ 287,432	$ 529,442	$ 2,004,268

General Trends and Significant Events

For 2017 the Authority continued to implement the Community Development Block Grant (CDBG) and the HOME Investment Partnership Program (HOME) on behalf of Atlantic County, perform project management services to the County and other public entities, provide various services to other agencies, issue and administer bond financings, and undertake its other responsibilities, including management of the two public Golf Courses and the Economic Development Initiative.

In January of 2015 the Authority assumed ownership of the 68 unit Barlinvis Apartment Complex in Atlantic City and entered into an agreement with the Pleasantville Community Development Corporation for its operation which continued through 2017.

On January 19th, 2016 the Authority closed on a $12,000,000 loan from the Casino Reinvestment Development Authority. The proceeds of the loan are funding the Authority's Boardwalk Improvement Project. One phase of the project consists of safety and security components which include lighting improvements and security cameras. The second phase consists of a 3-D Light Show components and operation of the Boardwalk Hall Light Show. The revenue dedicated to paying the debt service for the loan is limited to the rent payments due to Atlantic City from the privately funded Atlantic City Matrix Project. This loan is a non-recourse loan to the Authority. Although the revenue was not sufficient in 2017 to meet the amortization schedule the Authority has no obligation to make the payments.

In 2017 the Authority continued to administer the Atlantic County Home Foreclosure Registry System. The creation of the registry website provides code enforcement officials with a tool to combat properties in foreclosure that have become problems due to lack of proper maintenance. Through a Shared Services Agreement with the Authority, 20 of Atlantic County's 23 Municipalities elected to participate in the program. Although the registration fee varies by Municipality, he first $100.00 goes to the vendor, the next $100.00 to the Municipality, the next $100.00 to the Authority and any excess over that goes to the Municipality. The program has been highly successful and well received by the participating municipalities.

In late 2016 site work began on the 66,000 square foot first building of the Stockton Aviation Research and Technology Park. The Authority will develop, own and operate the building of which 7,000 sq./ft. will house a lab and offices for FAA and the rest will be leased to private companies doing Aviation related activities. The Authority authorized $15.5 million in financing for the project and issued a one year note in October as part of that authorization in the amount of $8 million to get the project started.

<u>General Trends and Significant Events (continued)</u>

In 2017 the Authority issued a note in the amount of $11 million that refunded the initial $8 million and provided additional capital required for the construction of the project. We anticipate the balance of the authorization will be in 2018.

The Stockton Atlantic City Project is on schedule to be completed and operational in the fall of 2018. That is significant for the Authority because the revenue required to repay the $78,980,000 Tax-Exempt Debt – Master Lease (Series A Bonds) and $48,025,000 Tax-Exempt Debt – Tax Credit Supported Debt (Series B Bonds) issued by the Authority in September of 2016 will be generated from the operation.

A. ***<u>Tax-Exempt Debt</u>*** *<u>(Master Lease Supported)</u>***:** The portion of development costs of the Residential Building and Garage portions of the Project are being financed through the issuance of the Series A Bonds by the ACIA secured by the Master Lease. The Master Lease will be a net lease, with fixed rent payments structured to match the debt service on the Series A Bonds. Student housing and parking fees will offset the rent payments to be made by Stockton University.

The obligation to make lease payments will be a general obligation of Stockton University, and as a result, the Series A Bonds. The Series A Bonds will have a 30-year term, with approximately 2 years of capitalized interest. The Series A Bonds include a 10-year no-call provision, typical of the current municipal tax-exempt bond market.

B. ***<u>Tax-Exempt Debt</u>*** *<u>(Tax Credit Supported)</u>:* In addition to the Series A Bonds supported by the Master Lease, the structure includes financing supported by tax credit revenue available through the NJEDA's residential ERG program. In order to qualify for the residential tax credits, a project must have a residential use as its predominant use (greater than 51% by size) together with evidence of need, location in a qualified community and, once operational, must maintain its residential use during the 10-year tax credit period. This portion is also guaranteed by Atlantic County in the event that the actual tax credit realized in insufficient to service the debt.

<u>Financial Condition</u>

The Authority's financial condition remained strong at year-end with adequate liquid assets and a reasonable level of unrestricted net assets. The current financial condition, support staff capabilities and operating plans are well balanced and under control. The following summarizes the Balance Sheet with comparisons to the prior year:

Total assets increased $2.47 million or 7.33%. The increase was primarily related to the construction in progress from the Stockton Aviation Research and Technology Park as of December 31, 2017.

Noncurrent assets decreased $1,114,114 or 5.46%.

<u>Results of Operations</u>

Operating Revenues: Revenues from operations fall into three general categories: administrative fees, grants, and other.

In comparison with the prior year, grants increased by $401,635 due to increase in activity for CDBG in the current year and Agency fees for grant administration increased by $143,624 in 2017.

Expenses: Total operating expenses of the Authority increased $1,508,908 from fiscal year 2016 primarily due to an increase in project costs as a result of more grants in the current year, along with increase in AC demolition expenses.

The following chart provides changes in system expenses with and without project costs and service fees expenses.

	Actual Amounts in 000's		
	2017	2016	2015
Operating Expenses:			
Total	$ 4,944	$ 3,436	$ 4,064
Excluding Project Costs	3,439	2,539	2,323
Excluding Project Costs and Depreciation	3,378	2,483	2,294

The following table shows the composition of operating expenses by major classification of expense for the last three years:

	Actual Amounts					
	2017		**2016**		**2015**	
Salaries	$ 1,210,505	24.48%	$ 918,666	26.74%	$ 892,082	21.95%
Fringe & Payroll Taxes	707,619	14.31%	608,648	17.72%	355,792	8.75%
Professional Services	1,266,170	25.61%	765,872	22.29%	706,590	17.38%
Insurance	73,143	1.48%	73,674	2.14%	86,605	2.13%
Rent & Administrative & General	120,653	2.44%	116,425	3.39%	253,007	6.22%
Project Costs	1,505,482	30.45%	897,104	26.11%	1,741,271	42.84%
Depreciation	61,017	1.23%	55,292	1.61%	29,047	0.71%
Total	$ 4,944,589	100.00%	$ 3,435,681	100.00%	$ 4,064,394	100.00%

Cash Flow Activity

The following table shows the Authority's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

	2017	**2016**	**2015**
Total Operating Revenues	$ 5,179,064	$ 3,964,180	$ 4,167,117
Net Cash Provided/ (Used) by Operations	546,154	657,014	90,169
Net Operating Cash as a % of Operating Revenue	10.55%	16.57%	2.16%

Capital Assets and Debt Administration

In 2018 it is anticipated that the construction of the Authority's building at the Aviation Research and Technology Park will be completed. The 66,000 square foot building at an anticipated cost of approximately $20 million will be owned and operated by the Authority.

The Authority has financed housing projects by issuing bonds, and public facilities through bonds, certificates of participation, guaranteed notes, and mortgages.

In 2017, the Authority issued refunding bonds in the amount of $8,500,000.00 for the Egg Harbor Township Golf Course. The Authority continues to hold the Faith Baptist bonds that were issued to fund the community center, the ARC of Atlantic County for expenses related to the construction and move to their current location and the St. Augustine bonds which were issued for the construction of certain school facilities to include a multi-use facility containing a 1,500 seat gymnasium, swimming pool and other athletic facilities. In addition, the Authority had a Guaranteed Note for the Egg Harbor Township Golf Course, and mortgage-backed bonds from ARC, Faith Baptist and St. Augustine.

Each debt is paid off solely from the project financed by the proceeds of the debt. The Egg Harbor Township Golf Corporation Guaranteed Note is paid from the Egg Harbor Township Golf Corporation, plus interest on investments. The ARC, Faith Baptist and St. Augustine Bonds are paid by ARC, Faith Baptist and St. Augustine mortgage payments.

No payments are made to the Authority; payments are made to the respective bond trustees or bond holders. All investments are held by the bond trustees. The bond trustees also have the primary responsibility of ensuring that all bond requirements are met. The bond trustees also pay the interest on and principal of the Authority's debt. The Authority is responsible for maintaining accounting records based on trust statements prepared by the trustees.

Contacting the Authority's Financial Management

This financial report is designed to provide the citizens of Atlantic County, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have questions about this report or need additional financial information, contact Mr. John Lamey, Executive Director, 1333 Atlantic Ave, Suite 700 Atlantic City, New Jersey 08401 or at 609-343-2390.

BASIC FINANCIAL STATEMENTS

Exhibit A

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statements of Net Position

December 31, 2017 and 2016

ASSETS	2017	2016
Unrestricted Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 1,649,851	$ 1,127,805
Accounts Receivable	555,325	465,984
Total Unrestricted Current Assets	2,205,176	1,593,789
Restricted Assets:		
Current Assets:		
Cash and Cash Equivalents	5,085,803	7,794,538
Interest Receivable	105,611	119,136
Accounts Receivable	233,265	174,462
Mortgages Receivable	636,604	634,016
Notes Receivable	207,706	232,984
Guaranteed Note Receivable	385,000	405,000
Total Restricted Current Assets	6,653,989	9,360,136
Non-Current Assets:		
Mortgages Receivable	21,104,255	21,651,613
Valuation Allowance for Loan Losses	(8,612,878)	(8,521,092)
Guaranteed Note Receivable	6,785,000	7,260,000
Total Restricted Non-Current Assets	19,276,377	20,390,521
Total Restricted Assets	25,930,366	29,750,657
Capital Assets, Net of Depreciation	8,000,171	2,322,078
Total Assets	36,135,713	33,666,524
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	1,561,786	1,127,542
Total deferred outflow of resources	1,561,786	1,127,542
Total Assets and Deferred Outflows	$ 37,697,499	$ 34,794,066

LIABILITIES	2017	2016
Unrestricted Liabilities:		
Current Liabilities:		
Accounts Payable	$ 65,498	$ 59,097
Unearned Program Income	260,373	177,433
Pension Payable	127,497	93,363
Total Unrestricted Current Liabilities	453,368	329,893
Restricted Liabilities:		
Current Liabilities:		
Accounts Payable	80,208	110,796
Interest Payable	105,611	119,136
Notes Payable	207,706	232,984
Current Portion of Long-Term Debt	12,099,154	9,093,856
Total Current Liabilities Payable From Restricted Assets	12,492,679	9,556,772
Long-Term Liabilities:		
Accrued Sick and Vacation	132,693	126,372
Bonds Payable	19,276,377	20,390,521
Net Pension Liability	3,203,744	3,112,549
Total Long-Term Liabilities	22,612,814	23,629,442
Total Liabilities	35,558,861	33,516,107
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	815,781	242,534
Total deferred inflow of resources	815,781	242,534
NET POSITION		
Net Investment in Capital Assets	1,885,791	1,869,548
Reserve for Unemployment	11,818	11,818
Unrestricted	(574,752)	(845,941)
Total Net Position	1,322,857	1,035,425
Total Liabilities, Deferred Inflows and Net Position	$ 37,697,499	$ 34,794,066

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit B

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statements of Revenues, Expenses and Changes in Net Position

For the years ended December 31, 2017 and 2016

	2017	2016
Operating Revenues:		
Project Administration Fees	$ 523,111	$ 601,374
Bond Fees	177,819	190,700
Grant and Agency Fund Fees, net	753,408	609,784
Grants	1,756,631	1,354,996
Reimbursement and Other	1,968,095	1,207,326
Total Operating Revenues	5,179,064	3,964,180
Operating Expenses:		
Payroll Expenses	1,210,505	918,666
Employee Benefits	707,619	608,648
Rent	38,876	43,733
Professional Fees	1,266,170	765,872
Insurance	73,143	73,674
Administrative and General	81,777	72,692
Project Costs	1,505,482	897,104
Depreciation	61,017	55,292
Total Operating Expenses	4,944,589	3,435,681
Operating Surplus/(Deficit)	234,475	528,499
Non-Operating Revenues/(Expenses):		
Investment and Interest Income	386,899	450,979
Bond and Note Interest Expense	(333,942)	(450,036)
Total Non-Operating Revenues/(Expenses)	52,957	943
Change in Net Position	287,432	529,442
Total Net Position - Beginning of Year	1,035,425	505,983
Total Net Position - End of Year	$ 1,322,857	$ 1,035,425

The accompanying Notes to Financial Statements are an integral part of this statement.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	$ 3,651,849	$ 2,896,601
Cash Received from Grants	1,723,150	1,342,445
Cash Paid To Subcontractor and Vendors	(4,828,845)	(3,582,032)
Net Cash Flows From Operating Activities	546,154	657,014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment and Interest Income	52,957	943
Net Cash Flows From Investing Activities	52,957	943
CASH FLOWS FLOWS CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Fixed Assets	(28,651)	(29,693)
Principal Payments Received on Mortgages	21,708	5,957
Payments Paid on Loans	(31,985)	(41,068)
Payments Received on Loans	40,354	31,985
Mortgages Issued	30,893	(1,968)
Payments Made on Construction	(5,951,203)	(452,530)
Principal Payments Made on Bonds	(8,000,000)	-
Transfer To Deferred Program Income	52,863	54,400
Fees Paid To ACIA	2,671	(1,550)
Proceeds from Bonds	11,077,550	8,054,840
Net Cash Flows From Capital and Related Financing Activities	(2,785,800)	7,620,373
(Decrease)/Increase in Cash and Cash Equivalents	(2,186,689)	8,278,330
Cash and Cash Equivalents - Beginning of Year	8,922,343	644,013
Cash and Cash Equivalents - End of Year	$ 6,735,654	$ 8,922,343
Reconciliation To Statements of Net Position:		
Unrestricted Cash	$ 1,649,851	$ 1,127,805
Restricted Cash	5,085,803	7,794,538
Total Cash and Cash Equivalents	$ 6,735,654	$ 8,922,343

The accompanying Notes to Financial Statements are an integral part of this statement.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

	2017	2016
Reconciliation of Operating Deficit To Net Cash Flows From Operating Activities:		
Operating Income/(Loss)	$ 234,475	$ 528,499
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:		
Depreciation	61,017	55,292
Unbudgeted pension expense	264,332	220,146
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	39,554	54,064
(Decrease)/Increase in Accounts Payable	(59,545)	(227,229)
Increase in Accrued Sick and Vacation	6,321	26,242
Net Cash Flows From Operating Activities	$ 546,154	$ 657,014

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit D

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statements of Net Position - Agency Fund

For the years ended December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash	$ 74,767,931	$ 124,442,925
Mortgage Interest Receivable	826,433	786,806
Accounts Receivable - Other	89,100,083	42,139,141
Mortgages Receivable	16,245,977	16,079,437
Mortgages Receivable - Valuation Allowance	(17,020,463)	(16,814,295)
Total Assets	$ 163,919,961	$ 166,634,014
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 88,968	$ 77,419
Bonds and Loans Payable	162,532,942	165,143,494
Due To:		
Various Agencies	1,298,051	1,413,101
Total Liabilities	$ 163,919,961	$ 166,634,014

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

NOTE 1: ORGANIZATION

General

The Atlantic County Improvement Authority, hereafter referred to as the "Authority," is a component unit of the County of Atlantic, New Jersey, hereafter referred to as the "County," and was created pursuant to a resolution adopted by the Board of Chosen Freeholders of the County on February 8, 1961.

The Authority is a public body corporate and public, constituting a political subdivision of the State, established to exercise public and essential governmental functions to provide for the public convenience, benefit and welfare, by financing public facilities and certain housing developments within Atlantic County. Under existing statute, the Authority is exempt from both Federal and State taxes.

The Authority assists in the financing of projects by issuing bonds and notes. Outstanding bonds that were issued prior to 2017 include 501(c)3 Bonds that financed loans to certain Atlantic County non-profits including the Egg Harbor Township Golf Corporation, ARC of Atlantic County, Faith Baptist Church Community Center and St. Augustine High School. In 2016 the Authority issued Lease Revenue Bonds to finance a portion of the construction of the Stockton University Island Campus Redevelopment Project Campus, a note to finance the initial portion of the development of the first building at the Stockton Aviation Research and Technology Park (which the Authority will construct and own) and a Loan Revenue Bond to create a Pooled Financing Program for three municipalities to permanently finance Bond Anticipation Notes and unfunded capital improvements and acquisitions.

In 2017 the authority issued a refunding note that also provided additional capital needed to continue the construction of the Aviation Park Building, and issued a bond to refund the outstanding portion of the Egg Harbor Township Golf Corporation Bond.

Through its Community Development Division the Authority administers Atlantic County’s Community Development Block Grant Program and HOME Investment Partnership Program. Included in the activities is funding various Community Development projects in the participating municipalities as well as the implementation of a first time homebuyer program, a housing rehabilitation program and an affordable housing program. The Authority also administers a housing rehabilitation program and first-time homebuyer programs funded by the Atlantic City Development Fund.

A new program initiated in 2016 was the Foreclosure Registry Program. Through a Shared Services agreement with nineteen participating municipalities the program designed to facilitate code enforcement for abandoned properties that are in some stage of foreclosure. The program continues in 2017 and has generated significant revenue for the year from registration fees.

In 2014, the Authority undertook a new Economic Development Initiative. In 2017 activities under that initiative included the continuation of a Redevelopment Program where we are providing funds and technical assistance to six municipalities in advancing redevelopment projects. The administration of a HUD CDBG Section 108 Business Loan Program loan program and support provided to the newly formed Atlantic County Economic Alliance

Aside from construction the Building at the Aviation Research and Technology Park which is anticipated to be completed in the third quarter of 2018, the Authority’s Project Management Division undertakes projects on behalf of governments, school districts and other authorities under shared services agreements. In 2017 the Authority managed several projects for Atlantic Cape Community College; completed the Boardwalk Improvement Project and Atlantic City Public Safety Building Improvement Project, a Demolition Program for Atlantic City; ADA Improvement Projects.

NOTE 1: ORGANIZATION (continued)

Since 2007, the Authority has operated Atlantic County's John F. Gaffney Green Tree Golf Course. In 2016, the Authority also entered into a shared services agreement with the City of Brigantine to operate the City-owned Links at Brigantine Golf Course. Both agreements continued in 2017 and are in place for 2018.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The Authority, as a component unit of the County, is financially accountable to the County. The primary criterion for including activities within the Authority's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Authority holds the corporate powers of the organization
- the County Executive appoints the organization's board of commissioners
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is a fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

The Authority, as a component unit, issues separate financial statements from the County.

Basis of Financial Statements

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net positions (i.e. total assets net of total liabilities and total deferred inflow of resources) are segregated into "net investment in capital assets"; "reserve for unemployment"; and "unrestricted" components.

Budgets and Budgetary Accounting

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with N.J.S.A. 40A:5A. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for the operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

State Unemployment Reserve **-** accounts for amount withheld from employee wages in accordance with State requirements, held for the purpose of paying unemployment claims to the State.

Agency Funds **-** The Agency Funds held by the Authority account for projects administered by the Authority and assets/liabilities held in the Authority's name on behalf of others. Cash, cash equivalents, and investments held in these funds are considered restricted in accordance with the terms of the individual contracts and agreements (see Note 3 for balances). Accounts receivable recorded in these funds are due from various agencies as a direct offset between the bonds/loans payable due on these projects and the cash held on behalf of others. The amount held in accounts receivable and bonds/loans payable as of December 31, 2017 was $89,100,083 and $162,532,942, respectively.

Restricted Assets

Restricted assets represent cash, investments and receivables maintained in accordance with bond resolutions, or grant awards, or by agreement for the purpose of funding certain debt service payments.

The Bond reserve accounts for all assets and corresponding liabilities of the Authority as they relate to the payment of debt service on outstanding loans and bond issues of the Authority. Reserves established in connection with certain bond issues are included in this fund. The debt of the various bond accounts is collateralized primarily by the respective facilities, reserves and revenues established within each bond account. Assets of an individual bond account are restricted and not available to meet the obligations of any other account or purpose.

Leave Policies

Vacation leave earned by Authority employees expires after one year. Accrued vacation is recorded in the Administrative Fund and includes unused and unexpired vacation leave of the Authority's employees. Accrued vacation is paid out at the employee's current rate when employment is terminated. At retirement, employees of the Authority will be reimbursed for 50% of accrued sick leave up to 180 days with a maximum not to exceed $15,000. Retirement for this purpose is defined as follows:

a) 25 years of pensioned Authority employment; or
b) 20 years of pensioned Authority employment if the employee is at least 60 years of age at the time of retirement.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-Retirement Benefits

In July 2004, GASB adopted Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions." This Statement became effective for entities on a phased-in basis beginning with fiscal years beginning after December 15, 2006. This Statement requires governmental entities to report the future cost of other post-employment benefits (“OPEB”) on a present-value basis instead of the present "pay as you go" method. See note 14 for additional information.

The Authority will also pay up to three years' post-retirement health insurance premiums for the same coverage the employee had before retirement, under the following conditions:

> Post-retirement health insurance premiums will not be paid to the extent the employee or his/her dependents are eligible for coverage afforded by the State in which they reside or the United States, such as Federal Medicare Program.
>
> To be eligible for post-retirement health benefits, the employee must 1) have at least 10 years of service with the Authority and retired on an ordinary disability pension; 2) have retired on accidental disability; 3) have retired with 25 years of service with the Authority; or 4) have retired at the age of 62 or older with at least 15 years of service with the Authority.

As of December 31, 2017 and 2016 the Authority has recorded $132,693 and $126,372, respectively, in accrued sick & vacation leave liability and has not recorded a liability for post-retirement health insurance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net position, and reported amounts of revenues and expenses during the reporting period. These estimates and assumptions include depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results may differ from those estimates.

Risks of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with policies and an event, which may exceed policy coverage limits.

Cash and Cash Equivalents

Cash and cash equivalents include various checking and money market accounts, U.S. obligations and certificates of deposit with maturities of three months or less.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Purchase of investments is limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of or guaranteed by the Federal government and to bonds or other obligations of federal or local units. These investments are required to have a maturity date not more than twelve months from the date of purchase.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the Authority is eligible to realize the revenue.

Cash, Cash Equivalents and Investments - Restricted

Restricted cash and cash equivalents and investments held by the Authority represent funds designated for specific purposes and not available for general use.

Other Asset Restrictions

In accordance with the terms of the various bond resolutions, substantially all of the assets of the Authority are restricted. Although the financial statements are combined, each bond issue outstanding has a designated investment security. None of the assets of any bond issue are available for the payment of any other bond issue.

Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Deferred Inflows/Outflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mortgages Receivable

Mortgages receivable are stated at unpaid principal balances, less the allowance for loan losses as estimated by management. These mortgages are deed restricted, and the Authority will not collect against them unless the terms of the deed restriction are violated. The Authority does not anticipate any violations in the terms, and therefore does not anticipate collections on those removed balances. The allowance for loan losses recorded for mortgages receivable held as security for bond repayments or first mortgages held in the Agency Fund at December 31, 2017 and 2016 totaled $17,020,463 and $16,814,295, respectively.

The Authority's policy on income recognition on impaired loans is to record the entire change in loan value during the year as bad debt expense or allowance for loan losses that otherwise would be reported. All cash receipts are first applied to accrued interest.

Capital Assets

Capital assets are recorded at actual cost or estimated historical cost if actual historical cost is not available, and are reported in the Administrative Fund. In connection with GASB Statement No. 34, the Authority's policy is to capitalize assets with a cost of $1,000.

Capital assets consist primarily of buildings, furniture and equipment. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Authority are depreciated using the straight-line method over the following estimated lives:

Buildings	40 years
Furniture and equipment	5 years

Depreciation expense for the year ended December 31, 2017 and 2016 was $61,017 and $55,292, respectively.

Impact of Recently Issued Account Principles

Adopted Accounting Pronouncements

For the year ended December 31, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The adoption this Statement had no impact on the Authority’s financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended December 31, 2016, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Authority is required to measure certain investments at fair value for financial reporting purposes. In addition, the Authority is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Authority's financial statements.

For the year ended December 31, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The adoption this Statement had no impact on the Authority's financial statements.

For the year ended December 31, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption this Statement had no impact on the Authority's financial statements.

For the year ended December 31, 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67* and 68. The adoption this Statement had no impact on the Authority's financial statements.

<u>Recently Issued Accounting Pronouncements</u>

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post- employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting requirements for certain asset retirement obligations and establishes the timing and pattern of recognition of a liability and corresponding deferred outflow of resources. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Authority’s financial statements.

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Authority’s financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Authority’s financial statements.

Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement will become effective for the Authority in the fiscal year ending December 31, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Authority in the fiscal year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred after December 31, 2017 through May 9, 2018, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Authority that would require disclosure.

NOTE 3: CASH AND CASH EQUIVALENTS

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's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act ("GUDPA") or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents.

Type	**Carrying Value**
Deposits:	
Demand Deposits	$ 81,503,585
Total Deposits	$ 81,503,585
Reconciliation of Statements of Net Position:	
Governmental-Type Activity	$ 6,735,654
Fiduciary Fund	74,767,931
Total Cash and Cash Equivalents	$ 81,503,585

As of December 31, 2017 and 2016, the Authority's bank balance of $81,526,484 and $133,571,666, respectively was not exposed to custodial credit risk. Of the bank balances, $875,874 and $1,053,821 was covered by FDIC Insurance. As of December 31, 2017 and 2016, the remaining balances of $80,650,610 and $132,517,845 were collaterized in the Authority's name under GUDPA.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 and 2016 consisted of the following:

	2017	**2016**
Accounts receivable – Unrestricted	$ 555,325	$ 465,984
Accounts receivable – Restricted (Administrative)	44,034	111,642
Accounts receivable – Restricted (Bond)	185,904	-
Accounts receivable – Restricted (Grant)	3,327	62,820
	$ 788,590	$ 640,446

The Authority believes that all receivables are collectible and has not established an allowance for doubtful accounts.

NOTE 5: CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2017, follows:

	Furniture & Equipment	Barlinvis Apartments	Construction in Progress	Accumulated Depreciation	Capital Assets Net
Balance: January 1, 2017	$ 86,879	$ 1,900,000	$ 452,530	$ 117,331	$ 2,322,078
Additions	28,650	-	5,710,460	61,017	5,678,093
Balance: December 31, 2017	$ 115,529	$ 1,900,000	$ 6,162,990	$ 178,348	$ 8,000,171

A summary of changes in capital assets for the year ended December 31, 2016, follows:

	Furniture & Equipment	Barlinvis Apartments	Construction in Progress	Accumulated Depreciation	Capital Assets Net
Balance: January 1, 2016	$ 57,186	$ 1,900,000	$ -	$ 62,089	$ 1,895,097
Additions	29,693	-	452,530	55,242	426,981
Balance: December 31, 2016	$ 86,879	$ 1,900,000	$ 452,530	$ 117,331	$ 2,322,078

As mentioned in Note 1, the Authority has been assigned the rights to develop a portion of the Stockton Aviation Research and Technology Park. As of the year ended December 31, 2017, the Authority spent $5,710,460 on construction and development of the site resulting in construction in progress. These expenditures were capitalized and will continue to be capitalized until project is complete. At that time, the entire project will begin to be depreciated.

NOTE 6: MORTGAGES RECEIVABLE

The following represents a summary of mortgages receivable held by the Authority:

	2017	2016
Balance: January 1	$ 13,764,537	$ 14,380,122
Less: Repayments	(636,556)	(615,585)
Balance: December 31	$ 13,127,981	$ 13,764,537

NOTE 6: MORTGAGES RECEIVABLE (continued)

The ARC of Atlantic County mortgage receivable balance as of December 31, 2017 was $1,484,877. The original agreement earned interest at a rate of 3.93% with fixed monthly payments due to the Authority of $12,653, maturing October 1, 2030. An amendment and restatement was executed on December 21, 2010, with an indicative swap interest rate of 3.25%. The “estimated” combined loan and swap monthly payment is $9,300.00, per TD Bank. In September of 2016 they modified again. The modification swapped the method of interest rate calculation to be calculated based on the principal of approximately $1.6 million as follows: the sum of 70% of 2.35% plus 70% of LIBOR. Future interest payments are calculated monthly by TD bank based on the swap interest rate. The payment fluctuates each month due to the number of days in each month. This 2005 bond was amended and restated in accordance with the terms of the bond documents supporting the mortgages.

The Faith Baptist Church mortgage receivable balance as of December 31, 2017 was $541,379 and earned interest at a rate of 4.71% with interest-only payments due until May 2, 2007. Beginning at that time, there will be 225 fixed monthly payments of $6,738.80 due to the Authority until January 2, 2026.

The St. Augustine mortgage receivable balance as of December 31, 2017 was $11,101,725 and earned interest at a rate of 4.14%. The original agreement had interest-only payments due until it was converted to a permanent mortgage on June 1, 2008. Beginning June 1, 2008, there were 300 fixed monthly payments of $80,843.16 due to the Authority. On March 25, 2015 the bond was refunded in the amount of $12,380,000. As a result the monthly payment was reduced to $67,369.45 from $80,843.16 for the remainder of the loan.

The following represents a summary of mortgages and interest receivable held in the Authority's Grant Fund as of December 31, 2017 and 2016 which are considered impaired:

	2017	2016
Mortgages Receivable - Schedule to be Forgiven if Conditions are Met	$ 8,612,878	$ 8,521,092
Total allowance for Loan Forgiveness	(8,612,878)	(8,521,092)
Net Loan Value: December 31	$ -	$ -

NOTE 7: MORTGAGES RECEIVABLE - IMPAIRED ASSETS

The following represents the activity of the allowance for mortgage losses during 2017 and 2016:

	2017	2016
Balance of Allowance for Mortgage Receivable Losses January 1	$ 8,521,092	$ 8,181,327
Increases:		
Allowance for Additional Mortgages	91,786	339,765
Subtotal Increases:	91,786	339,765
Subtotal:	8,612,878	8,521,092
Decreases:		
Forgiven	-	-
Recoveries-Amounts Previously Reserved	-	-
Subtotal Decreases:	-	-
Balance of Allowance for Mortgage Receivable Losses: December 31	$ 8,612,878	$ 8,521,092

The following represents a summary of mortgages and interest receivable held in the Authority's Agency Fund as of December 31, 2017 and 2016 which are considered impaired:

	2017	2016
Mortgages Receivable - Collection: Deemed Doubtful	$ 17,072,410	$ 16,866,243
Total Allowance	(17,020,463)	(16,814,295)
Net Mortgage Receivable - December 31	$ 51,947	$ 51,948

NOTE 7: MORTGAGES RECEIVABLE - IMPAIRED ASSETS (continued)

The following table represents the ending balance of the allowance for mortgage losses in the Agency Fund for the years ended December 31, 2017 and 2016:

	2017	2016
Balance of Allowance for Mortgage Receivable Losses: December 31	$ 17,020,463	$ 16,814,295
Analysis of Balance:		
Interest Receivable	$ 826,433	$ 786,806
Mortgage Receivable	16,194,030	16,027,489
Balance:	$ 17,020,463	$ 16,814,295

NOTE 8: LONG-TERM DEBT

Bonds, notes and certificates of participation outstanding consist of debt issued by the Authority for specific projects or programs. The various obligations constitute debt of the Authority and are collateralized primarily by the respective facilities, reserves and revenue established within each bond fund. Assets of an individual bond fund are restricted and not available to meet the obligation of any other fund or purpose. Bond indentures contain significant requirements for annual debt service and flow of funds through various restricted accounts.

Egg Harbor Township Guaranteed Revenue Bonds

In 2000, the Authority issued bonds in the original amount of $10,880,000. The bonds are special and limited obligations of the Authority, and the principal or redemption price of and interest on the Bonds are payable from properties and funds pledged under the bond resolution ("Resolution"), and are secured by a guaranty agreement with the Township of Egg Harbor dated as of September 1, 2000. The guaranty agreement is authorized by a Township ordinance finally adopted July 26, 2000, requiring the Township to pledge its full faith and credit to the punctual payment of the principal of and interest on the bonds so that the debt service reserve fund (as defined in the Resolution) is maintained at the debt service reserve fund requirement (as defined in the Resolution), to the extent that revenues or certain other funds under the Resolution are not available to pay the principal of or interest on the bonds.

The proceeds of the bonds have been lent to the Egg Harbor Township Golf Corporation ("Golf Corporation") by the Authority, pursuant to a loan agreement dated as of September 1, 2000. The Golf Corporation is a non-profit corporation and organized in accordance with Revenue Ruling 63-20, as supplemented by Revenue Procedure 82-26, of the Internal Revenue Service. The Golf Corporation is a component unit of the Township of Egg Harbor. The proceeds of the loan were used by the Golf Corporation to finance: (i) the acquisition and construction of an eighteen-hole public golf course, clubhouse, other golf-related facilities and the acquisition of the necessary equipment and supplies; (ii) capitalized interest; (iii) a debt service reserve fund; and (iv) the cost to issue the bonds. The golf course and clubhouse are located in the Township.

NOTE 8: LONG-TERM DEBT (continued)

Egg Harbor Township Guaranteed Revenue Refunding Bonds

In 2006, the Authority issued refunding bonds in the original amount of $9,785,000, under amended loan and guarantee documents. Bond proceeds were used to defease $9,145,000 of the 2000 bonds.

In 2017, the Authority issued refunding bonds in the amount of $8,500,000. Bond proceeds were used to defease $7,270,000 of the 2006 Bonds. The statements of net position ending balances and the statements of revenues expenses and changes in net position show only the 2017 Egg Harbor Township guaranteed revenue refunding bonds.

Egg Harbor Township Golf Corporation Trustee Activity

The summary on the following page represents the Egg Harbor Township Golf Corporation's trustee activity during the years ended December 31, 2017 and 2016:

	2017	2016
Opening Cash and Cash Equivalents - January 1:	$ 1,033,817	$ 1,129,934
Increases:		
Interest Earned	2,729	2,956
Payment from Egg Harbor Township Golf Course	425,000	650,000
Subtotal Increases:	427,729	652,956
Revised Cash and Equivalents Balance:	1,461,546	1,782,890
Decreases:		
Administrative Costs	(5,612)	(10,598)
Interest Paid	(247,412)	(358,475)
Principal Paid	(495,000)	(380,000)
Subtotal Decreases:	(748,024)	(749,073)
Ending Cash and Cash Equivalents - December 31:	$ 713,522	$ 1,033,817

The ARC of Atlantic County

On September 22, 2005, the Authority issued bonds in an original amount of $2,400,000 to provide funds to purchase a building for the ARC of Atlantic County. The proceeds of the bonds have been lent to ARC and are secured by a mortgage note dated September 22, 2005. Principal and interest payments are due monthly. The note require that the interest rate be reset every 5 years based upon the current outstanding principal balance. In 2011 a modification adjusted interest rates to 3.25% as of December 21, 2010. In September of 2016 they modified again. The modification swapped the method of interest rate calculation to be calculated based on the principal of approximately $1.6 million as follows: the sum of 70% of 2.35% plus 70% of LIBOR. Future interest payments are calculated monthly by TD bank based on the swap interest rate.

NOTE 8: LONG-TERM DEBT (continued)

Faith Baptist Church

On September 22, 2006, the Authority issued bonds in an original amount of $1,000,000 to provide funds for a portion of Faith Baptist Church building program in Pleasantville. The proceeds of the bonds have been lent to the Faith Baptist Church and are secured by a mortgage note dated September 22, 2006. Beginning at that time, there will be 225 fixed monthly payments of $6,738.80 due to the Authority until January 2, 2026.

St. Augustine Preparatory School

On January 5, 2007, the Authority issued bonds in an original amount of $15,000,000 to provide funds for a portion of St. Augustine Preparatory School building program in Buena Vista. The proceeds of the bonds have been lent to the St. Augustine Preparatory School and are secured by a mortgage note dated January 5, 2007. On March 25, 2015 the bond was refunded in an amount not to exceed $12,500,000, as the monthly payment was reduced to $67,369.45 from $80,843.16.

Stockton Aviation Technology and Research Park

Under a Bond Authorization of $15,500,000 to facilitate the financing, construction and operation of a portion of the Stockton Aviation Research and Technology Park of New Jersey, Inc. on September 27, 2016 the Authority issued a note in an original amount of $8,000,000 to provide the initial funding to begin construction of the first building.

In September of 2017, the Authority issued a note in the amount of $11,000,000 to refund the 2016 note and provide additional capital required for the construction of the building.

Total General Debt

Principal and interest requirements for remaining terms of the debt are as follows:

	Principal	Interest	Total
2018	$ 12,021,604	$ 899,687	$ 12,921,291
2019	1,117,844	645,739	1,763,583
2020	1,161,735	610,309	1,772,044
2021	1,199,169	571,614	1,770,783
2022	1,241,364	532,519	1,773,883
2023-2027	12,118,270	1,556,349	13,674,619
2028-2031	2,437,995	286,675	2,724,670
	$ 31,297,981	$ 5,102,892	$ 36,400,873

NOTE 8: LONG-TERM DEBT (continued)

Long-term debt as of December 31, 2017 consisted of the following:

	12/31/2016 Balance	Additions	Adustments/ Payments	12/31/2017 Balance	Due in One Year
General	$ 29,429,537	$ 10,962,300	$ (9,093,856)	$ 31,297,981	$ 12,021,604
Premium/Discount	54,840	77,550	(54,840)	77,550	77,550
Subtotal	29,484,377	11,039,850	(9,148,696)	31,375,531	12,099,154
Net Pension Liability	3,112,549	91,195	-	3,203,744	-
Compensated Absences	126,372	6,321	-	132,693	-
	$ 32,723,298	$ 11,137,366	$ (9,148,696)	$ 34,711,968	$ 12,099,154

NOTE 9: PENSION OBLIGATIONS

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 PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR), which can be found at http://www.nj.gov/treasury/pensions/financial-reports.shtml.

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:

Tier	Definition
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 tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 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.

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2017, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2017, the Authority's contractually required contribution to PERS plan was $127,497.

Components of Net Pension Liability - At December 31, 2017, the Authority's proportionate share of the PERS net pension liability was $3,203,744. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The Authority's proportion measured as of June 30, 2017, was .01376% which was an increase of .00325% from its proportion measured as of June 30, 2016.

Collective Balances at December 31, 2017 and Decmber 31, 2016

	12/31/2017	12/30/2016
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	$ 1,561,786	$ 1,127,542
Deferred Inflows of Resources	815,781	242,534
Net Pension Liability	3,203,744	3,112,549
Authority's portion of the Plan's total net pension Liability	0.01376%	0.01051%

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2017, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2017 measurement date is $357,692. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 75,437	$ -
Changes of Assumptions	645,444	643,078
Net Difference between Projected and Actual Earnings on Pension Plan Investments	21,815	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	819,090	172,703
	$ 1,561,786	$ 815,781

The Authority will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Year Ending Dec 31,	Amount
2018	$ 143,286
2019	168,043
2020	176,559
2021	243,730
2022	14,387
	$ 746,005

Actuarial Assumptions - The total pension liability for the June 30, 2017 measurement date was determined by using an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	100.00%	

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Discount Rate - The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Authority's Proportionate Share of the Net Pension Liability	$ 3,974,461	$ 3,203,744	$ 2,561,640

NOTE 10: CONTINGENCIES

In the normal course of business, the Authority may periodically be named as a defendant in litigation. In the opinion of management, supported by legal counsel, the impact of any such matters, if adversely determined, would not have a material adverse effect on the financial statement or operations of the Authority.

NOTE 11: COMPENSATED ABSENCES

Employees become eligible to receive sick leave in accordance with Note 2. The benefits are provided as the lesser of $15,000 or 50% of accrued sick leave. Management estimates that the unrecorded balance of accrued sick leave at December 31, 2017 and 2016, assuming all employees are eligible for accrued sick leave at termination, is approximately $132,693 and $126,372, respectively.

NOTE 12: POST-RETIREMENT BENEFITS

The Authority has adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. This Statement requires governmental entities to report the future cost of other post-employment benefits ("OPEB") on a present-value basis which changed to a pay-as-you-go basis beginning in Fiscal Year 1994. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. This would include the present value at 5% of 3 years of insurance payments to all current employees assuming all will work until eligibility; the contribution amount attributable to the Authority is available through the state pension system.

NOTE 13: ECONOMIC DEPENDENCY

The administrative operations of the Authority are dependent upon management agreements with various governing bodies and agencies for projects in Atlantic County.

NOTE 14: RELATED PARTY TRANSACTIONS

The Authority leases its primary office space from the County under annual lease agreements. Rent expense paid to the County during 2017 and 2016 was $38,876 and $43,733, respectively.

The Authority entered into an agreement with the County for the Authority to operate the John F. Gaffney Green Tree Golf Course ("Golf Course") effective June 1, 2007 for renewable one year term ending May 31, 2008. On July 14, 2008, the Authority and County amended the initial agreement to December 31, 2007 and enter into a renewal agreement for one year commencing January 1, 2008 and ending December 31, 2008. A renewed agreement was finalized on December 27, 2013 that was substantially comparable to the previous agreement. The Authority will perform the day-to-day operation of the Golf Course including the Golf Course's pro shop and club house. All of the Golf Course equipment which is currently owned by the County shall remain County property but shall be made available for the use and benefit of the Authority. At the discretion of the County Treasurer, the Authority began makes one annual payment of revenue and interest to the County, if net proceeds are available. The net revenue shall be based upon the gross revenues of the Golf Course (including green fees, net pro shop sales, and any other revenue generated in connection with Golf Course operations) less operating and management expenses that are incurred by the Authority pursuant to the agreement. For 2017 and 2016, no payments were made to the County, as net proceeds available as of December 31, 2017 and 2016, would need to be utilized for additional expenses paid by the Golf Course under the Authority's management.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1a

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset)	0.01376%	0.01051%	0.00863%	0.00888%	0.01095%
Authority's proportionate share of the net pension liability (asset)	$ 3,203,744	$ 3,112,549	$ 1,937,318	$ 1,661,797	$ 2,092,838
Authority's covered-employee payroll	$ 898,871	$ 687,836	$ 558,071	$ 588,636	$ 578,946
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	356.42%	452.51%	347.15%	282.31%	361.49%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%	48.72%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule 1b

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Schedule of Authority Contributions
Public Employees' Retirement System
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Contractually required contribution	$ 127,497	$ 93,363	$ 74,197	$ 73,171	$ 91,875
Contributions in relation to the contractually required contribution	127,497	93,363	74,197	73,171	91,875
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 942,929	$ 898,871	$ 687,836	$ 558,071	$ 588,636
Contributions as a percentage of covered-employee payroll	13.52%	10.39%	10.79%	13.11%	15.61%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 3.98% as of June 30, 2016, to 5.00% as of June 30, 2017.

SUPPLEMENTARY INFORMATION

Schedule 1c

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Schedule of Appropriations Compared to Budget - Administrative Fund

For the year ended December 31, 2017

	2017 Budget	2017 Final Budget	2017 Actual	Unexpended Balance/ (Excess)
Operating Revenues:				
Project Administration Fees	$ 487,000	$ 487,000	$ 523,111	$ 36,111
Bond Fees	186,506	186,506	177,819	(8,687)
Grant and Agency Fund Fees	658,072	658,072	1,004,557	346,485
Reimbursement and Other	1,647,238	1,647,238	1,968,095	320,857
Total Operating Revenues	2,978,816	2,978,816	3,673,582	694,766
Operating Expenses:				
Payroll Expenses	1,499,169	1,499,169	1,210,505	288,664
Employee Benefits	588,117	588,117	443,287	144,830
Rent	43,732	43,732	38,876	4,856
Professional Fees	659,250	659,250	1,266,170	(606,920)
Insurance	77,250	77,250	73,143	4,107
Administrative and General	48,800	48,800	81,777	(32,977)
Depreciation	-	-	61,017	(61,017)
Total Operating Expenses	2,916,318	2,916,318	3,174,775	(258,457)
Other Income/(Expenses):				
Investment Income	600	600	50,476	49,876
Additions to Reserves	-	2,481	2,481	-
Total Other Income/(Expenses)	600	3,081	52,957	49,876
Net Income/(Loss)	$ 63,098	$ 65,579	$ 551,764	$ 486,185
Less:				
Unbudgeted pension expense			(264,332)	
Change in net position per Statements of Revenue, Expenses and Changes in Net Position			$ 287,432	

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position

December 31, 2017

ASSETS

	Total	Administrative Fund	Bond Fund	Grant Fund
Unrestricted Assets:				
Current Assets:				
Cash	$ 1,649,851	$ 1,649,851	$ -	$ -
Accounts Receivable	555,325	555,325	-	-
Total Unrestricted Current Assets	2,205,176	2,205,176	-	-
Restricted Assets:				
Current Assets:				
Cash	5,085,803	14,299	4,777,266	294,238
Accounts Receivable	233,265	44,034	185,904	3,327
Interest Receivable	105,611	-	81,430	24,181
Guaranteed Note Receivable	385,000	-	385,000	-
Note Receivable	207,706	-		207,706
Mortgages Receivable	636,604	-	636,604	-
				-
Total Restricted Current Assets	6,653,989	58,333	6,066,204	529,452
Non-Current Assets:				
Mortgages Receivable	21,104,255	-	12,491,377	8,612,878
Valuation Allowance for Loan Losses	(8,612,878)	-	-	(8,612,878)
Guaranteed Note Receivable	6,785,000	-	6,785,000	-
Total Restricted Non-Current Assets	19,276,377	-	19,276,377	-
Total Restricted Assets	25,930,366	58,333	25,342,581	529,452
Capital Assets, Net of Depreciation	8,000,171	1,837,181	6,162,990	-
Total Assets	$ 36,135,713	$ 4,100,690	$ 31,505,571	$ 529,452

Schedule 3

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position

December 31, 2017

LIABILITIES AND NET POSITION

	Total	Administrative Fund	Bond Fund	Grant Fund
Unrestricted Liabilities:				
Current Liabilities:				
Accounts Payable	$ 65,498	$ 65,498	$ -	$ -
Unearned Program Income	260,373	-	-	260,373
Total Unrestricted Current Liabilities	325,871	65,498	-	260,373
Restricted Liabilities:				
Current Liabilities:				
Accounts Payable	80,208	43,016	-	37,192
Interest Payable	105,611	-	81,430	24,181
Notes Payable	207,706	-	-	207,706
Current Portion of Long-Term Debt	12,099,154	-	12,099,154	-
				-
Total Current Liabilities Payable From Restricted Assets	12,492,679	43,016	12,180,584	269,079
				-
Long-Term Liabilities:				
Accrued Sick and Vacation	132,693	132,693	-	-
Bonds Payable	19,276,377	-	19,276,377	-
Total Long-Term Liabilities	19,409,070	132,693	19,276,377	-
				-
Total Liabilities	32,227,620	241,207	31,456,961	529,452
Net Position:				
Net Investment in Capital Assets	1,885,791	1,837,181	48,610	-
Reserve for Unemployment	11,818	11,818	-	-
Unrestricted	2,010,484	2,010,484	-	-
Total Net Positions	3,908,093	3,859,483	48,610	-
Total Liabilities and Net Position	$ 36,135,713	$ 4,100,690	$ 31,505,571	$ 529,452

Reconciliation to Net Position on Statements of Net Position - GAAP Basis:	
Net Position (as shown above)	$ 3,908,093
Deferred outflows related to pensions	1,561,786
Pension Payable	(127,497)
Deferred inflows related to pensions	(815,781)
Net Pension Liability	(3,203,744)
Net Position - GAAP Basis	$ 1,322,857

Schedule 4

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Bond Funds

December 31, 2017

ASSETS

	Total	Stockton Aviation Technology and Research Park	Egg Harbor Township Golf Course Series 2006	ARC of Atlantic County	Faith Baptist Church	St. Augustine
Restricted Assets:						
Current Assets:						
Cash	$ 4,777,266	$ 4,777,266	$ -	$ -	$ -	$ -
Accounts Receivable	185,904	185,904	-	-	-	-
Interest Receivable	81,430	-	49,613	3,148	2,196	26,473
Guaranteed Note Receivable	385,000	-	385,000	-	-	-
Mortgages Receivable	636,604	-	-	91,503	53,618	491,483
Total Restricted Current Assets	6,066,204	4,963,170	434,613	94,651	55,814	517,956
Non-Current Assets:						
Guaranteed Note Receivable	6,785,000	-	6,785,000	-	-	-
Mortgages Receivable	12,491,377	-	-	1,393,374	487,761	10,610,242
Total Restricted Non-Current Assets	19,276,377	-	6,785,000	1,393,374	487,761	10,610,242
Total Restricted Assets	25,342,581	4,963,170	7,219,613	1,488,025	543,575	11,128,198
Capital Assets, Net of Depreciation	6,162,990	6,162,990	-	-	-	-
Total Assets	$ 31,505,571	$ 11,126,160	$ 7,219,613	$ 1,488,025	$ 543,575	$ 11,128,198

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Bond Funds

December 31, 2017

LIABILITIES

	Total	Stockton Aviation Technology and Research Park	Egg Harbor Township Golf Course Series 2006	ARC of Atlantic County	Faith Baptist Church	St. Augustine
Restricted Liabilities:						
Current Liabilities:						
Interest Payable	$ 81,430	$ -	$ 49,613	$ 3,148	$ 2,196	$ 26,473
Current Portion of Long-Term Debt	12,099,154	11,077,550	385,000	91,503	53,618	491,483
Total Current Liabilities Payable From Restricted Assets	12,180,584	11,077,550	434,613	94,651	55,814	517,956
Long-Term Liabilities:						
Bonds Payable	19,276,377	-	6,785,000	1,393,374	487,761	10,610,242
Total Long-Term Liabilities	19,276,377	-	6,785,000	1,393,374	487,761	10,610,242
Total Liabilities	31,456,961	11,077,550	7,219,613	1,488,025	543,575	11,128,198
Net Position:						
Net Investment in Capital Assets	48,610	48,610	-	-	-	-
Total Net Position	48,610	48,610	-	-	-	-
				-		
Total Liabilities and Net Position	$ 31,505,571	$ 11,126,160	$ 7,219,613	$ 1,488,025	$ 543,575	$ 11,128,198

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Grant Funds

December 31, 2017

ASSETS

	Total	CDBG	HOME Funds	SSBG	Other Funds
Restricted Assets:					
Current Assets:					
Cash	$ 294,238	$ 77,995	$ 205,835	$ -	$ 10,408
Accounts Receivable	3,327	-	3,327	-	-
Interest Receivable	24,181	-	-	-	24,181
Notes Receivable	207,706	-	-	-	207,706
Total Restricted Current Assets	529,452	77,995	209,162	-	242,295
Non-Current Assets:					
Mortgages Receivable	8,612,878	1,223,881	7,301,586	-	87,411
Valuation Allowance for Loan Losses	(8,612,878)	(1,223,881)	(7,301,586)	-	(87,411)
Total Restricted Non-Current Assets	-	-	-	-	-
Total Restricted Assets	529,452	77,995	209,162	-	242,295
Total Assets	$ 529,452	$ 77,995	$ 209,162	$ -	$ 242,295

LIABILITIES

	Total	CDBG	HOME Funds	SSBG	Other Funds
Restricted Liabilities:					
Current Liabilities:					
Accounts Payable and Accrued Expenses	$ 37,192	$ 21,045	$ 16,147	$ -	$ -
Unearned Program Income	260,373	56,950	193,015	-	10,408
Interest Payable	24,181	-	-	-	24,181
Notes Payable	207,706	-	-	-	207,706
Total Current Liabilities Payable From Restricted Assets	529,452	77,995	209,162	-	242,295
Total Liabilities	$ 529,452	$ 77,995	$ 209,162	$ -	$ 242,295

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Grant Funds - CDBG

December 31, 2017

	Total	CDBG 2001-2012 Entitlement	CDBG 2013 Entitlement	CDBG 2014 Entitlement	CDBG 2015 Entitlement	CDBG 2016 Entitlement	CDBG 2017 Entitlement	Small Cities	Program Income
ASSETS									
Cash	$ 77,995	$ -	$ -	$ -	$ -	$ -	$ -	$ 21,045	$ 56,950
Accounts Receivable	-	-	-	-	-	-	-	-	-
Mortgages Receivable	1,223,881	939,993	-	41,046		-	-	196,515	46,327
Mortgages Receivable Valuation Allowance	(1,223,881)	(939,993)	-	(41,046)	-	-	-	(196,515)	(46,327)
Total Assets	$ 77,995	$ -	$ -	$ -	$ -	$ -	$ -	$ 21,045	$ 56,950
LIABILITIES									
Accounts Payable and Accrued Expenses	$ 21,045	$ -	$	$ -	$ -	$ -	$ -	$ 21,045	$ -
Unearned Program Income	56,950	-	-	-	-	-	-	-	56,950
Total Liabilities	$ 77,995	$ -	$ -	$ -	$ -	$ -	$ -	$ 21,045	$ 56,950

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Grant Funds - HOME

December 31, 2017

	Total	1997-2012 Atlantic County HOME	2013 Atlantic County HOME	2014 Atlantic County HOME	2015 Atlantic County HOME	2016 Atlantic County HOME	2017 Atlantic County HOME	Program Income HOME
ASSETS								
Cash	$ 205,835	$ -	$ 100	$ -	$ -	$ 83	$ -	$ 205,652
Accounts Receivable	3,327	-	-	-	-	3,327	-	-
Mortgages Receivable	7,301,586	5,644,727	274,989	264,018	272,454	250,842	-	594,556
Mortgages Receivable Valuation Allowance	(7,301,586)	(5,644,727)	(274,989)	(264,018)	(272,454)	(250,842)	-	(594,556)
Total Assets	$ 209,162	$ -	$ 100	$ -	$ -	3,410	$ -	205,652
LIABILITIES								
Accounts Payable and Accrued Expenses	$ 16,147	$ -	$ 100	$ -	$ -	$ 3,410	$ -	$ 12,637
Cash Overdraft	-	-	-	-	-	-	-	-
Deferred Program Income	193,015	-	-	-	-	-	-	193,015
Total Liabilities	$ 209,162	$ -	$ 100	$ -	$ -	3,410	$ -	205,652

Schedule 10

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Grant Funds - Other

December 31, 2017

	Total	Economic Development	USDA/ CDP Rental Rehab/ Jobs Bill
ASSETS			
Cash	$ 10,408	$ -	$ 10,408
Interest Receivable	24,181	24,181	-
Notes Receivable	207,706	207,706	-
Mortgages Receivable	87,411	-	87,411
Mortgages Receivable Valuation Allowance	(87,411)	-	(87,411)
Total Assets	$ 242,295	$ 231,887	$ 10,408
LIABILITIES			
Unearned Program Income	$ 10,408	$ -	$ 10,408
Interest Payable	24,181	24,181	-
Notes Payable	207,706	207,706	-
Total Liabilities	$ 242,295	$ 231,887	$ 10,408

Schedule 11

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds

December 31, 2017

	Housing Projects	Other	Mortgages	Total
ASSETS				
Cash	$ 668,976	$ 73,980,240	$ 118,715	$ 74,767,931
Mortgage Interest Receivable	114,386	-	712,047	826,433
Accounts Receivable - Other	-	89,100,083	-	89,100,083
Mortgages Receivable	3,629,928	-	12,616,049	16,245,977
Mortgages Receivable Valuation Allowance	(3,692,367)	-	(13,328,096)	(17,020,463)
Total Assets	$ 720,923	$ 163,080,323	$ 118,715	$ 163,919,961
LIABILITIES				
Accounts Payable and Accrued Expenses	$ 61,633	$ 25,139	$ 2,196	$ 88,968
Bonds and Loans Payable	-	162,532,942	-	162,532,942
Due To Various Agencies	659,290	522,242	116,519	1,298,051
Total Liabilities	$ 720,923	$ 163,080,323	$ 118,715	$ 163,919,961

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Housing Projects

December 31, 2017

	Grammercy Park Mortgage Subsidy	Habitat for Humanity	Westside Façade	Convention Hall Relocation	Atlantic City Downpayment Assistance Program	Atlantic City Rehabilitation Program	Brighton Towers 2009	Brighton Towers 2013	Section 108	Total
ASSETS										
Cash	$ 43,010	$ 90,560	$ -	$ 9,956	$ 82,850	$ 68,943	$ 6,559	$ 341,793	$ 25,305	$ 668,976
Mortgage Interest Receivable	-	-	-	44,837	-	-	51,527	18,022	-	114,386
Mortgages Receivable	-	61,000	18,080	84,788	2,347,029	784,416	204,158	130,457	-	3,629,928
Mortgages Receivable Valuation Allowance	-	(61,000)	(18,080)	(77,678)	(2,347,029)	(784,416)	(255,685)	(148,479)	-	(3,692,367)
Total Assets	$ 43,010	$ 90,560	$ -	$ 61,903	$ 82,850	$ 68,943	$ 6,559	$ 341,793	$ 25,305	$ 720,923
LIABILITIES										
Accounts Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,421	$ 56,212	$	$ 61,633
Due To Various Agencies	43,010	90,560	-	61,903	82,850	68,943	1,138	285,581	25,305	659,290
Total Liabilities	$ 43,010	$ 90,560	$ -	$ 61,903	$ 82,850	$ 68,943	$ 6,559	$ 341,793	$ 25,305	$ 720,923

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Other

December 31, 2017

	Public Safety Improvements CRDA	Stockton University Project	Pooled Financing Bonds	Golf Courses	Hammonton Affordable Housing	Somers Point Affordable Housing	Revel	Misc.	Total
ASSETS									
Cash	$ 7,278	$ 73,583,359	$ 21,280	$ 136,288	$ 63,531	$ 157,157	$ 2,114	$ 9,233	$ 73,980,240
Accounts Receivable - Other	9,456,825	68,640,450	10,852,308	-	-	-	-	150,500	89,100,083
Total Assets	$ 9,464,103	$ 142,223,809	$ 10,873,588	$ 136,288	$ 63,531	$ 157,157	$ 2,114	$ 159,733	$ 163,080,323
LIABILITIES									
Accounts Payable and Accrued Expenses	$ -	$ -	$ 21,280	$ -	$ -	$ -	$ -	$ 3,859	$ 25,139
Bonds and Loans Payable	9,456,825	142,223,809	10,852,308	-	-	-	-		162,532,942
Due To Various Agencies	7,278	-	-	136,288	63,531	157,157	2,114	155,874	522,242
Total Liabilities	$ 9,464,103	$ 142,223,809	$ 10,873,588	$ 136,288	$ 63,531	$ 157,157	$ 2,114	$ 159,733	$ 163,080,323

Schedule 14

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Net Position - Agency Funds - Mortgages

December 31, 2017

	Barlinvis Apartments	Garden Court Apartments	Vermont Plaza	Total
ASSETS				
Cash	$ 118,715	$ -	$ -	$ 118,715
Mortgage Interest Receivable	-	-	712,047	712,047
Mortgages Receivable	-	9,523,320	3,092,729	12,616,049
Mortgages Receivable Valuation Allowance	-	(9,523,320)	(3,804,776)	(13,328,096)
Total Assets	$ 118,715	$ -	$ -	$ 118,715
LIABILITIES				
Liabilities:				
Due To Admin Fund	$ 2,196	$ -	$ -	$ 2,196
Due To Various Agencies	116,519	-	-	116,519
Total Liabilities	$ 118,715	$ -	$ -	$ 118,715

Schedule 15

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities

December 31, 2017

	Total	Administrative Fund	Bond Fund	Grant Fund
Operating Revenues:				
Project Administration Fees	$ 523,111	$ 523,111	$ -	$ -
Bond Fees	177,819	177,819	-	-
Grant and Agency Fund Fees	1,004,557	1,004,557	-	-
Grants	1,756,631	-	-	1,756,631
Reimbursement and Other	1,968,095	1,968,095	-	-
Total Operating Revenues	5,430,213	3,673,582	-	1,756,631
Operating Expenses:				
Payroll Expenses	1,210,505	1,210,505	-	-
Employee Benefits	443,287	443,287	-	-
Rent	38,876	38,876	-	-
Professional Fees	1,266,170	1,266,170	-	-
Insurance	73,143	73,143	-	-
Administrative and General	81,777	81,777	-	-
Project Costs	1,505,482	-	-	1,505,482
Service Fees	251,149	-	-	251,149
Depreciation	61,017	61,017	-	-
Total Operating Expenses	4,931,406	3,174,775	-	1,756,631
Operating Income	498,807	498,807	-	-
Non-Operating Revenues/(Expenses):				
Investment and Interest Income	384,418	1,867	382,551	-
Additions to Reserves-NJCM & SUI	2,481	2,481	-	-
Transfer to Other Funds	-	48,609	(48,609)	-
Bond and Note Interest Expense	(333,942)	-	(333,942)	-
Total Non-Operating Revenues/(Expenses)	52,957	52,957	-	-
Change in Net Position	551,764	551,764	-	-
Net Positions - Beginning of Year	3,356,329	3,356,329	-	-
Net Positons - End of Year	$ 3,908,093	$ 3,908,093	$ -	$ -

Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis:

Change in Net Position	$ 551,764
Unbudgeted pension expense	(264,332)
Change in Net Position - GAAP Basis	$ 287,432

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Bond Funds

For the year ended December 31, 2017

	Total	Stockton Aviation Technology and Research Park	Egg Harbor Township Golf Course Series 2006	ARC of Atlantic County	Faith Baptist Church	St. Augustine
Operating Expenses:						
Service Fees	$ -	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	-	-	-	-	-	-
Operating Loss	-	-	-	-	-	-
Non-Operating Revenues/(Expenses):						
Investment and Interest Income	$ 382,551	$ 48,609	$ 243,691	$ 36,562	$ 27,030	$ 26,659
Transfer to Other Funds	(48,609)	(48,609)	-	-	-	-
Bond and Note Interest Expense	(333,942)	-	(243,691)	(36,562)	(27,030)	(26,659)
Total Non-Operating Revenues/(Expenses)	-	-	-	-	-	-
Change in Net Position	-	-	-	-	-	-
Net Position - Beginning of Year	-	-	-	-	-	-
Net Position - End of Year	$ -	$ -	$ -	$ -	$ -	$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Grant Fund

For the year ended December 31, 2017

	Total	CDBG	HOME Funds	SSBG	Other Funds
Operating Revenues:					
Grants	$ 1,723,150	$ 1,422,362	$ 300,788	$ -	$ -
Program Income	33,481	-	33,481	-	-
Total Operating Revenues	1,756,631	1,422,362	334,269	-	-
Operating Expenses:					
Project Costs	1,505,482	1,218,910	286,572	-	-
Service Fees	251,149	203,452	47,697	-	-
Total Operating Expenses	1,756,631	1,422,362	334,269	-	-
Change in Net Position	-	-	-	-	-
Net Position - Beginning of Year	-	-	-	-	-
Net Position - End of Year	$ -	$ -	$ -	$ -	$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Grant Fund - CDBG

For the year ended December 31, 2017

	CDBG 2001-2012 Entitlement	CDBG 2013 Entitlement	CDBG 2014 Entitlement	CDBG 2015 Entitlement	CDBG 2016 Entitlement	CDBG 2017 Entitlement	Total
Operating Revenues:							
Grants	$ 49,314	$ 193,141	$ 399,613	$ 392,055	$ 388,239	$ -	$ 1,422,362
Program Income	-	-	-	-	-	-	-
Total Operating Revenues	49,314	193,141	399,613	392,055	388,239	-	1,422,362
Operating Expenses:							
Project Costs	49,314	193,141	399,613	392,055	184,787	-	1,218,910
Fees Paid To ACIA	-	-	-	-	203,452	-	203,452
Total Operating Expenses	49,314	193,141	399,613	392,055	388,239	-	1,422,362
Change in Net Position	-	-	-	-	-	-	-
Net Position - Beginning of Year	-	-	-	-	-	-	-
Net Position - End of Year	$ -	$ -	$ -	$ -	$ -	$ -	$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Combining Statement of Activities - Grant Fund - HOME

For the year ended December 31, 2017

	1997-2012 Atlantic County HOME	2013 Atlantic County HOME	2014 Atlantic County HOME	2015 Atlantic County HOME	2016 Atlantic County HOME	2017 Atlantic County HOME	Program Income HOME	Total
Operating Revenues:								
Grants	$ -	$ -	$ -	$ 4,199	$ 296,589	$ -	$ -	$ 300,788
Program Income	-	-	-	-	-	-	33,481	33,481
Total Operating Revenues	-	-	-	4,199	296,589	-	33,481	334,269
Operating Expenses:								
Project Costs	-	-	-	4,199	248,892	-	33,481	286,572
Fees Paid To ACIA	-	-	-	-	47,697	-		47,697
Total Operating Expenses	-	-	-	4,199	296,589	-	33,481	334,269
Change in Net Position	-	-	-	-	-	-	-	-
Net Position - Beginning of Year	-	-		-	-	-	-	-
Net Position - End of Year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows

For the year ended December 31, 2017

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	Total	Administrative Fund	Bond Fund	Grant Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers and Users	$ 3,651,849	$ 3,651,849	$ -	$ -
Cash Received from Grants	1,723,150	-	-	1,723,150
Cash Paid To Subcontractor and Vendors	(4,828,845)	(3,103,019)	-	(1,725,826)
Net Cash Flows From Operating Activities	546,154	548,830	-	(2,676)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment and Interest Income	52,957	4,348	48,609	-
Net Cash Flows From Investing Activities	52,957	4,348	48,609	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of Fixed Assets	(28,651)	(28,651)		
Principal Payments Received on Mortgages	21,708	-	-	21,708
Payments Paid on Loans	(31,985)	-	-	(31,985)
Payments Received on Loans	40,354	-	-	40,354
Mortgages Issued	30,893	-	-	30,893
Payments Made on Construction	(5,951,203)	-	(5,951,203)	-
Transfer To Deferred Program Income	52,863	-	-	52,863
Fees Paid To ACIA	2,671	-	-	2,671
Proceeds from Bonds	11,077,550	-	11,077,550	-
Net Cash Flows From Capital and Related Financing Activities	(2,785,800)	(28,651)	(2,873,653)	116,504
Change in Cash and Cash Equivalents	(2,186,689)	524,527	(2,825,044)	113,828
Cash and Cash Equivalents - Beginning of Year	8,922,343	1,139,623	7,602,310	180,410
Cash and Cash Equivalents - End of Year	$ 6,735,654	$ 1,664,150	$ 4,777,266	$ 294,238
Reconciliation To Statements of Net Position:				
Unrestricted Cash	$ 1,649,851	$ 1,649,851	$ -	$ -
Restricted Cash	5,085,803	14,299	4,777,266	294,238
	$ 6,735,654	$ 1,664,150	$ 4,777,266	$ 294,238
Reconciliation of Operating Deficit To Net Cash Flows From Operating Activities:				
Operating Income	$ 498,807	$ 498,807	$ -	$ -
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:				
Depreciation	61,017	61,017	-	-
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	39,554	(21,733)	-	61,287
Increase/(Decrease) in Accounts Payable	(59,545)	4,418	-	(63,963)
Increase/(Decrease) in Accrued Sick and Vacation	6,321	6,321	-	-
	$ 546,154	$ 548,830	$ -	$ (2,676)

Schedule 23

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Bond Fund

For the year ended December 31, 2017

	Total	Stockton Aviation Technology and Research Park
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment and Interest Income	$ 48,609	$ 48,609
Net Cash Flows From Investing Activities	48,609	48,609
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments Made on Construction	(5,951,203)	(5,951,203)
Principal Payments Made on Mortgages/Bonds	(8,000,000)	(8,000,000)
Proceeds from Bonds	11,077,550	11,077,550
Net Cash Flows From Capital and Related Financing Activities	(2,873,653)	(2,873,653)
Change in Cash and Cash Equivalents	(2,825,044)	(2,825,044)
Cash and Cash Equivalents - Beginning of Year	7,602,310	7,602,310
Cash and Cash Equivalents - End of Year	$ 4,777,266	$ 4,777,266
Reconciliation To Statements of Net Position:		
Restricted Cash	$ 4,777,266	$ 4,777,266
Reconciliation of Operating Deficit To Net Cash Flows From Operating Activities:		
Operating Income/(Loss)	$ -	$ -
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:		
Increase in Accounts Receivable	-	-
	$ -	$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Grant Fund

For the year ended December 31, 2017

	Total	CDBG	HOME Funds	SSBG	Other Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Grants	$ 1,723,150	$ 1,422,362	$ 300,788	$ -	$ -
Cash Paid To Subcontractors and Vendors	(1,725,826)	(1,410,283)	(315,100)	(443)	-
Net Cash Flows From Operating Activities	(2,676)	12,079	(14,312)	(443)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal Payments Received on Mortgages	21,708	21,708	-	-	-
Payments Paid on Loans	(31,985)	-	-		(31,985)
Payments Received on Loans	40,354	-	-	-	40,354
Mortgages Issued	30,893	-	30,893	-	-
Transfer To Deferred Program Income	52,863	-	52,863	-	-
Fees Paid To ACIA	2,671	-	2,671	-	-
Net Cash Flows From Capital and Related Financing Activities	116,504	21,708	86,427	-	8,369
Change in Cash and Cash Equivalents	113,828	33,787	72,115	(443)	8,369
Cash and Cash Equivalents - Beginning of Year	180,410	44,208	133,720	443	2,039
Cash and Cash Equivalents - End of Year	$ 294,238	$ 77,995	$ 205,835	$ -	$ 10,408
Reconciliation To Statements of Net Position:					
Restricted Cash	$ 294,238	$ 77,995	$ 205,835	$ -	$ 10,408
Reconciliation of Operating Deficit To Net Cash Flows From Operating Activities:					
Operating Income/(Loss)	$ -	$ -	$ -	$ -	$ -
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:					
Increase/(Decrease) in Accounts Receivable	$ 61,287	$ 17,620	$ 8,032	$ 3,650	$ 31,985
Increase/(Decrease) in Accounts Payable	(63,963)	(5,541)	(22,344)	(4,093)	(31,985)
	$ (2,676)	$ 12,079	$ (14,312)	$ (443)	$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Grant Fund - CDBG

For the year ended December 31, 2017

	Total	CDBG 2001-2012 Entitlement	CDBG 2013 Entitlement	CDBG 2014 Entitlement	CDBG 2015 Entitlement	CDBG 2016 Entitlement	CDBG 2017 Entitlement	Small Cities	Program Income
CASH FLOWS FROM OPERATING ACTIVITIES:									
Grants	$ 1,422,362	$ 49,314	$ 193,141	$ 399,613	$ 392,055	$ 388,239	$ -	$ -	$ -
Cash Paid To Subcontractors and Vendors	(1,410,283)	(49,314)	(194,349)	(399,613)	(392,055)	(388,239)	-	13,287	
Net Cash Flows From Operating Activities	12,079	-	(1,208)	-	-	-	-	13,287	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Principal Payments Received on Mortgages	21,708		-	-	-	-	-	-	21,708
Net Cash Flows From Capital and Related Financing Activities	21,708	-	-	-	-	-	-	-	21,708
Change in Cash and Cash Equivalents	33,787	-	(1,208)	-	-	-	-	13,287	21,708
Cash and Cash Equivalents - Beginning of Year	44,208	-	1,208	-	-	-	-	7,758	35,242
Cash and Cash Equivalents - End of Year	$ 77,995	$ -	$ -	$ -	$ -	$ -	$ -	$ 21,045	$ 56,950
Reconciliation To Statements of Net Position:									
Restricted Cash	$ 77,995	$ -	$ -	$ -	$ -	$ -	$ -	21,045	$ 56,950
Reconciliation of Operating Deficit To Net Cash Flows From Operating Activities:									
Operating Income/(Loss)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:									
(Increase)/Decrease in Accounts Receivable	$ 17,620	$ -	$ 17,620	$ -	$ -	$ -	$ -	$ -	$ -
Increase/(Decrease) in Accounts Payable	(5,541)	-	(18,828)	-	-	-	-	13,287	-
	$ 12,079	$ -	$ (1,208)	$ -	$ -	$ -	$ -	$ 13,287	$ -

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Grant Fund - HOME

For the year ended December 31, 2017

	Total	1997 - 2012 Atlantic County HOME	2013 Atlantic County HOME	2014 Atlantic County HOME	2015 Atlantic County HOME	2016 Atlantic County HOME	2017 Atlantic County HOME	Program Income
CASH FLOWS FROM OPERATING ACTIVITIES:								
Grants	$ 300,788	$ -	$ -	$ -	$ 4,199	$ 296,589	$ -	$ -
Cash Paid To Subcontractors and Vendors	(315,100)	-	-	-	3,833	(296,589)	-	(22,344)
Net Cash Flows From Operating Activities	(14,312)	-	-	-	8,032	-	-	(22,344)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Principal Payments Received on Mortgages	-	-	-	-	-	-	-	-
Transfer To Deferred Program Income	52,863	-	-	-	-	-	-	52,863
Mortgages Issued	30,893	-	-	-	-	-	-	30,893
Fees Paid To ACIA	2,671	-	-	-	-	83	-	2,588
Net Cash Flows From Capital and Related Financing Activities	86,427	-	-	-	-	83	-	86,344
Change in Cash and Cash Equivalents	72,115	-	-	-	8,032	83	-	64,000
Cash and Cash Equivalents - Beginning of Year	133,720	-	100	-	(8,032)	-	-	141,652
Cash and Cash Equivalents - End of Year	$ 205,835	$ -	$ 100	$ -	$ -	$ 83	$ -	$ 205,652
Reconciliation To Statements of Net Position:								
Restricted Cash	$ 205,835	$ -	$ 100	$ -	$ -	$ 83	$ -	$ 205,652
Reconciliation of Operating Deficit To Net Cash Flows From Operating Activities:								
Operating Income/(Loss)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:								
Decrease/(Increase) in Accounts Receivable	$ 8,032	$ -	$ -	$ -	$ 8,032	$ -	$ -	$ -
Increase/(Decrease) in Accounts Payable	(22,344)	-	-	-	-	-	-	(22,344)
	$ (14,312)	$ -	$ -	$ -	8,032	$ -	$ -	$ (22,344)

Schedule 27

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Grant Fund - SSBG

For the year ended December 31, 2017

	Total	SSBG Sandy Relief Funding
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants	$ -	$ -
Cash Paid To Subcontractors and Vendors	(443)	(443)
Net Cash Flows From Operating Activities	(443)	(443)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Payments Received on Mortgages	-	-
Fees Paid To ACIA	-	-
Net Cash Flows From Capital and Related Financing Activities	-	-
Change in Cash and Cash Equivalents	(443)	(443)
Cash and Cash Equivalents - Beginning of Year	443	443
Cash and Cash Equivalents - End of Year	$ -	$ -
Reconciliation To Statements of Net Position:		
Restricted Cash	$ -	$ -
Reconciliation of Operating Deficit To Net Cash Flows From Operating Activities:		
Operating Income/(Loss)	$ -	$ -
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:		
Increase/(Decrease) in Accounts Receivable	$ 3,650	$ 3,650
Increase/(Decrease) in Accounts Payable	(4,093)	(4,093)
	$ (443)	$ (443)

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Statement of Cash Flows - Grant Fund - Other

For the year ended December 31, 2017

	Total	Economic Development	USDA/CDP Rental Rehab/Jobs Bill
CASH FLOWS FROM OPERATING ACTIVITIES:			
Grants	$ -	$ -	$ -
Cash Paid To Subcontractors and Vendors	-	-	-
Net Cash Provided/(Used) By Operating Activities	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments Received on Mortgages	$ -	$ -	$ -
Payments Paid on Loans	(31,985)	(31,985)	-
Payments Received on Loans	40,354	31,985	8,369
Net Cash Flows From Capital and Related Financing Activities	8,369	-	8,369
Change in Cash and Cash Equivalents	8,369	-	8,369
Cash and Cash Equivalents - Beginning of Year	2,039	-	2,039
Cash and Cash Equivalents - End of Year	$ 10,408	$ -	$ 10,408
Reconciliation To Statements of Net Position:			
Restricted Cash	$ 10,408	$ -	$ 10,408
Reconciliation of Operating Deficit To Net Cash Flows From Operating Activities:			
Operating Income/(Loss)	$ -	$ -	$ -
Adjustments To Reconcile Operating Income To Net Cash Flows From Operating Activities:			
(Increase)/Decrease in Accounts Receivable	$ 31,985	$ 31,985	$ -
Increase/(Decrease) in Accounts Payable	(31,985)	(31,985)	-
	$ -	$ -	$ -

SINGLE AUDIT SECTION

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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 Chairman and Members
of the Atlantic County Improvement Authority,
Atlantic City, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Atlantic County Improvement Authority (herein referred to as " the Authority"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 9, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 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* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectively Submitted,

Holman, Frenia, Allison

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 9, 2018
Toms River, New Jersey

HFA
Holman | Frenia
Allison, P.C.
Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Atlantic County Improvement Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended December 31, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Atlantic County Improvement Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Atlantic County Improvement Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Atlantic County Improvement Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectively Submitted,

Holman, Frenia, Allison

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 9, 2018
Toms River, New Jersey

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2017

Department/ Program Title		Federal CFDA Number	Federal FAIN Number	Program or Award Amount	Balance as of 12/31/2016	Receipts or Revenue Recognized	Disbursements/ Expenditures	Sub Recipient Expenditures	Balance as of 12/31/2017
US Department of Housing and Urban Development: Passed Through The County of Atlantic									
Home Investment Partnership Program (HOME):									
Home - Program Income - (not in totals - information only)					$ -	$ 33,481	$ (33,481)	$ -	-
Home Investment Partnership Act (HOME) - 2014		14.239	M-09-DC-34-0229	$ 451,181	-	4,199	(4,199)	-	-
Home Investment Partnership Act (HOME) - 2015		14.239	M-09-DC-34-0229	$ 432,792	-	296,589	(296,589)	-	-
Total Home Investment Partnership Act (HOME)					-	300,788	(300,788)	-	-
Community Development Block Grants/Entitlement Grants:									
Program Grant - 2001-2012	*	14.218	B-05-UC-34-0111	$ 6,406,547	-	49,314	(49,314)	-	-
Program Grant - 2013	*	14.218	B-09-UC-34-0111	$ 1,069,866	-	193,141	(193,141)	-	-
Program Grant - 2014	*	14.218	B-09-UC-34-0111	$ 1,048,743	-	399,613	(399,613)	-	-
Program Grant - 2015	*	14.218	B-09-UC-34-0111	$ 1,033,275	-	392,055	(392,055)	-	-
Program Grant - 2016	*	14.218	B-09-UC-34-0111	$ 1,102,215	-	388,239	(388,239)	-	-
Total Community Development Block Grant Entitlement					-	1,422,362	(1,422,362)	-	-
Total Federal Financial Awards					$ -	$ 1,723,150	$ (1,723,150)	$ -	$ -

* Denotes major programs

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2017

NOTE 1: GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Atlantic County Improvement Authority. The Authority is defined in Note 1 of the general purpose financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule of federal awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. This basis of accounting is described in Note 2 to the Authority's basic financial statements.

Atlantic County Improvement Authority has not elected to use the 10% de minimis cost rate allowed by the Uniform Guidance.

NOTE 3: RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

The amounts reported in the accompanying schedule agree with the amounts reported in the Authority's financial statements.

	Federal
Grants	$ 1,756,631
Less: Program Income	(33,481)
Total Financial Assistance	$ 1,723,150

NOTE 4: RELATIONSHIP TO THE FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with amounts reported in the related Federal financial reports.

NOTE 5: NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2017.

NOTE 6: LOAN GUARANTEES

At December 31, 2017, the Authority is not the guarantor of any loans outstanding.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Schedule of Findings and Questioned Costs
For the year ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
1) Material weakness(es) identified?	____ yes _X_ no
2) Significant deficiency(ies) identified?	____ yes _X_ none reported
Noncompliance material to financial statements noted?	____ yes _X_ no

Federal Awards

Internal control over major programs:	
1) Material weakness(es) identified?	____ yes _X_ no
2) Significant deficiency(ies) identified?	____ yes _X_ none reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of Uniform Guidance?	____ yes _X_ no

Identification of major programs:

CFDA Number(s)	FAIN Number(s)	Name of Federal Program or Cluster
14.218	B-09-UC-34-0111	Community Development Block Grants/Entitlement Grants

Dollar threshold used to determine Type A programs	$750,000
Auditee qualified as low-risk auditee?	_X_ yes ____ no

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Schedule of Findings and Questioned Costs (continued)
For the year ended December 31, 2017

Section I - Summary of Auditor's Results (continued)

State Financial Assistance **SECTION IS N/A - NOT REQUIRED**

Dollar threshold used to determine Type A programs ____________________

Auditee qualified as low-risk auditee? ______ yes ______ no

Internal control over major programs:

1) Material weakness(es) identified? ______ yes ______ no

2) Significant deficiency(ies) identified? ______ yes ______ no

Type of auditor's report issued on compliance for major programs ____________________

Any audit findings disclosed that are required to be reported in accordance with New Jersey OMB's Circular 15-08? ______ yes ______ no

Identification of major programs:

State Grant/Project Number(s)	Name of State Program

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Schedule of Findings and Questioned Costs (continued)
For the year ended December 31, 2017

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None

Section III – Federal Awards & State Financial Assistance Findings & Questioned Costs

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08.

FEDERAL AWARDS

None

STATE FINANCIAL ASSISTANCE

N/A – State single audit not required

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Atlantic, State of New Jersey)
Summary Schedule of Prior Year Audit Findings and
Questioned Costs as Prepared by Management
For the year ended December 31, 2017

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08.

FINANCIAL STATEMENT FINDINGS

No Prior Year Findings

FEDERAL AWARDS

No Prior Year Findings

STATE FINANCIAL ASSISTANCE

N/A – No State Single Audit in prior year

GENERAL COMMENTS & RECOMMENDATIONS

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

We have audited the financial accounts and transactions of the Atlantic County Improvement Authority, a component unit of the County of Atlantic, State of New Jersey, as of and for the year ended December 31, 2017. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be advertised by (*N.J.S.A.40A:11-4*)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate $17,500 except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising and awarded by resolution for the various construction projects and demolitions.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.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 materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results or our examination did not disclose any discrepancies.

Contracts and Agreements Required to be advertised by (*N.J.S.A.40A:11-4*)(continued)

The examination of expenditures did not reveal any contracts or agreements in excess of $2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Property, Plant & Equipment

The property, plant and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on October 26, 2016 and adopted its operating budget on December 28, 2016

Follow-Up of Prior Years' Findings

In accordance with *government auditing standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. There were no prior year findings.

Acknowledgment

We received the complete cooperation of all the Authority Officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.

Respectively Submitted,

Holman, Frenia, Allison

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 9, 2018
Atlantic City, New Jersey