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

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

December 31, 2018

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

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

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INTRODUCTORY SECTION

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

August 8th, 2019

John C. Lamey, Jr.
Executive Director

Chairperson Foster and Authority Commissioners:

Presented to you are the audited financial statements for the 2018 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 2016 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. Mercadien, 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, 2018.

Sincerely,

John C. Lamey, Jr.
Executive Director

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Atlantic County Improvement Authority

Report on the Financial Statements
We have audited the accompanying financial statements of the Atlantic County Improvement Authority, a component unit of the County of Atlantic, State of New Jersey, ("Authority"), as of and for the year ended December 31, 2018, 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.

Auditors' 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued; by the Comptroller General of the United States; and audit requirements prescribed 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 auditors' 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 opinion.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note O to the financial statements, in 2018 the Authority adopted new accounting guidance Governmental Accounting Standards Board ("GASB") Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages four through ten and the schedules of proportionate share of net pension liability, contributions to public employees retirement system and proportionate share of net OPEB liability and contributions on pages 44 through 46, respectively, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information, as listed in the table of contents and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of 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.

Mercadien, P.C.
Certified Public Accountants

August 8, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

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 $22,179,765 and less than the liabilities and deferred inflows of resources in the amount of ($2,562,670) (i.e. net position).
- Operating revenues were $3,445,399, a decrease from year 2017 in the amount of $1,733,665. This primarily resulted from a decrease in grants and foreclosure registries compared to 2017.
- Operating expenses decreased $1,363,590 from 2017, which was primarily the result of a decrease 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 position. Over time, increases and decreases in net position is 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 type 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 Statement of Net Position

	December 31, 2018	December 31, 2017	$ Change	% Change
Cash and Investments	$ 4,841,564	$ 6,735,654	$ (1,894,090)	-28.12%
Other Current Assets				
And Capital Assets, Net	15,757,669	10,123,682	5,633,987	55.65%
Noncurrent Assets:				
Net Mortgage and Note Receivable	-	19,276,377	(19,276,377)	-100.00%
Deferred Outflows of Resources	1,580,532	1,561,786	18,746	1.20%
Total Assets and Deferred Outflows of Resources	$ 22,179,765	$ 37,697,499	$ (15,517,734)	-41.16%
Current Liabilities	$ 16,392,619	$ 12,946,047	$ 3,446,572	26.62%
Long Term Liabilities:				
Other	146,794	132,693	14,101	10.63%
Bonds Payable	-	19,276,377	(19,276,377)	-100.00%
Net Pension Liability	2,722,151	3,203,744	(481,593)	-15.03%
Net OPEB Liability	3,086,271	3,735,920	(649,649)	-17.39%
Deferred Inflows of Resources	2,394,600	815,781	1,578,819	193.53%
Total Liabilities and Deferred Inflows of Resources	24,742,435	40,110,562	(15,368,127)	-38.31%
Net Position:				
Restricted or Net Invested in Capital Assets	1,831,277	1,897,609	(66,332)	-3.50%
Unrestricted	(4,393,947)	(4,310,672)	(83,275)	1.93%
Total Net Position, As Restated	(2,562,670)	(2,413,063)	(149,607)	6.20%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 22,179,765	$ 37,697,499	$ (15,517,734)	-41.16%

Condensed Statement of Activities

	December 31, 2018 Actual	December 31, 2017 Actual	$ Change	$ Change
Revenues:				
Fees	$ 1,457,379	$ 1,454,338	$ 3,041	0.21%
Grants	837,350	1,756,631	(919,281)	-52.33%
Other Revenues	1,150,670	1,968,095	(817,425)	-41.53%
Total Operating Revenues	3,445,399	5,179,064	(1,733,665)	-33.47%
Expenses:				
Project Costs	837,350	1,505,482	(668,132)	-44.38%
Depreciation	109,393	61,017	48,376	79.28%
General and Administrative	2,656,369	3,378,090	(721,721)	-21.36%
Total Operating Expenses	3,603,112	4,944,589	(1,341,477)	-27.13%
Operating Surplus (Loss)/Income	(157,713)	234,475	(392,188)	-167.26%
Change in Accounting Principle	-	(3,735,920)	3,735,920	-100.00%
Non-Operating Revenues (Expenses), Net	8,106	52,957	(44,851)	-84.69%
Changes in Net Position	$ (149,607)	$ (3,448,488)	$ 3,298,881	-95.66%

General Trends and Significant Events

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 2018.

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 nonrecourse loan to the Authority. Although the revenue was not sufficient in 2018 to meet the amortization schedule the Authority has no obligation to make the payments.

In 2018, the core and shell of the 66,000 square foot first building of the National Aviation Research and Technology Park neared completion on time and on budget. The Authority is the developer, owner and operator the building of which is now 97% leased including 7,000 sq./ft. of lab and offices for FAA and approximately 4,000 sq./ft. of Offices for the NARTP. The remainder of the building will be leased to private companies and educational institutions doing Aviation related activities. In 2018, the Authority issued a note in the amount of $15.5 million that refunded the initial $11 million and provided additional capital required for the construction of the project.

The Authority continued to implement other activities in 2018 including 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 administration of the Section 108 business Loan Program.

In 2018, 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, the 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.

The Stockton Atlantic City Project was 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 operations.

General Trends and Significant Events (Continued)

A. Tax-Exempt Debt *(Master Lease Supported)****:*** 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. Tax-Exempt Debt *(Tax Credit Supported):* 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.

In June of 2018, the Board of commissioners authorized a shared service agreement with Cape May County for the Authority to provide project management services for the design and construction of the first building of the Cape May County Tech Village at the Cape May County Airport. Subsequently in September, the Board authorized the Authority to issue $6.2 million in financing guaranteed by Cape May County to fund the project. The initial note closed in 2019 and construction is underway. The Authority will lease the building upon completion and sublease it to private technology related companies.

Financial Condition

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 Statement of Net Position with comparisons to the prior year:

Total assets decreased by $15.5 million or 41.16%. The decrease was due to the removal of the net mortgage and note receivable related to conduit debt from the financial statements.

Noncurrent assets decreased $19,276,377 or 100.00%. The decrease was due to the removal of net mortgage and note receivable related to conduit debt from the financial statements.

Results of Operations

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

In comparison with the prior year, grants decreased by $919,281 due to decrease in activity for CDBG in the current year and Agency fees for grant administration increased by $3,041 in 2018.

Expenses: Total operating expenses of the Authority decreased by $1,341,477 from the prior year primarily due to a decrease in project costs as a result of less grants in the current year, along with decrease 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 Year Ended December 31, 2018 Actual	 2017 Actual	 $ Change	 $ Change
Operating Expenses:				
Total	$ 3,581	$ 4,944	$ (1,363)	-27.57%
Excluding Project Costs	2,766	3,439	(673)	-19.57%
Excluding Project Costs and Depreciation	2,656	3,378	(722)	-21.37%

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

	Actual Amounts 2018		 2017	
Salaries	$ 1,154,270	32.04%	$ 1,210,505	24.48%
Fringe & Payroll Taxes	938,092	26.04%	707,619	14.31%
Professional Services	457,594	12.70%	1,266,170	25.61%
Insurance	70,880	1.97%	73,143	1.48%
Rent & Administrative & General	35,533	0.99%	120,653	2.44%
Project Costs	837,350	23.24%	1,505,482	30.45%
Depreciation	109,393	3.04%	61,017	1.23%
	$ 3,603,112	100.00%	$ 4,944,589	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.

	Year Ended December 31, 2018	2017	$ Change	% Change
Total Operating Revenues	$ 3,445,399	$ 5,179,064	$ (1,733,665)	-33.47%
Net Cash Provided/ (Used) by Operations	462,728	546,154	(83,426)	-15.28%
Net Operating Cash Provided as a % of Operating Revenue	13.43%	10.55%	N/A	2.88%

Capital Assets and Debt Administration

The Authority's building at the Aviation Research and Technology Park opened in 2019. The 66,000 square foot building at a 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 2018, the Authority issued refunding bonds in the amount of $15,500,000.00 for the Aviation Park Project. 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

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

STATEMENT OF NET POSITION
December 31, 2018

ASSETS	
Unrestricted Assets:	
Current Assets:	
Cash and Cash Equivalents	$ 2,189,380
Accounts Receivable	386,745
Total Unrestricted Current Assets	2,576,125
Restricted Assets:	
Current Assets:	
Cash and Cash Equivalents	2,652,184
Interest Receivable	69,334
Notes Receivable	181,662
Total Restricted Current Assets	2,903,180
Non-Current Assets:	
Mortgages Receivable	8,197,655
Valuation Allowance for Loan Losses	(8,197,655)
Total Restricted Non-Current Assets	-
Total Restricted Assets	2,903,180
Capital Assets, Net of Depreciation	15,119,928
Total Assets	20,599,233
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,134,747
Deferred outflows related to OPEB	445,785
Total deferred outflows of resources	1,580,532
Total Assets and Deferred Outflows	$ 22,179,765

LIABILITIES	
Unrestricted Liabilities:	
Current Liabilities:	
Accounts Payable	$ 72,025
Unearned Program Income	326,220
Pension Payable	137,518
Total Unrestricted Current Liabilities	535,763
Restricted Liabilities:	
Current Liabilities:	
Accounts Payable	91,310
Interest Payable	18,241
Notes Payable	181,662
Bond Anticipation Note Payable	15,565,643
Total Current Liabilities Payable From Restricted Assets	15,856,856
Long-Term Liabilities:	
Accrued Sick and Vacation	146,794
Net Pension Liability	2,722,151
Total OPEB Liability	3,086,271
Total Long-Term Liabilities	5,955,216
Total Liabilities	22,347,835
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,012,841
Deferred inflows related to OPEB	1,381,759
Total deferred inflows of resources	2,394,600
NET POSITION	
Investment in Capital Assets, Net of Releated Debt	1,819,459
Reserve for Unemployment	11,818
Unrestricted	(4,393,947)
Total Net Position	(2,562,670)
Total Liabilities, Deferred Inflows and Net Position	$ 22,179,765

See notes to financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended December 31, 2018

Operating Revenues:	
Project Administration Fees	$ 432,813
Bond Fees	165,756
Grant and Agency Fund Fees	858,810
Grants	837,350
Reimbursement and Other	1,150,670
Total Operating Revenues	3,445,399
Operating Expenses:	
Payroll Expenses	1,154,270
Employee Benefits	938,092
Professional Fees	457,594
Insurance	70,880
Administrative and General	35,533
Project Costs	837,350
Depreciation	109,393
Total Operating Expenses	3,603,112
Operating Loss	(157,713)
Non-Operating Revenues	
Investment and Interest Income	8,106
Total Non-Operating Revenues	8,106
Change in Net Position	(149,607)
Net Position - Beginning of Year - As Restated	(2,413,063)
Net Position - End of Year	$ (2,562,670)

See notes to financial statements.

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

STATEMENT OF CASH FLOWS
Year Ended December 31,

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers and Users	$ 2,628,874
Cash Received from Grants	837,350
Cash Paid to Subcontractor and Vendors	(3,003,496)
Net Cash Flows from Operating Activities	462,728
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment and Interest Income	4,482
Net Cash Flows from Investing Activities	4,482
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of Fixed Assets	45,741
Principal Payments Received on Mortgages	10,617
Payments Paid on Loans	(31,985)
Payments Received on Loans	32,008
Payments Made on Construction	(7,077,735)
Principal Payments Made on Bonds	(11,000,000)
Transfer to Deferred Program Income	55,523
Fees Paid	38,888
Proceeds from Bonds	15,565,643
Net Cash Flows from Capital and Related Financing Activities	(2,361,300)
Decrease in Cash and Cash Equivalents	(1,894,090)
Cash and Cash Equivalents - Beginning of Year	6,735,654
Cash and Cash Equivalents - End of Year	$ 4,841,564
Reconciliation to Statements of Net Position:	
Unrestricted Cash	$ 2,189,380
Restricted Cash	2,652,184
Total Cash and Cash Equivalents	$ 4,841,564

STATEMENT OF CASH FLOWS (CONTINUED)

		2018
Reconciliation of Operating Loss to Net Cash Flows From Operating Activities:		
Operating Loss	$	(157,713)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation		109,393
Changes in Assets and Liabilities:		
Pension		152,527
OPEB		286,325
Accounts Receivable		73,834
Accounts Payable		(15,739)
Accrued Sick and Vacation		14,101
Net Cash Flows from Operating Activities	$	462,728

See notes to financial statements.

STATEMENT OF NET POSITION – AGENCY FUND

	2018
ASSETS	
Cash	$ 1,243,472
Mortgage Interest Receivable	861,640
Accounts Receivable - Other	280,616
Mortgages Receivable	16,195,632
Mortgages Receivable - Valuation Allowance	(17,005,325)
Total Assets	$ 1,576,035
LIABILITIES	
Accounts Payable and Accrued Expenses	$ 186,698
Bonds and Loans Payable	219,670
Due to:	
Various Agencies	1,169,667
Total Liabilities	$ 1,576,035

STATEMENT OF NET POSITION

Assets

Current Assets	
Cash and Cash Equivalents	$ 183,330
Tenant Security Deposits	20,310
Accounts Receivable - Tenants	35,999
Accounts Receivable - Tenant Assistance	64,975
Prepaid Expenses	39,260
Total Current Assets	343,874
Non-current Assets	
Reserve for Repairs and Replacements	356,399
Capital Assets, Net	2,628,512
Total Noncurrent Assets	2,984,911
Total Assets	$ 3,328,785

Liabilities

Current Liabilities	
Accounts Payable	$ 20,370
Total Current Liabilities	20,370
Noncurrent Liabilities	
Tenant Security Deposits	17,035
Total Noncurrent Liabilities	17,035
Total Liabilities	37,405

Net Position

Net Investment in Capital Assets	2,628,512
Restricted	356,399
Unrestricted	306,469
Total Net Position	$ 3,291,380

(Barlinvis Apartments Project – Component Unit)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating Revenues	
Tenant Revenue	$ 174,694
Subsidy Revenue	648,014
Other Revenues	3,370
Total Operating Revenues	826,078
Operating Expenses	
Administrative	120,457
Utilities	98,193
Ordinary Maintenance and Operations	160,081
Taxes and Insurance	57,511
Depreciation	88,879
Total Operating Expenses	525,121
Operating Income	300,957
Non-operating Income	
Investment Income	1,734
Change in Net Position	302,691
Net Position, Beginning of Year	2,988,689
Net position, End of Year	$ 3,291,380

See notes to financial statements.

A. 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 2018 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 2018, 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 twenty participating municipalities the program was designed to facilitate code enforcement for abandoned properties that are in some stage of foreclosure. The program continues in 2018 and has generated significant revenue for the year from registration fees.

A. ORGANIZATION (CONTINUED)

General (Continued)

In 2014, the Authority undertook a new Economic Development Initiative. In 2018, 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 2019, the Authority's Project Management Division undertakes projects on behalf of governments, school districts and other authorities under shared services agreements. In 2018, 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.

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 2018 and are in place for 2019.

B. 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 Barlinvis Apartments Project as its component unit.

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 GASB is responsible for establishing GAAP for state and local governments through its pronouncements.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Financial Statements (Continued)

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.

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 expenses 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 C 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, 2018, was $280,616.

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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets (Continued)

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.

As of December 31, 2018, the Authority has recorded $146,794 in accrued sick and vacation leave liability.

Post-Retirement Benefits

On July 1, 2017, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for the Post-employment Benefits Other Than Pensions.* Statement No. 75 requires participating employers in the plan to recognize their proportionate share of the collective total OPEB liability, collective deferred outflow of resources, collective deferred inflow of resources, and collective OPEB expense based on the ratio of plan members of an individual employer to the total members of the plan.

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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ninety days or less.

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 measurable 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, 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, Net of Related Debt – 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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 period and therefore will not be recognized as an inflow of resources (revenue) until that time.

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, 2018, totaled $17,005,325.

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 greater than $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, 2018 was $109,393, respectively.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended December 31, 2018, the Authority adopted GASB 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.

Recently Issued Accounting Pronouncements

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

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 ending 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 ending December 31, 2019. Management does not expect this Statement to impact the Authority's 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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Component Unit of the Atlantic County Improvement Authority – Barlinvis Apartments Project

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

Basis of Accounting

The financial statements of the Project are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Project's funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities are recognized when the transaction takes place.

In accordance with GASB 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, the Authority incorporates FASB and AICPA guidance into GASB authoritative literature.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, and contingencies, if any. Actual results could differ significantly from these estimates.

Cash and Cash Equivalents

New Jersey authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States, or the State of New Jersey, or the New Jersey Cash Management Fund.

N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act. It is the Authority's policy to maintain collateralization in accordance with State of New Jersey requirements.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable – Tenants

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and vacated tenants.

Allowance for Doubtful Accounts

Management periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectable. If it is determined that an account or accounts may be uncollectable, the Authority prepares an analysis of such accounts and records an appropriate allowance against such amounts.

Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

Taxes

The Project is a unit of local government under New Jersey and is exempt from real estate, sales and income taxes.

Capital Assets, Net

Capital assets are stated at cost, except for assets acquired through foreclosure, which are recorded at the lower of their cost or appraised value. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- Furniture and Equipment 3 - 5 Years
- Buildings 15 - 40 Years

The Project has established a capitalization threshold of $1,000.

Operating Revenues and Expenses

The Project defines its operating revenues as income derived from charges to residents and others for services provided, as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Project classifies all other revenues and expenses as non-operating.

Equity Classifications

Equity is classified as net position and displayed in three components:

<u>Net investment in capital assets</u> - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (Continued)

Restricted net position - Consists of components of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other components of net position that do not meet the definition of "restricted" or "net investment in capital assets."

C. 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	$ 6,144,031
Total Deposits	6,144,031
Reconciliation of Statements of Net Position:	
Governmental-Type Activity	$ 4,841,564
Fiduciary Fund	1,302,467
Total Cash and Cash Equivalents	$ 6,144,031

As of December 31, 2018, the Authority's bank balance of $6,144,031 was not exposed to custodial credit risk. Of the bank balances, $250,209 was covered by Federal Deposit Insurance Corporation. As of December 31, 2018, the remaining balances of $5,893,822 was collateralized in the Authority's name under GUDPA.

D. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2018, consisted of the following:

Accounts receivable – Unrestricted	$ 386,745
	$ 386,745

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

E. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2018, follows:

	Furniture and Equipment	Barlinvis Apartments	Construction in Progress	Accumulated Depreciation	Capital Assets Net
Balance: January 1, 2018	$ 115,529	$ 1,900,000	$ 6,162,990	$ 178,348	$ 8,000,171
Additions	45,740	-	7,234,527	160,510	7,119,757
Balance: December 31, 2018	$ 161,269	$ 1,900,000	$ 13,397,517	$ 338,858	$ 15,119,928

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, 2018, the Authority spent $7,234,527 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.

F. MORTGAGES RECEIVABLE

The following represents a summary of mortgages and interest receivable held in the Authority's Grant Fund as of December 31, 2018, which are considered impaired:

Mortgages receivable - schedule to be forgiven if conditions are met	$ 8,197,655
Total allowance for loan forgiveness	(8,197,655)
Net loan value:	$ -

G. MORTGAGES RECEIVABLE – IMPAIRED ASSETS

The following represents the activity of the allowance for mortgage losses during 2018:

	2018
Balance of allowance for mortgage receivable lossess January 1,	$ 8,612,878
Increases	
Recoveries and writeoffs	(415,223)
Subtotal increases	(415,223)
Subtotal	8,197,655
Balance of allowance for mortgage receivable: losses: December 31,	$ 8,197,655

The following represents a summary of mortgages and interest receivable held in the Authority's Agency Fund as of December 31, 2018, which are considered impaired:

	2018
Mortgages receivable - collection deemed doubtful	$ 17,057,272
Total allowance	(17,005,325)
Net mortgage receivable - December 31,	$ 51,947

The following table represents the ending balance of the allowance for mortgage losses in the Agency Fund for the years ended December 31, 2018:

	2018
Balance of allowance for mortgage receivable losses: December 31,	$ 17,005,325
Analysis of balance:	
Interest receivable	861,640
Mortgage receivable	16,143,685
Balance	$ 17,005,325

H. LONG-TERM LIABILITIES

Long-term liabilities as of December 31, 2018, consisted of the following:

	December 31, 2018 Balance	Due in One Year
Net pension liability	$ 2,722,151	$ -
Net OPEB liability	3,086,271	-
Compensated abences	146,794	-
	$ 5,955,216	$ -

Conduit Debt

The Authority issued debt to fund various projects of the Authority on behalf of third parties These bonds are considered conduit debt as permitted under Interpretation No. 2 of the GASB.

None of the Authority's revenues, fees, rates, charges or other income and receipts derived by the Authority from its operation or ownership of any of its projects are pledged or assigned to the payment of the principal or redemption price of and interest on such bonds. The debt is paid solely by the third parties.

The principal amount outstanding on the debt at December 31, 2018, was $182,559,149 This amount is excluded from the financial statements of the Authority.

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.

H. LONG-TERM LIABILITIES (CONTINUED)

Egg Harbor Township Guaranteed Revenue Refunding 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 following represents the Egg Harbor Township Golf Corporation's trustee activity during the years ended December 31, 2018:

Opening cash and cash equivalents - January 1,	$ 713,522
Increases	
Interest earned	13,847
Payment from Egg Harbor Township Golf Course	700,000
Subtotal Increases	713,847
Revised cash and equivalents	1,427,369
Decreases	
Administrative costs	(9,000)
Interest paid	(297,675)
Principal paid	(385,000)
Subtotal decreases	(691,675)
Ending cash and cash equivalents - December 31,	$ 735,694

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.

H. LONG-TERM LIABILITIES (CONTINUED)

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.

In 2018, the Authority issued a note in the amount of $15.5 million that refunded the initial $11 million and provided additional capital required for the construction of the project.

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 requires 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.

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.

I. 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.

I. PENSION OBLIGATIONS (CONTINUED)

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 years or more of service credit before age 62, and tier 5 with 30 years or more 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.

Basis of Presentation - The schedule of employer allocations and the schedule 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 fiscal year 2018, the State 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

I. PENSION OBLIGATIONS (CONTINUED)

were credited with the full payment and any such amounts were not be included in their unfunded liability. The actuaries determined the unfunded liability of the System, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012, and are adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2018, the Authority's contractually required contribution to PERS plan was $137,745.

Components of Net Pension Liability - At December 31, 2018, the Authority's proportionate share of the PERS net pension liability was $2,722,151. The net pension liability was measured as of June 30, 2018. 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, 2017, which was rolled forward to June 30, 2018. 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, 2018. The Authority's proportion measured as of June 30, 2018, was .0138253932% which was an increase of .00006% from its proportion measured as of June 30, 2017.

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2018, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2018, measurement date is $280,025. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	PERS 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 51,912	$ 14,036
Changes in assumptions	448,565	870,399
Net difference between projected and actual investment earnings on pension plan investments		25,534
Changes in proportion	634,270	102,872
	$ 1,134,747	$ 1,012,841

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:

	PERS
2019	$ 202,625
2020	117,564
2021	(7,031)
2022	(117,220)
2023	(74,032)
	$ 121,906

I. PENSION OBLIGATIONS (CONTINUED)

Actuarial Assumptions – The collective total pension liability for the June 30, 2018, measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary increases	
Through 2016	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

Preretirement 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 Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. 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).

The actuarial assumptions used in the July 1, 2017, 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.

I. PENSION OBLIGATIONS (CONTINUED)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018), is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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%

Discount Rate - The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 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 50% 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

I. PENSION OBLIGATIONS (CONTINUED)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease	At current discount rate	At 1% increase
Authority proportionate share	$ 3,422,791	$ 2,722,151	$ 2,134,359

J. POST RETIREMENT BENEFITS

Other Post-Employment Benefits Other than Pensions

The Authority participates in a cost sharing multiple-employer defined post-retirement benefit plan (the "Plan"), which is administered by the State of New Jersey. The Plan provides continued health care benefits to employees retiring after twenty-five years of service. Benefits, contributions, funding and the manner of administration are determined by the State of New Jersey Legislature. The Division of Pensions and Benefits charges the Authority for its contributions. The total number of retired participants eligible for benefits was 19 at December 31, 2018, respectively.

The Authority's contribution to the Plan for the year ended December 31, 2018, was $0.

Please refer to the State website, www.state.nj.us for more information regarding the Plan. The Plan's financial report may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

General Information About the OPEB Plan

The Authority participates in the State Health Benefit Local Government Retired Employees Plan (the Plan) which is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Authority adopted a resolution on December 13, 2018. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

J. POST RETIREMENT BENEFITS (CONTINUED)

General Information About the OPEB Plan (Continued)

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Authority. Chapter 48 allows local employers to establish their own age and service eligibility for employer-paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer.

Further, the law provides that the employer-paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The Authority is in a nonspecial funding situation, therefore, coverage under Chapter 330 does not apply.

Pursuant to Chapter 78, P.L, 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018.

J. POST RETIREMENT BENEFITS (CONTINUED)

Net OPEB Liability

Components of Net OPEB Liability

The components of the Authority's net OPEB liability as of June 30, 2018, are as follows:

	June 30, 2018
Total OPEB liability	$ 3,086,271
Plan Fiduciary Net Position	60,733
Net OPEB Liability	$ 3,025,537
Plan Fiduciary Net Position as a % of total OPEB liability	1.97%

Actuarial Assumptions

The total OPEB liability as of June 30, 2018, was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total OPEB liability as of June 30, 2017, was determined by an actuarial valuation as of June 30, 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Mortality Rates

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2018, valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

J. POST RETIREMENT BENEFITS (CONTINUED)

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions.

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018, was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

At June 30, 2018		
At 1% Decrease (2.87%)	At Current Discount Rate (3.87%)	At 1% Increase (4.87%)
$ 3,549,755	$ 3,025,537	$ 2,606,806

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the net OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

At June 30, 2018		
At 1% Decrease	Healthcare cost trend rate	At 1% Increase
$ 2,523,783	$ 3,025,537	$ 3,674,882

J. POST RETIREMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

	Year of Deferral	Amortization Period	Beginning of the Year Balance	Additions	Deductions	End of the Year Balance
Deferred Outflows of Resources:						
Differences between projected and actual investment	2017	5 years	$ 676	$ -	$ 169	$ 507
earnings on OPEB plan investments	2018	5 years	-	1,365	273	1,092
Total Deferred Outflows of Resources			$ 676	$ 1,365	$ 442	$ 1,599
Deferred Inflows of Resources:						
Differences between expected and actual experience	2018	8.04 years	$ -	$ 700,327	$ 86,035	$ 614,292
Changes of assumptions	2017	8.04 years	437,606	-	62,160	375,446
	2018	8.14 years	-	446,926	54,905	392,021
Total Deferred Inflows of Resources			$ 437,606	$ 1,147,253	$ 203,100	$ 1,381,759

The amounts reported as a deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPEB
2019	$ (202,064)
2020	(202,064)
2021	(202,066)
2022	(202,223)
2023	(202,504)
Thereafter	(369,239)
	$ (1,380,160)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts will be recognized (amortized) by the Authority over the average remaining service lives of all plan members, which is 8.14 years and 8.04 years for the 2018 and 2017 amounts, respectively.

K. 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.

L. COMPENSATED ABSENCES

Employees become eligible to receive sick leave in accordance with Note B. 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, 2018, assuming all employees are eligible for accrued sick leave at termination, is approximately $146,794, respectively.

M. ECONOMIC DEPENDENCY

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

N. RELATED-PARTY TRANSACTIONS

The Authority leases its primary office space from the County under annual lease agreements. Rent expense paid to the County during 2018 was $0.

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 a 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 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 2018 and 2017, 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.

O. PRIOR YEAR RESTATEMENT

In 2018, the Authority adopted new accounting guidance Governmental Accounting Standards Board Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result of this implementation, a restatement of the prior year net position was required in order to record the June 30, 2018, total OPEB liability of $3,735,920.

P. SUBSEQUENT EVENTS

Authorization of Debt - Subsequent to December 31, the Authority authorized and issued an additional note as follows:

Purpose	Maturity Date	Authorization
Aviation Project		
County Guaranteed Project Note, Series 2019	June 13, 2020	$ 15,500,000

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
Last Ten Fiscal Years Ended December 31,

	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.0138253932%	0.0137627319%	0.0105092655%	0.0086302495%	0.0088758224%	0.0109503964%
Authority's proportionate share of net pension liability	$ 2,722,151	$ 3,203,744	$ 3,112,549	$ 1,937,318	$ 1,661,797	$ 2,092,838
Authority's covered-employee payroll	963,895	878,871	687,836	558,071	588,636	578,946
Authority's proportionate share of net pension liability as a percentage of payroll	282.41%	364.53%	452.51%	347.15%	282.31%	361.49%
Total pension liability	5,866,332	6,172,911	5,199,427	3,720,464	3,467,914	8,042,971
Plan fiduciary net position	3,144,181	2,969,167	2,086,884	1,783,146	1,806,118	3,918,804
Plan fiduciary net position as a percentage of total pension liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

Schedule 1b

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

SCHEDULE OF CONTRIBUTIONS TO PUBLIC EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)
Last Ten Fiscal Years Ended December 31,

	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 137,518	$ 127,497	$ 93,363	$ 74,197	$ 73,171	$ 91,875
Contributions in relation to the contractually required contribution	137,518	127,497	93,363	74,197	73,171	91,875
Agency's covered employee payroll	963,895	878,871	687,836	558,071	588,636	578,946
Contributions as a percentage of covered employee payroll	14.27%	14.51%	13.57%	13.30%	12.43%	15.87%

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND CONTRIBUTIONS (UNAUDITED)
Last Ten Fiscal Years

	Last 10 Fiscal Years		
	2018	2017	2016
Proportion of the net OPEB liability	0.019312%	0.018110%	0.016853%
Proportionate share of net OPEB liability	$ 3,025,537	$ 3,697,299	$ 3,660,044
Contributions	$ -	$ 995	$ 944

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET – ADMINISTRATION FUND
Year Ended December 31, 2018

	2018 Budget (Unaudited)	2018 Final Budget (Unaudited)	2018 Actual	Unexpended Balance/ (Excess)
Operating Revenues:				
Project Administration Fees	$ 282,000	$ 282,000	$ 432,813	$ 150,813
Bond Fees	185,131	185,131	165,756	(19,375)
Grant and Agency Fund Fees	728,072	728,072	858,810	130,738
Reimbursement and Other	1,542,532	1,542,532	1,150,670	(391,862)
Total Operating Revenues	2,737,735	2,737,735	2,608,049	(129,686)
Operating Expenses:				
Payroll Expenses	1,212,088	1,212,088	1,154,270	57,818
Employee Benefits	507,607	507,607	499,240	8,367
Rent	43,732	43,732	-	43,732
Professional Fees	552,400	552,400	457,594	94,806
Insurance	77,250	77,250	70,880	6,370
Administrative and General	52,850	52,850	35,533	17,317
Depreciation	-	-	109,393	(109,393)
Total Operating Expenses	2,445,927	2,445,927	2,326,910	119,017
Other Income/(Expenses):				
Investment Income	600	600	4,482	3,882
Additions to Reserves	-	3,624	3,624	-
Total Other Income/(Expenses)	600	4,224	8,106	3,882
Net Income/(Loss)	$ 292,408	$ 296,032	$ 289,245	$ (6,787)
Less:				
Unbudgeted pension and OPEB expense			(438,852)	
Change in net position per Statement of Revenue, Expenses and Change in Net Position			$ (149,607)	

Schedule 2

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

COMBINING STATEMENT OF NET POSITION - ASSETS
December 31, 2018

	Total	Administrative Fund	Bond Fund	Grant Fund
Unrestricted Assets:				
Current Assets:				
Cash	$ 2,189,380	$ 2,189,380	$ -	$ -
Accounts Receivable	386,745	386,745	-	-
Total Unrestricted Current Assets	2,576,125	2,576,125	-	-
Restricted Assets:				
Current Assets:				
Cash	2,652,184	18,221	2,265,174	368,789
Interest Receivable	69,334	51,093	-	18,241
Accounts Receivable	-	-	-	-
Guaranteed Note Receivable	-	-	-	-
Note Receivable	181,662	-	-	181,662
Mortgages Receivable	-	-	-	-
				-
Total Restricted Current Assets	2,903,180	69,314	2,265,174	568,692
Non-Current Assets:				
Mortgages Receivable	8,197,655	-	-	8,197,655
Valuation Allowance for Loan Losses	(8,197,655)	-	-	(8,197,655)
Guaranteed Note Receivable	-	-	-	-
Total Restricted Non-Current Assets	-	-	-	-
Total Restricted Assets	2,903,180	69,314	2,265,174	568,692
Capital Assets, Net of Depreciation	15,119,928	1,819,459	13,300,469	-
Total Assets	$ 20,599,233	$ 4,464,898	$ 15,565,643	$ 568,692

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

COMBINING STATEMENT OF NET POSITION – LIABILITIES AND NET POSITION
December 31, 2018

	Total	Administrative Fund	Bond Fund	Grant Fund
Unrestricted Liabilities:				
Current Liabilities:				
Accounts Payable	$ 72,025	$ 72,025	$ -	$ -
Unearned Program Income	326,220	-	-	326,220
Total Unrestricted Current Liabilities	398,245	72,025	-	326,220
Restricted Liabilities:				
Current Liabilities:				
Accounts Payable	91,310	48,741	-	42,569
Interest Payable	18,241	-	-	18,241
Notes Payable	181,662	-	-	181,662
Current Portion of Long-Term Debt	15,565,643	-	15,565,643	-
				-
Total Current Liabilities Payable From Restricted Assets	15,856,856	48,741	15,565,643	242,472
Long-Term Liabilities:				
Accrued Sick and Vacation	146,794	146,794	-	-
Bonds Payable	-	-	-	-
Total Long-Term Liabilities	146,794	146,794	-	-
				-
Total Liabilities	16,401,895	267,560	15,565,643	568,692
Net Position:				
Invested in Capital Assets, Net of Related Debt	1,819,459	1,819,459	-	-
Reserve for Unemployment	11,818	11,818	-	-
Unrestricted	2,366,061	2,366,061	-	-
Total Net Position	4,197,338	4,197,338	-	-
Total Liabilities and Net Position	$ 20,599,233	$ 4,464,898	$ 15,565,643	$ 568,692

Reconciliation to Net Position on Statements of Net Position - GAAP Basis:

Net Position (as shown above)	$ 4,197,338
Deferred outflows related to pensions	1,134,747
Deferred outflows related to OPEB	445,785
Pension Payable	(137,518)
Deferred inflows related to pensions	(1,012,841)
Deferred inflows related to OPEB	(1,381,759)
Net Pension Liability	(2,722,151)
Total Net OPEB Liability	(3,086,271)
Net Position - GAAP Basis	$ (2,562,670)

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

COMBINING STATEMENT OF NET POSITION – BOND FUNDS – ASSETS
December 31, 2018

	Total	Stockton Aviation Technology and Research Park
Restricted Assets:		
Current Assets:		
Cash	$ 2,265,174	$ 2,265,174
Accounts Receivable	-	-
Interest Receivable	-	-
Guaranteed Note Receivable	-	-
Mortgages Receivable	-	-
Total Restricted Current Assets	2,265,174	2,265,174
Non-Current Assets:		
Guaranteed Note Receivable	-	-
Mortgages Receivable	-	-
Total Restricted Non-Current Assets	-	-
Total Restricted Assets	2,265,174	2,265,174
Construction in Progress	13,300,469	13,300,469
Total Assets	$ 15,565,643	$ 15,565,643

Schedule 5

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

COMBINING STATEMENT OF NET POSITION – BOND FUNDS – LIABILITIES AND NET POSITION
December 31, 2018

	Total	Stockton Aviation Technology and Research Park
Restricted Liabilities:		
Current Liabilities:		
Interest Payable	$ -	$ -
Current Portion of Long-Term Debt	15,565,643	15,565,643
Total Current Liabilities Payable From Restricted Assets	15,565,643	15,565,643
Long-Term Liabilities:		
Bonds Payable	-	-
Total Long-Term Liabilities	-	-
Total Liabilities	15,565,643	15,565,643
Net Position:		
Invested in Capital Assets Net of Related Debt	-	-
Total Net Position	-	-
Total Liabilities and Net Position	$ 15,565,643	$ 15,565,643

Schedule 6

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

COMBINING STATEMENT OF NET POSITION – GRANT FUNDS
December 31, 2018

	Total	CDBG	HOME Funds	Other Funds
Restricted Assets:				
Current Assets:				
Cash	$ 368,789	$ 109,636	$ 248,722	$ 10,431
Accounts Receivable	-	-	-	-
Interest Receivable	18,241	-	-	18,241
Notes Receivable	181,662	-	-	181,662
Total Restricted Current Assets	568,692	109,636	248,722	210,334
Non-Current Assets:				
Mortgages Receivable	8,197,655	1,241,408	6,868,836	87,411
Valuation Allowance for Loan Losses	(8,197,655)	(1,241,408)	(6,868,836)	(87,411)
Total Restricted Non-Current Assets	-	-	-	-
Total Restricted Assets	568,692	109,636	248,722	210,334
Total Assets	$ 568,692	$ 109,636	$ 248,722	$ 210,334

LIABILITIES

	Total	CDBG	HOME Funds	Other Funds
Restricted Liabilities:				
Current Liabilities:				
Accounts Payable and Accrued Expenses	$ 42,569	$ 42,386	$ 183	$ -
Unearned Program Income	326,220	67,250	248,539	10,431
Interest Payable	18,241	-	-	18,241
Notes Payable	181,662	-	-	181,662
Total Current Liabilities Payable From Restricted Assets	568,692	109,636	248,722	210,334
Total Liabilities	$ 568,692	$ 109,636	$ 248,722	$ 210,334

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

COMBINING STATEMENT OF NET POSITION – GRANT FUNDS – CDBG
December 31, 2018

	Total	CDBG 2001-2012 Entitlement	CDBG 2013 Entitlement	CDBG 2014 Entitlement	CDBG 2016 Entitlement	Small Cities	Program Income
ASSETS							
Cash	$ 109,636	$ -	$ -	$ -	$ 21,025	$ 21,361	$ 67,250
Accounts Receivable	-	-	-	-	-	-	-
Mortgages Receivable	1,241,408	927,260	17,190	41,046	21,025	189,795	45,092
Mortgages Receivable Valuation Allowance	(1,241,408)	(927,260)	(17,190)	(41,046)	(21,025)	(189,795)	(45,092)
Total Assets	$ 109,636	$ -	$ -	$ -	$ 21,025	$ 21,361	$ 67,250
LIABILITIES							
Accounts Payable and Accrued Expenses	$ 42,386	$ -	$ -	$ -	$ 21,025	$ 21,361	$ -
Unearned Program Income	67,250	-	-	-	-		67,250
Total Liabilities	$ 109,636	$ -	$ -	$ -	$ 21,025	$ 21,361	$ 67,250

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

COMBINING STATEMENT OF NET POSITION – GRANT FUNDS – HOME
December 31, 2018

	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	$ 248,722	$ -	$ 100	$ -	$ -	$ 83	$ -	$ 248,539
Accounts Receivable	-	-		-			-	
Mortgages Receivable	6,868,836	4,981,928	263,680	264,018	283,294	315,586	216,566	543,764
Mortgages Receivable Valuation Allowance	(6,868,836)	(4,981,928)	(263,680)	(264,018)	(283,294)	(315,586)	(216,566)	(543,764)
Total Assets	$ 248,722	$ -	$ 100	$ -	$ -	$ 83	$ -	$ 248,539
LIABILITIES								
Accounts Payable and Accrued Expenses	$ 183	$ -	$ 100	$ -	$ -	$ 83	$ -	$ -
Deferred Program Income	248,539	-	-	-	-	-	-	248,539
Total Liabilities	$ 248,722	$ -	$ 100	$ -	$ -	$ 83	$ -	$ 248,539

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

COMBINING STATEMENT OF NET POSITION – GRANT FUNDS – OTHER
December 31, 2018

	Total	Economic Development	USDA/CDP Rental Rehab/ Jobs Bill
ASSETS			
Cash	$ 10,431	$ -	$ 10,431
Interest Receivable	18,241	18,241	-
Notes Receivable	181,662	181,662	-
Mortgages Receivable	87,411	-	87,411
Mortgages Receivable Valuation Allowance	(87,411)	-	(87,411)
Total Assets	$ 210,334	$ 199,903	$ 10,431
LIABILITIES			
Unearned Program Income	$ 10,431	$ -	$ 10,431
Interest Payable	18,241	18,241	-
Notes Payable	181,662	181,662	-
Total Liabilities	$ 210,334	$ 199,903	$ 10,431

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

COMBINING STATEMENT OF NET POSITION – AGENCY FUNDS
December 31, 2018

	Housing Projects	Other	Mortgages	Total
ASSETS				
Cash	$ 838,887	$ 311,553	$ 93,032	$ 1,243,472
Mortgage Interest Receivable	118,665	-	742,975	861,640
Accounts Receivable - Other	-	280,616	-	280,616
Mortgages Receivable	3,579,583	-	12,616,049	16,195,632
Mortgages Receivable Valuation Allowance	(3,646,301)	-	(13,359,024)	(17,005,325)
Total Assets	$ 890,834	$ 592,169	$ 93,032	$ 1,576,035
LIABILITIES				
Accounts Payable and Accrued Expenses	$ 55,818	$ 128,154.00	$ 2,726	$ 186,698
Bonds and Loans Payable	-	219,670	-	219,670
Due to Various Agencies	835,016	244,345	90,306	1,169,667
Total Liabilities	$ 890,834	$ 592,169	$ 93,032	$ 1,576,035

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

COMBINING STATEMENT OF NET POSITION – AGENCY FUNDS – HOUSING PROJECTS
December 31, 2018

	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	$ 43,107	$ 90,764	$ -	$ 9,979	$ 60,999	$ 283,055	$ 6,968	$ 311,407	$ 32,608	$ 838,887
Mortgage Interest Receivable	-	-	-	44,837	-	-	57,968	15,860	-	118,665
Mortgages Receivable	-	-	18,080	84,788	2,364,469	824,803	199,058	88,385	-	3,579,583
Mortgages Receivable Valuation Allowance	-	-	(18,080)	(77,678)	(2,364,469)	(824,803)	(257,026)	(104,245)	-	(3,646,301)
Total Assets	$ 43,107	$ 90,764	$ -	$ 61,926	$ 60,999	$ 283,055	$ 6,968	$ 311,407	$ 32,608	$ 890,834
LIABILITIES										
Accounts Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,805	$ 50,013	$ -	$ 55,818
Due to Various Agencies	43,107	90,764	-	61,926	60,999	283,055	1,163	261,394	32,608	835,016
Total Liabilities	$ 43,107	$ 90,764	$ -	$ 61,926	$ 60,999	$ 283,055	$ 6,968	$ 311,407	$ 32,608	$ 890,834

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

COMBINING STATEMENT OF NET POSITION – AGENCY FUNDS – OTHER
December 31, 2018

	Public Safety Improvements CRDA	Golf Courses	Hammonton Affordable Housing	Somers Point Affordable Housing	Revel	Misc.	Total
ASSETS							
Cash	$ -	$ 84,333	$ 63,674	$ 157,511	$ 2,119	$ 3,916	$ 311,553
Accounts Receivable - Other	-	-	-	-	-	280,616	280,616
Total Assets	$ -	$ 84,333	$ 63,674	$ 157,511	$ 2,119	$ 284,532	$ 592,169
LIABILITIES							
Accounts Payable and Accrued Expenses	$ -	$ -	$ -	$ -	$ -	$ 128,154	$ 128,154
Bonds and Loans Payable	219,670	-	-	-	-	-	219,670
Due to Various Agencies	(219,670)	84,333	63,674	157,511	2,119	156,378	244,345
Total Liabilities	$ -	$ 84,333	$ 63,674	$ 157,511	$ 2,119	$ 284,532	$ 592,169

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

COMBINING STATEMENT OF NET POSITION – AGENCY FUNDS – MORTGAGES
December 31, 2018

	Barlinvis Apartments	Garden Court Apartments	Vermont Plaza	Total
ASSETS				
Cash	$ 93,032	$ -	$ -	$ 93,032
Mortgage Interest Receivable	-	-	742,975	742,975
Mortgages Receivable	-	9,523,320	3,092,729	12,616,049
Mortgages Receivable Valuation Allowance	-	(9,523,320)	(3,835,704)	(13,359,024)
Total Assets	$ 93,032	$ -	$ -	$ 93,032
LIABILITIES				
Liabilities:				
Due to Admin Fund	$ 2,726	$ -	$ -	$ 2,726
Due to Various Agencies	90,306	-	-	90,306
Total Liabilities	$ 93,032	$ -	$ -	$ 93,032

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

COMBINING STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	Total	Administrative Fund	Grant Fund
Operating Revenues:			
Project Administration Fees	$ 432,813	$ 432,813	$ -
Bond Fees	165,756	165,756	-
Grant and Agency Fund Fees	858,810	858,810	-
Grants	837,350	-	837,350
Reimbursement and Other	1,150,670	1,150,670	-
Total Operating Revenues	3,445,399	2,608,049	837,350
Operating Expenses:			
Payroll Expenses	1,154,270	1,154,270	-
Employee Benefits	499,240	499,240	-
Rent	-	-	-
Professional Fees	457,594	457,594	-
Insurance	70,880	70,880	-
Administrative and General	35,533	35,533	-
Project Costs	837,350	-	837,350
Service Fees	-	-	-
Depreciation	109,393	109,393	-
Total Operating Expenses	3,164,260	2,326,910	837,350
Operating Income	281,139	281,139	-
Non-Operating Revenues/(Expenses):			
Investment and Interest Income	4,482	4,482	-
Additions to Reserves-NJCM & SUI	3,624	3,624	-
Total Non-Operating Revenues	8,106	8,106	-
Change in Net Position	289,245	289,245	-
Net Position - Beginning of Year	-	-	-
Net Positon - End of Year	$ 289,245	$ 289,245	$ -

Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis:	
Change in Net Position	$ 289,245
Unbudgeted pension expense	(152,527)
Unbudgeted OPEB expense	(286,325)
Change in Net Position - GAAP Basis	$ (149,607)

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

COMBINING STATEMENT OF ACTIVITIES – GRANT FUNDS
For the Year Ended December 31, 2018

	Total	CDBG	HOME Funds
Operating Revenues:			
Grants	$ 837,350	$ 409,646	$ 427,704
Program Income	-	-	-
Total Operating Revenues	837,350	409,646	427,704
Operating Expenses:			
Project Costs	837,350	409,646	427,704
Service Fees	-	-	-
Total Operating Expenses	837,350	409,646	427,704
Change in Net Position	-	-	-
Net Position - Beginning of Year	-	-	-
Net Position - End of Year	$ -	$ -	$ -

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

COMBINING STATEMENT OF ACTIVITIES – GRANT FUND – CDBG
For the Year Ended December 31, 2018

	CDBG 2001-2012 Entitlement	CDBG 2013 Entitlement	CDBG 2014 Entitlement	CDBG 2015 Entitlement	CDBG 2016 Entitlement	CDBG 2017 Entitlement	Total
Operating Revenues:							
Grants	$ 9,207	$ 25,787	$ 49,107	$ 132,170	$ 151,290	$ 42,085	$ 409,646
Program Income	-	-	-	-	-	-	-
Total Operating Revenues	9,207	25,787	49,107	132,170	151,290	42,085	409,646
Operating Expenses:							
Project Costs	9,207	25,787	49,107	132,170	151,290	42085	409,646
Fees Paid to ACIA	-	-	-	-	-	-	-
Total Operating Expenses	9,207	25,787	49,107	132,170	151,290	42,085	409,646
Change in Net Position	-	-	-	-	-	-	-
Net Position - Beginning of Year	-	-	-	-	-	-	-
Net Position - End of Year	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

COMBINING STATEMENT OF ACTIVITIES – GRANT FUND -- HOME
For the Year Ended December 31, 2018

	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	Total
Operating Revenues:							
Grants	$ 14,655	$ 1,019	$ 24,545	$ 60,925	$ 109,994	$ 216,566	$ 427,704
Program Income	-	-	-	-	-	-	-
Total Operating Revenues	14,655	1,019	24,545	60,925	109,994	216,566	427,704
Operating Expenses:							
Project Costs	14,655	1,019	24,545	60,925	109,994	216,566	427,704
Fees Paid to ACIA	-	-	-	-	-	-	-
Total Operating Expenses	14,655	1,019	24,545	60,925	109,994	216,566	427,704
Change in Net Position	-	-	-	-	-	-	-
Net Position - Beginning of Year	-	-	-	-	-	-	-
Net Position - End of Year	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	Total	Administrative Fund	Bond Fund	Grant Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers and Users	$ 2,628,874	$ 2,628,874	$ -	$ -
Cash Received from Grants	837,350	-	-	837,350
Cash Paid to Subcontractor and Vendors	(3,003,496)	(2,135,646)	-	(867,850)
Net Cash Flows From Operating Activities	462,728	493,228	-	(30,500)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment and Interest Income	4,482	4,482	-	-
Net Cash Flows From Investing Activities	4,482	4,482	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of Fixed Assets	45,741	45,741	-	-
Principal Payments Received on Mortgages	10,617	-	-	10,617
Payments Paid on Loans	(31,985)	-	-	(31,985)
Payments Received on Loans	32,008	-	-	32,008
Payments Made on Construction	(7,077,735)	-	(7,077,735)	-
Principal Payments Made on Bonds	(11,000,000)	-	(11,000,000)	-
Transfer to Deferred Program Income	55,523	-	-	55,523
Fees Paid to ACIA	38,888	-	-	38,888
Proceeds from Bonds	15,565,643	-	15,565,643	-
Net Cash Flows from Capital and Related Financing Activities	(2,361,300)	45,741	(2,512,092)	105,051
Change in Cash and Cash Equivalents	(1,894,090)	543,451	(2,512,092)	74,551
Cash and Cash Equivalents - Beginning of Year	6,735,654	1,664,150	4,777,266	294,238
Cash and Cash Equivalents - End of Year	$ 4,841,564	$ 2,207,601	$ 2,265,174	$ 368,789
Reconciliation to Statements of Net Position:				
Unrestricted Cash	$ 2,189,380	$ 2,189,380	$ -	$ -
Restricted Cash	2,652,184	18,221	2,265,174	368,789
	$ 4,841,564	$ 2,207,601	$ 2,265,174	$ 368,789
Reconciliation of Operating Deficit Loss to Net Cash Flows from Operating Activities:				
Operating Income Loss	$ 281,139	$ 281,139	$ -	$ -
Adjustments to Reconcile Operating Income Loss to Net Cash Flows from Operating Activities:				
Depreciation	109,393	109,393	-	-
Changes in Assets and Liabilities:				
Pension				
OPEB				
Accounts Receivable	73,834	20,825	-	53,009
Accounts Payable	(15,739)	67,770	-	(83,509)
Accrued Sick and Vacation	14,101	14,101	-	-
	$ 462,728	$ 493,228	$ -	$ (30,500)

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

COMBINING STATEMENT OF CASH FLOWS – BOND FUND
For the Year Ended December 31, 2018

	Total	Stockton Aviation Technology and Research Park
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments Made on Construction	$ (7,077,735)	$ (7,077,735)
Principal Payments Made on Mortgages/Bonds	(11,000,000)	(11,000,000)
Proceeds from Bonds	15,565,643	15,565,643
Net Cash Flows From Capital and Related Financing Activities	(2,512,092)	(2,512,092)
Change in Cash and Cash Equivalents	(2,512,092)	(2,512,092)
Cash and Cash Equivalents - Beginning of Year	4,777,266	4,777,266
Cash and Cash Equivalents - End of Year	$ 2,265,174	$ 2,265,174
Reconciliation To Statements of Net Position:		
Restricted Cash	$ 2,265,174	$ 2,265,174

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

COMBINING STATEMENT OF CASH FLOWS – GRANT FUND
For the Year Ended December 31, 2018

	Total	CDBG	HOME Funds	Other Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Grants	$ 837,350	$ 409,646	$ 427,704	$ -
Cash Paid to Subcontractors and Vendors	(867,850)	(388,622)	(479,228)	-
Net Cash Flows From Operating Activities	(30,500)	21,024	(51,524)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Payments Received on Mortgages	10,617	10,617	-	-
Payments Paid on Loans	(31,985)	-	-	(31,985)
Payments Received on Loans	32,008	-	-	32,008
Transfer To Deferred Program Income	55,523	-	55,523	-
Fees Paid To ACIA	38,888	-	38,888	-
Net Cash Flows From Capital and Related Financing Activities	105,051	10,617	94,411	23
Change in Cash and Cash Equivalents	74,551	31,641	42,887	23
Cash and Cash Equivalents - Beginning of Year	294,238	77,995	205,835	10,408
Cash and Cash Equivalents - End of Year	$ 368,789	$ 109,636	$ 248,722	$ 10,431
Reconciliation to Statements of Net Position:				
Restricted Cash	$ 368,789	$ 109,636	$ 248,722	$ 10,431
Reconciliation of Operating Deficit to Net Cash Flows From Operating Activities:				
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities:				
Increase/(Decrease) in Accounts Receivable	$ 53,009	$ 21,024	$ -	$ 31,985
Increase/(Decrease) in Accounts Payable	(83,509)	-	(51,524)	(31,985)
	$ (30,500)	$ 21,024	$ (51,524)	$ -

Schedule 21

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

COMBINING STATEMENT OF CASH FLOWS – GRANT FUND -- CDBG
Year Ended December 31, 2018

	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	$ 409,646	$ 9,207	$ 25,787	$ 49,107	$ 132,170	$ 151,290	$ 42,085	$ -	$ -
Cash Paid To Subcontractors and Vendors	(388,622)	(9,207)	(25,787)	(49,107)	(132,170)	(130,265)	(42,085)	(3,316)	3,315
Net Cash Flows From Operating Activities	21,024	-	-	-	-	21,025	-	(3,316)	3,315
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Principal Payments Received on Mortgages	10,617	-	-	-	-	-	-	3,632	6,985
Net Cash Flows From Capital and Related Financing Activities	10,617	-	-	-	-	-	-	3,632	6,985
Change in Cash and Cash Equivalents	31,641	-	-	-	-	21,025	-	316	10,300
Cash and Cash Equivalents - Beginning of Year	77,995	-	-	-	-	-	-	21,045	56,950
Cash and Cash Equivalents - End of Year	$ 109,636	$ -	$ -	$ -	$ -	$ 21,025	$ -	$ 21,361	$ 67,250
Reconciliation to Statements of Net Position:									
Restricted Cash	$ 109,636	$ -	$ -	$ -	$ -	$ 21,025	$ -	$ 21,361	$ 67,250
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	21,024	-	-	-	-	21,025	-	(3,316)	3,315
	$ 21,024	$ -	$ -	$ -	$ -	$ 21,025	$ -	$ (3,316)	3,315

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

COMBINING STATEMENT OF CASH FLOWS – GRANT FUND – HOME
Year Ended December 31, 2018

	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	$ 427,704	$ 14,655	$ 1,019	$ 24,545	$ 60,925	$ 109,994	$ 216,566	$ -
Cash Paid To Subcontractors and Vendors	(479,228)	(14,655)	(1,019)	(24,545)	(60,925)	(109,994)	(216,566)	(51,524)
Net Cash Flows From Operating Activities	(51,524)	-	-	-	-	-	-	(51,524)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Principal Payments Received on Mortgages	-	-	-	-	-	-	-	-
Transfer To Deferred Program Income	55,523	-	-	-	-	-	-	55,523
Mortgages Issued	-	-	-	-	-	-	-	-
Fees Paid To ACIA	38,888	-	-	-	-	-	-	38,888
Net Cash Flows From Capital and Related Financing Activities	94,411	-	-	-	-	-	-	94,411
Change in Cash and Cash Equivalents	42,887	-	-	-	-	-	-	42,887
Cash and Cash Equivalents - Beginning of Year	205,835	-	100	-	-	83	-	205,652
Cash and Cash Equivalents - End of Year	$ 248,722	$ -	$ 100	$ -	$ -	$ 83	$ -	$ 248,539
Reconciliation To Statements of Net Position:								
Restricted Cash	$ 248,722	$ -	$ 100	$ -	$ -	$ 83	$ -	$ 248,539
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	-	-	-	-	-	-	-	-
Increase/(Decrease) in Accounts Payable	(51,524)	-	-	-	-	-	-	(51,524)
	$ (51,524)	$ -	$ -	$ -	$ -	$ -	$ -	$ (51,524)

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

COMBINING STATEMENT OF CASH FLOWS – GRANT FUND – Other
Year Ended December 31, 2018

	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	32,008	31,985	23
Net Cash Flows From Capital and Related Financing Activities	23	-	23
Change in Cash and Cash Equivalents	23	-	23
Cash and Cash Equivalents - Beginning of Year	10,408	-	10,408
Cash and Cash Equivalents - End of Year	$ 10,431	$ -	$ 10,431
Reconciliation to Statements of Net Position:			
Restricted Cash	$ 10,431	$ -	$ 10,431
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)	-
	$ -	$ -	$ -

INDEPENDENT AUDITORS' 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*

To the Board of Commissioners of
Atlantic County Improvement Authority

We have audited, 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, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Atlantic County Improvement Authority (the "Authority"), a component unit of the County of Atlantic, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 8, 2019.

Internal Control Over Financial Reporting

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

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

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

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INDEPENDENT AUDITORS' 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* (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Mercadien, P.C.
Certified Public Accountants

August 8, 2019

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

To the Board of Commissioners of
Atlantic County Improvement Authority

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, 2018. The Authority's major federal programs are identified in the summary of auditors' 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.

Auditors' 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.

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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, 2018.

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.

Mercadien, P.C.
Certified Public Accountants

August 8, 2019

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

Department/ Program Title	Federal CFDA Number	Federal FAIN Number	Program or Award Amount	Balance as of 12/31/2017	Receipts or Revenue Recognized	Disbursements/ Expenditures	Sub Recipient Expenditures	Balance as of 12/31/2018
US Department of Housing and Urban Development:								
Passed Through The County of Atlantic								
Home Investment Partnership Program (HOME):								
Home Investment Partnership Act (HOME) - 1997-2011	14.239	M-09-DC-34-0229	$ 5,998,327	$ -	$ 14,655	$ (14,655)	$ -	$ -
Home Investment Partnership Act (HOME) - 2013	14.239	M-09-DC-34-0229	431,531	-	1,019	(1,019)	-	-
Home Investment Partnership Act (HOME) - 2014	14.239	M-09-DC-34-0229	451,181	-	24,545	(24,545)	-	-
Home Investment Partnership Act (HOME) - 2015	14.239	M-09-DC-34-0229	432,792	-	60,925	(60,925)	-	-
Home Investment Partnership Act (HOME) - 2016	14.239	M-09-DC-34-0229	486,286	-	109,994	(109,994)	-	-
Home Investment Partnership Act (HOME) - 2017	14.239	M-09-DC-34-0229	529,127	-	247,047	(247,047)	-	-
Total Home Investment Partnership Act (HOME)				-	458,185	(458,185)	-	-
Community Development Block Grant Entitlement:								
Program Grant - 2001-2011	14.218	B-05-UC-34-0111	6,406,547	-	16,192	(16,192)	-	-
Program Grant - 2012	14.218	B-09-UC-34-0111	1,087,317	-	25,787	(25,787)	-	-
Program Grant - 2013	14.218	B-09-UC-34-0111	1,069,866	-	49,107	(49,107)	-	-
Program Grant - 2014	14.218	B-09-UC-34-0111	1,048,743	-	132,170	(132,170)	-	-
Program Grant - 2015	14.218	B-09-UC-34-0111	1,033,275	-	151,290	(151,290)	-	-
Program Grant - 2016	14.218	B-09-UC-34-0111	1,102,215	-	238,920	(238,920)	-	-
Total Community Development Block Grant Entitlement				-	613,466	(613,466)	-	-
Total Federal Financial Awards				$ -	$ 1,071,651	$ (1,071,651)	$ -	$ -

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 A of the basic 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 B of the 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	$1,298,698
Less: Program Income	(227,317)
Total Financial Assistance	$1,071,651

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, 2018.

NOTE 6: LOAN GUARANTEES

At December 31, 2018, the Authority is not a guarantor of any loans outstanding.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

Schedule I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weaknesses identified? ________ yes ___X___ no
- Significant deficiencies identified? ________ yes ___X___ none reported

Noncompliance material to financial statements noted? ________ yes ___X___ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ________ yes ___X___ no
- Significant deficiencies identified? ________ yes ___X___ none reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) ____ yes ___X___ no

Identification of major programs:

Federal CFDA Number	***Name of Federal Grant or Cluster***
• 14.218	Community Development Block Grants/Entitlement Grants

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Federal Awards

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee? __X__ yes ____ no

Section II – Financial Statement Findings

None.

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

None.

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended December 31, 2018

None reported.