

Atlantic County Improvement Authority

Fiscal Year ending
December 31, 2010

Management Discussion & Analysis
Financial Statements
Notes to the Financial Statements
Supporting Schedules

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COUNTY OF ATLANTIC, NEW JERSEY
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COUNTY OF ATLANTIC, NEW JERSEY
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INTRODUCTORY SECTION

ACIA

Atlantic County Improvement Authority

5909 Main Street, 2nd Floor, Mays Landing, N.J. 08330

Phone: 609-645-5838 Fax: 609-645-5813

John C. Lamey, Jr.

Executive Director

March 24, 2011

Chairperson Foster and Authority Board Members:

Presented to you are the audited financial statements for the 2010 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 auditor's report thereon. The Authority is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133 Revised. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

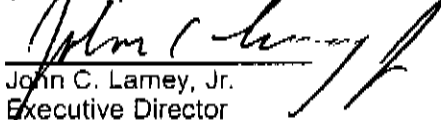
Government Auditing Standards and State law require that the Atlantic County Improvement Authority ("ACIA") publish a complete set of financial statements presented in conformance with general accepted accounting principles ("GAAP") and audited in accordance with generally accepted auditing standards. The financial statements for the 2010 year are presented as required.

The Management Discussion and Analysis ("MD&A") report consists of management's representations concerning the finances of the Administrative, Bond, 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 ACIA'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 staff prepared the basic financial statements and the supplemental financial statements and schedules discussed above. Ford, Scott & Associates, LLC, 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 statement 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, 2010.

Sincerely,


John C. Lamey, Jr.
Executive Director

FINANCIAL SECTION



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

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Chairman and Board of Commissioners of the
Atlantic County Improvement Authority
Mays Landing, New Jersey

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the Atlantic County Improvement Authority ("Authority"), a component unit of the County of Atlantic, as of and for the year ended December 31, 2010 and 2009, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2010 and 2009, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2011 on our consideration of the Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying financial information listed as Other Supplementary Information is not a required part of the basic financial statements, but is presented as additional analytical data. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole. Additionally, the Schedule of Federal Financial Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is not a required part of the basic financial statements.

Ford, Scott, & Associates, L.L.C.

FORD, SCOTT & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS



Leon P. Costello

Certified Public Accountant

March 24, 2011

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

The following are key financial highlights:

- Total assets at year-end were \$55,425,022 and exceeded liabilities in the amount of \$1,010,345 (i.e. net assets). \$944,209 was available to support short-term operations.
- Unrestricted net assets increased \$16,287 over fiscal year 2009. This resulted from the Administrative Funds ability to generate enough revenues to cover all operating expenses.
- The Administrative Fund has increased net assets for five consecutive years. Net assets available to support operations increased \$222,182 since 2005.
- Operating revenues were \$3,858,193, an increase from year 2009 in the amount of \$431,030. The Grant revenues increased \$336,318 due to the completion of multi-year projects in 2010.
- Operating expenses increased \$432,083 from 2009, which was a result from a increase in project costs.

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 capital plan, 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 Balance Sheet; a Statement of Revenues, Expenses, and Changes in Net Assets; a Statement of Cash Flows; and Notes to the Financial Statements.

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

While the Balance Sheet provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses, and Changes in Net Assets presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets 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.

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 to administer grants, mortgages and agency funds.

Financial Analysis

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

Condensed Financial Statements

Condensed Balance Sheet

	December 31,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Noncurrent Assets:			
Net Mortgage and Note Receivable	\$ 25,931,965	\$ 26,751,019	\$ 27,489,900
Net Lease Payments Receivable	21,673,116	21,593,440	26,114,228
Cash and Investments	6,348,806	6,610,937	6,719,387
Current Assets (Less Cash) And Capital Assets, Net	<u>1,471,135</u>	<u>5,663,487</u>	<u>5,516,363</u>
Total Assets	<u>\$ 55,425,022</u>	<u>\$ 60,618,883</u>	<u>\$ 65,839,878</u>
Current Liabilities	\$ 6,328,883	\$ 6,046,984	\$ 6,205,910
Long Term Liabilities:			
Other	223,829	289,271	347,542
Certificates of Participation	21,930,000	26,525,000	30,800,000
Bonds Payable	<u>25,931,965</u>	<u>26,751,019</u>	<u>27,489,900</u>
Total Liabilities	<u>54,414,677</u>	<u>59,612,274</u>	<u>64,843,352</u>
Net Assets:			
Restricted or Net Invested in			
Capital Assets	66,136	78,687	83,809
Unrestricted	<u>944,209</u>	<u>927,922</u>	<u>912,717</u>
Total Net Assets	<u>1,010,345</u>	<u>1,006,609</u>	<u>996,526</u>
Total Liabilities and Net Assets	<u>\$ 55,425,022</u>	<u>\$ 60,618,883</u>	<u>\$ 65,839,878</u>

Condensed Statement of Activities

	2010 <u>Actual</u>	2009 <u>Actual</u>	2008 <u>Actual</u>
Revenues:			
Administrative Fees	\$ 1,339,152	\$ 1,348,912	\$ 1,152,350
Grants	2,346,743	2,010,425	2,957,715
Other Revenues	<u>172,298</u>	<u>67,826</u>	<u>72,388</u>
Total Operating Revenues	3,858,193	3,427,163	4,182,453
Expenses:			
Project Costs	2,004,000	1,568,673	2,461,693
Service Fees	342,743	441,752	496,022
Depreciation	4,841	4,440	4,040
General and Administrative	<u>1,509,326</u>	<u>1,413,962</u>	<u>1,197,737</u>
Total Operating Expenses	3,860,910	3,428,827	4,159,492
Operating Gain (Loss)	(2,717)	(1,664)	22,961
Non-Operating Revenue, Net	<u>6,453</u>	<u>11,747</u>	<u>21,859</u>
(Decrease)/Increase in Net Assets	<u>\$ 3,736</u>	<u>\$ 10,083</u>	<u>\$ 44,820</u>

General Trends and Significant Events

There was no material change in the operations of the Authority in 2010. The Authority continues to implement the CDBG and HOME Programs on behalf of Atlantic County, provide various services to other agencies, administer bond issues, and undertake its other responsibilities.

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 Balance Sheet with comparisons to the prior year:

Total assets decreased \$5.2 million or 8.6%. The decrease was primarily related to the annual bond payments.

Noncurrent assets decreased \$5.5 million or 11.3%. The decrease is proportional to the decrease in long-term liabilities which decreased \$5.5 million or 10.2%.

Results of Operations

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

The fees for grant administration remained consistent with prior year. The grant revenue increased \$336,318.

Expenses: Total operating expenses of the Authority increased \$432,083 from fiscal year 2009.

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

	Actual Amounts in 000's		
	2010	2009	2008
Operating Expenses:			
Total	\$ 3,861	\$ 3,428	\$ 4,159
Excluding Project Costs	1,857	1,859	1,698
Excluding Project Costs and Service Fees	1,514	1,418	1,202

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

	Actual Amounts					
	2010		2009		2008	
Salaries	\$ 959,923	24.86%	\$ 872,824	25.46%	\$ 737,300	17.73%
Fringe & Payroll Taxes	300,557	7.78	254,948	7.44	229,222	5.51
Professional Services	102,150	2.65	128,484	3.75	77,889	1.87
Insurance	86,308	2.24	85,285	2.49	79,578	1.91
Rent & Administrative & General	60,388	1.56	72,421	2.11	73,748	1.77
Project Costs	2,004,000	51.90	1,568,673	45.75	2,461,693	59.18
Service Fees	342,743	8.88	441,752	12.88	496,022	11.93
Depreciation	4,841	0.13	4,440	0.12	4,040	0.10
Total	\$ 3,860,910	100.00%	\$ 3,428,827	100.00%	\$ 4,159,492	100.00%

Project costs increased by \$435,327 or 27.7%. This corresponds with the increase in Grant revenue. Administration and General remained consistent with 2009.

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.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total Operating Revenues	\$ 3,858,193	\$ 3,427,163	\$ 4,182,453
Net Cash Provided/ (Used) by Operations	(2,717)	(1,664)	22,961
Net Operating Cash as a % of Operating Revenue	-0.07%	-0.05%	0.55%

Capital Assets and Debt Administration

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

In 2005, the Authority issued the ARC Bond; in 2006, the Faith Baptist Bond; and in 2007, the St. Augustine Bond. At the end of 2010, the Authority had two Certificates of Participation for Atlantic City and Atlantic County, one 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 Certificates of Participation are paid by lease payments from Atlantic City and Atlantic County, plus interest on investments on the Atlantic County Certificates of Participation. 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 insuring 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, 5909 Main Street, Mays Landing, NJ 08330 or at 609-645-5838.

BASIC FINANCIAL STATEMENTS

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

COMPARATIVE BALANCE SHEET

December 31, 2010 and 2009

	2010	2009	Liabilities and Net Assets	2010	2009
Assets					
Unrestricted Assets:			Unrestricted Assets:		
Current Assets:			Current Liabilities:		
Cash and Cash Equivalents	\$ 717,374	\$ 955,296	Accounts Payable	\$ 6,775	\$ 6,329
Other Receivables	313,928	146,608			
Due From Agency Fund and Restricted Funds			Total Unrestricted Current Liabilities	6,775	6,329
Total Unrestricted Current Assets	1,031,302	1,101,904			
Restricted Assets:			Restricted Assets:		
Current Assets:			Current Liabilities:		
Cash and Cash Equivalents	5,631,432	5,655,641	Accounts Payable	154,622	139,877
Investments			Due To Administrative Fund		
Investment in Bonds			Interest Payable	766,446	888,927
Interest Receivable	127,825	172,968	Current Portion of Long-Term Debt	5,401,040	5,011,851
Accounts Receivable - HUD	214,727	161,592			
Mortgages Receivable	501,040	476,851	Total Current Liabilities Payable From Restricted Assets	6,322,108	6,040,655
Guaranteed Note Receivable	305,000	260,000			
Net Lease Payments Receivable	4,730,861	4,432,013	Long-Term Liabilities:		
Total Restricted Current Assets	11,510,885	11,159,065	Deferred Program Income	82,610	138,852
			Due To Various Agencies	141,219	150,419
Non-Current Assets:			Accrued Sick and Vacation	21,930,000	26,525,000
Mortgages Receivable	23,186,311	23,598,152	Certificates of Participation	25,931,965	26,751,019
Valuation Allowance for Loan Losses	(6,679,346)	(6,577,133)	Bonds Payable		
Guaranteed Note Receivable	9,425,000	9,730,000	Total Long-Term Liabilities	48,085,794	53,565,290
Net Lease Payments Receivable	16,942,255	21,593,440	Total Liabilities	54,414,677	59,612,274
Total Restricted Assets	42,874,220	48,344,459	Net Assets:		
			Invested in Capital Assets, Net of Related Debt	8,615	13,455
Capital Assets, Net of Depreciation	54,385,105	59,503,524	Restricted for Capital Activity and Debt Service	57,521	65,232
			Unrestricted	944,209	927,922
Total Assets	\$ 55,425,022	\$ 60,618,883	Total Net Assets	1,010,345	1,006,609
			Total Liabilities and Net Assets	\$ 55,425,022	\$ 60,618,883

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

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues:		
Project Administration Fees	\$ 860,359	\$ 856,660
Bond Fees	22,500	21,000
Grant and Agency Fund Fees	456,293	471,252
Grants	2,346,743	2,010,425
Reimbursement and Other	<u>172,298</u>	<u>67,826</u>
Total Operating Revenues	<u>3,858,193</u>	<u>3,427,163</u>
Operating Expenses:		
Payroll Expenses	959,923	872,824
Employee Benefits	300,557	254,948
Rent	29,717	29,717
Professional Fees	102,150	128,484
Insurance	86,308	85,285
Administrative and General	30,671	42,704
Project Costs	2,004,000	1,568,673
Service Fees	342,743	441,752
Depreciation	<u>4,841</u>	<u>4,440</u>
Total Operating Expenses	<u>3,860,910</u>	<u>3,428,827</u>
Operating Deficit	<u>(2,717)</u>	<u>(1,664)</u>
Non-Operating Revenues/(Expenses):		
Investment and Interest Income	1,236,749	1,292,157
Lease Rental	1,784,475	2,038,616
Bond and Note Interest	<u>(3,014,771)</u>	<u>(3,319,026)</u>
Total Non-Operating (Expenses)/Revenues	<u>6,453</u>	<u>11,747</u>
(Decrease)/Increase in Net Assets	3,736	10,083
Total Net Assets - Beginning of Year	<u>1,006,609</u>	<u>996,526</u>
Total Net Assets - End of Year	<u><u>\$ 1,010,345</u></u>	<u><u>\$ 1,006,609</u></u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS TO/(FROM) OPERATING ACTIVITIES:		
Project Administration Fees	\$ 854,960	\$ 890,589
Bond Fees	22,500	21,000
Grant and Agency Fees	393,617	458,918
Grants	2,313,556	2,183,286
Program Income		
Reimbursement and Other	78,965	67,826
Payroll Expenses	(970,855)	(840,442)
Employee Benefits	(300,651)	(260,172)
Rent	(29,717)	(29,717)
Professional Fees	(105,604)	(128,484)
Insurance	(86,308)	(85,285)
Administrative and General	(26,771)	(47,375)
Cash Paid To Subcontractor and Vendors	<u>(2,327,852)</u>	<u>(2,253,250)</u>
Net Cash Provided/(Used) By Operating Activities	<u>(184,160)</u>	<u>(23,106)</u>
CASH FLOWS TO/(FROM) INVESTING ACTIVITIES:		
Investment and Interest Income	<u>108,980</u>	<u>124,780</u>
Net Cash Provided By Investing Activities	<u>108,980</u>	<u>124,780</u>
CASH FLOWS TO/(FROM) CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Fixed Assets		(4,006)
Principal Payments Received on Mortgages	81,516	75,163
Mortgages Issued	(31,939)	(32,892)
Principal Payments Received on Bonds		
Principal Payments Made on Bonds	(4,275,000)	(3,975,000)
Fees Paid To ACIA	(51,900)	(96,450)
Interfunds Agency	(82,099)	
Lease Rental	6,139,187	6,102,363
Interest Paid on Bonds	<u>(1,966,715)</u>	<u>(2,279,303)</u>
Net Cash Provided/(Used) By Capital and Related Financing Activities	<u>(186,950)</u>	<u>(210,125)</u>
Decrease in Cash and Cash Equivalents	(262,130)	(108,451)
Cash and Cash Equivalents - Beginning of Year	<u>6,610,936</u>	<u>6,719,387</u>
Cash and Cash Equivalents - End of Year	<u>\$ 6,348,806</u>	<u>\$ 6,610,936</u>
Reconciliation To Balance Sheet:		
Unrestricted Cash	\$ 717,374	\$ 955,296
Restricted Cash	<u>5,631,432</u>	<u>5,655,640</u>
	<u>\$ 6,348,806</u>	<u>\$ 6,610,936</u>

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income To Net Cash		
Provided By Operating Activities:		
Operating Loss	\$ (2,717)	\$ (1,664)
Adjustments To Reconcile Operating Income To		
Net Cash Provided By Operating Activities:		
Depreciation	4,841	4,440
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	(212,340)	399,925
Increase in Interfunds		
Increase/(Decrease) in Accounts Payable	89,174	(441,852)
Increase Withheld Payroll Taxes		
Decrease Due to Atlantic County	(53,918)	(10,875)
Decrease in Interfunds Payable		
Increase/(Decrease) in Accrued Sick and Vacation	<u>(9,200)</u>	<u>26,920</u>
	<u>\$ (184,160)</u>	<u>\$ (23,106)</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

BALANCE SHEET - AGENCY FUNDS

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash	\$ 979,115	\$ 1,271,714
Mortgage Interest Receivable	4,817,238	4,625,287
Accounts Receivable - Other	66,625	440,751
Mortgages Receivable	15,609,301	15,296,393
Mortgages Receivable - Valuation Allowance	<u>(20,316,805)</u>	<u>(19,805,591)</u>
Total Assets	<u>\$ 1,155,474</u>	<u>\$ 1,828,554</u>
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 47,532	\$ 445,586
Due To:		
Various Agencies	<u>1,107,942</u>	<u>1,382,968</u>
Total Liabilities	<u>\$ 1,155,474</u>	<u>\$ 1,828,554</u>

NOTES TO FINANCIAL STATEMENTS

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 1. ORGANIZATION

General

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

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

The Authority assists in the financing of projects by issuing bonds. The bonds are paid by lease rentals for certificates of participation, repayments of municipalities' loans for the Pooled Loan Program bonds, loan repayments on the Egg Harbor Township Golf Course bonds and non-profit bonds

The Authority also administers various housing projects funded by the Atlantic City Development Fund. The Authority also undertakes public facilities projects on behalf of governments, school districts and other authorities. The Authority implements the CDBG and HOME Programs on behalf of Atlantic County.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Based on the aforementioned criteria, the Authority has no component units.
The Authority, as a component unit, issues separate financial statements from the County.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Financial Statements

The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standard Board ("GASB") pronouncements as well as Financial Accounting Standards Boards ("FASB") statements and interpretations, and the Accounting Principles Board ("APB") of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Authority has adopted GASB No. 33 through 42, and related interpretations issued through December 31, 2005. Statement No. 33 required contributions to be recorded in the Statements of Activities. Statement 34 and subsequent Statements and Interpretations required certain other changes in terminology, format and content, as well as inclusion of the Management's Discussion and Analysis supplementary information.

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 balance sheet. Net assets (i.e. total assets net of total liabilities) are segregated into "invested in capital assets, net of related liabilities"; "restricted for capital activity and debt service"; and "unrestricted" components.

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 balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with N.J.S.A. 40A:5A. The operating budget adopted annually covers the Administrative Fund activity only. 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.

Custodial Funds

State Unemployment Trust - 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 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.

Bond Fund - The Bond Fund 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.

Restricted Assets

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

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Post-Retirement Benefits

In July 2004, GASB adopted Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions." This Statement became effective for entities on a phased-in basis beginning with fiscal years beginning after December 15, 2006. The effective date for the Authority is the fiscal year beginning January 1, 2007. This Statement requires governmental entities to report the future cost of other post employment benefits ("OPEB") on a present-value basis instead of the present "pay as you go" method. The Authority does not expect the adoption of this GASB Statement to have a material effect on the Authority's financial position or results of operations.

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

Post-retirement health insurance premiums will not be paid to the extent the employee or his/her dependents are eligible for coverage afforded by the State in which they reside or the United States, such as Federal Medicare Program.

To be eligible for post-retirement health benefits, the employee must 1) have at least 10 years of service with the Authority and retired on an ordinary disability pension; 2) have retired on accidental disability; 3) have retired with 25 years of service with the Authority; or 4) have retired at the age of 62 or older with at least 15 years of service with the Authority.

The Authority, as of December 31, 2010, has recorded \$35,152 in accrued vacation leave liability. The Authority, as of December 31, 2010, has recorded no other liability for post-retirement health insurance.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on mortgages and loans receivable and associated interest receivable in the Agency Funds. Management has estimated these allowances based upon appraised values or estimated values of property securing the loans and mortgages receivable.

While management uses available information to estimate the allowances for losses on loans and mortgages receivable, future additions may be necessary based upon changes in local economic conditions. Because of these factors, it is reasonably possible that the allowance for losses on loans and mortgages receivable may change materially in the near term.

Risks of Loss

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

Cash and Cash Equivalents

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

Investments

Investments are carried at fair market value with associated premiums and discounts amortized over the term of the investment held.

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.

Cash, Cash Equivalents and Investments - Restricted

Restricted Cash, Cash Equivalents and Investments held by the Authority represent funds designated for specific purposes and not available for general use.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Asset Restrictions

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

Net Assets

Net Assets comprise the various Net Earnings from Operating and Non-Operating Revenues, Expenses and Contributions of Capital. Net Assets are classified in the following three components: Invested in Capital Assets, Net of Related Liabilities; Restricted for Capital Activity and Debt Service; and Unrestricted Net Assets. Invested in Capital Assets, Net of Related Debt, consists of all Capital Assets, Net of Accumulated Depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for Capital Activity and Debt Service consists of Net Assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other Net Assets not included in the above categories.

Mortgages Receivable

Mortgages Receivable are stated at unpaid principal balances, less the allowance for loan losses as estimated by management. An adjustment was made in 2010 removing deed restricted mortgages from the mortgage receivable balances over various grant years. These mortgages are deed restricted, and the ACIA will never 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. There has been no allowance for loan losses recorded for mortgages receivable held as security for bond repayments or first mortgages held in the Relocation Agency Fund.

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.

Net Lease Payments Receivables

The Authority has various direct financing leases receivable, which are held as security and guarantee repayment of Certificates of Participation outstanding. The receivable balances are reported net of unearned income and balances held by the Authority for repayment of the debt issues.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Fixed Assets are stated at historical cost, or estimated historical cost if actual historical cost is not available, and are reported in the Administrative Fund. The Authority's policy is to capitalize assets with a cost of \$1,000. Fixed Assets consist primarily of furniture and equipment.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation expense for 2010 and 2009 was \$4,841 and \$4,440, respectively. Depreciation is provided over the following estimated useful lives:

Furniture and Equipment	5 years
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NOTE 3. INVESTMENTS

As of December 31, 2010, the Authority had no investments in Bond Anticipation Notes or Bonds.

Interest Rate Risk - The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk - New Jersey Statutes 40A:5-15.1(a) limits the Authority's investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk - The Authority places no limit on the amount the Authority may invest in any one issuer.

NOTE 4. 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. The carrying amount of cash as of December 31, 2010 was \$7,327,923. As of December 31, 2010, the Authority's bank balance of \$7,423,612 was not exposed to custodial credit risk. Of that bank balance, \$807,723 was covered by FDIC insurance.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 5. EQUIPMENT

A summary of changes in Equipment for the year ended December 31, 2009, follows:

	<u>Furniture & Equipment</u>	<u>Accumulated Depreciation</u>	<u>Fixed Assets Net</u>
Balance: January 1, 2010	\$ 32,523	\$ 19,068	\$ 13,455
Additions	<u> </u>	<u>4,841</u>	<u>4,841</u>
Balance: December 31, 2010	<u>\$ 32,523</u>	<u>\$ 23,909</u>	<u>\$ 8,614</u>

NOTE 6. LEASE PAYMENT RECEIVABLE

The investment in direct financing leases as of December 31, 2010, assuming related bonds payable are held to maturity, is as follows:

	<u>2010</u>	<u>2009</u>
Gross lease Payments Receivable	\$ 31,092,193	\$ 37,333,908
Less:		
Unearned Income	(3,928,572)	(5,781,511)
Net Debt Service Funds	<u>(5,490,505)</u>	<u>(5,526,944)</u>
Subtotal	<u>(9,419,077)</u>	<u>(11,308,455)</u>
Net Lease Payments Receivable	<u>\$ 21,673,116</u>	<u>\$ 26,025,453</u>

At December 31, 2010, minimum lease payments receivable (principal and interest), assuming related bonds payable are held to maturity, are approximately as follows:

2011	\$ 6,225,560
2012	6,213,951
2013	6,227,478
2014	6,218,469
2015	<u>6,206,735</u>
	<u>\$ 31,092,193</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 7. INTERFUNDS

The following represents the Interfund activity as of December 31, 2010:

There is an Interfund Payable for the Home Grant Fund, payable to the Administrative Fund in the amount of \$80,000 at December 31, 2010.

There is an Interfund Receivable for the Administrative Fund, to be received from the Home Grant Fund in the amount of \$80,000 at December 31, 2010.

NOTE 8. MORTGAGES RECEIVABLE - BOND FUNDS

The following represents a summary of Mortgages Receivable held in Bond Funds.

	2010	2009
Balance: January 1, 2010	\$ 17,497,870	\$ 17,954,842
Add: Mortgages Issued	0	0
Subtotal	\$ 17,497,870	\$ 17,954,842
Less: Repayments	(489,865)	(456,972)
Balance: December 31, 2010	\$ 17,008,005	\$ 17,497,870

The ARC of Atlantic County mortgage receivable balance as of December 31, 2010 was \$2,065,343 (including an extra principal payment made November 2010) and earned interest at a rate of 3.93% with fixed monthly payments due to the Authority of \$12,653, maturing October 1, 2030. An amendment and restatement was executed on December 21, 2010, with an interest rate adjustment to 3.30% and mortgage payments as follows: January 2011 as \$7,396.74, and February 2011 to October 2030 as \$11,891.44. This 2005 bond was amended and restated in accordance with the terms of the bond documents supporting the mortgages.

The Faith Baptist Church mortgage receivable balance as of December 31, 2010 was \$867,995 and earned interest at a rate of 4.71% with interest-only payments due until May 2, 2007. Beginning at that time, there will be 225 fixed monthly payments of \$6,738.80 due to the Authority until January 2, 2026.

The St. Augustine mortgage receivable balance as of December 31, 2010 was \$14,074,668 and earned interest at a rate of 4.14% with interest-only payments due until converted to a permanent mortgage on June 1, 2008. Beginning at that time, there will be 300 fixed monthly payments of \$80,843.16 due to the Authority.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 9. MORTGAGES RECEIVABLE - IMPAIRED ASSETS

The following represents a summary of Mortgages and Interest Receivable held in the Authority's Grant Fund as of December 31, 2010 and 2009 which are considered impaired:

	<u>2010</u>	<u>2009</u>
Mortgages Receivable - Schedule to be Forgiven if Conditions are Met	\$ 6,679,346	\$ 6,577,133
Total allowance for Loan Forgiveness	<u>(6,679,346)</u>	<u>(6,577,133)</u>
 Net Loan Value: December 31	 <u>\$ -</u>	 <u>\$ -</u>

The following represents the activity of the allowance for mortgage losses in the Grant Fund during 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Balance of Allowance for Mortgage Receivable Losses January 1	\$ 6,577,133	\$ 5,752,337
 Increases:		
Allowance for Additional Mortgages	<u>751,173</u>	<u>1,117,391</u>
 Subtotal Increases:	751,173	1,117,391
 Subtotal	7,328,306	6,869,728
 Decreases:		
Forgiven	(41,426)	(221,759)
Recoveries-Amounts Previously Reserved	(56,132)	(70,836)
Amounts Reclassed from Mortgage Balances (not Mortgages)	<u>(551,402)</u>	<u>0</u>
 Subtotal Decreases:	(648,960)	(292,595)
 Balance of Allowance for Mortgage Receivable Losses: December 31	 <u>\$ 6,679,346</u>	 <u>\$ 6,577,133</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 9. MORTGAGES RECEIVABLE - IMPAIRED ASSETS (Continued)

The following represents a summary of Mortgages and Interest Receivable held in the Authority's Agency Fund as of December 31, 2010 and 2009 which are considered impaired:

	<u>2010</u>	<u>2009</u>
Mortgages Receivable - Collection:		
Deemed Collectable		
Deemed Doubtful	\$ 20,426,539	\$ 19,921,680
Subtotal Mortgages Receivable	20,426,539	19,921,680
Total Allowance	<u>(20,316,805)</u>	<u>(19,805,591)</u>
Net Mortgage Receivable - December 31	<u>\$ 109,734</u>	<u>\$ 116,089</u>

The following represents the activity of the allowance for mortgage losses in the Agency Fund during 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Balance of Allowance for Mortgage Receivable Losses: January 1	\$ 19,805,591	\$ 18,871,519
Increases:		
Allowance for Interest Receivable	210,842	177,664
Allowance for Mortgages Receivable	<u>433,299</u>	<u>756,408</u>
Subtotal Increases:	644,141	934,072
Subtotal Balance:	<u>20,449,732</u>	<u>19,805,591</u>
Decreases:		
Reclassified Mortgages Receivable	(98,296)	
Interest Paid	<u>(34,631)</u>	
Subtotal Decreases:	(132,927)	0
Balance of Allowance for Mortgage Receivable Losses: December 31	<u>\$ 20,316,805</u>	<u>\$ 19,805,591</u>
Analysis of Balance:		
Interest Receivable	\$ 4,817,238	\$ 4,625,287
Mortgage Receivable	<u>15,499,567</u>	<u>15,180,304</u>
Balance:	<u>\$ 20,316,805</u>	<u>\$ 19,805,591</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 10. LONG-TERM DEBT

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

Egg Harbor Township Guaranteed Revenue Bonds

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

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

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 10. LONG-TERM DEBT (Continued)

Egg Harbor Township Guaranteed Revenue Refunding Bonds

In 2006, the Authority issued refunding bonds in the original amount of \$9,785,000, under amended loan and guarantee documents. Bond proceeds were used to defease \$9,145,000 of the 2000 Bonds. The 2000 Bonds were paid off in full as of November 1, 2010. The December 31, 2010 Balance Sheet ending balances and the 2010 Income Statement show only the 2006 Egg Harbor Township Guaranteed Revenue Refunding Bonds.

Egg Harbor Township Golf Corporation Trustee Activity

The following represents a summary of the Egg Harbor Township Golf Corporation's Trustee activity during 2010 and 2009:

	2010	2009
Opening Cash and Cash Equivalents - January 1:	\$ 917,785	\$ 767,241
Increases:		
Interest Earned	1,247	14,272
Payment from Egg Harbor Township Golf Course	700,000	850,000
Subtotal Increases:	701,247	864,272
Subtotal Cash and Equivalents Balance:	1,619,032	1,631,513
Decreases:		
Administrative Costs	(7,844)	(12,830)
Interest Paid	(444,564)	(455,898)
Principal Paid	(260,000)	(245,000)
Subtotal Decreases:	(712,408)	(713,728)
Ending Cash and Cash Equivalents - December 31:	\$ 906,624	\$ 917,785

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 10. LONG-TERM DEBT (Continued)

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 the ARC of Atlantic County and are secured by a mortgage note dated September 22, 2005. Principal and interest payments are due monthly. Variable interest rates were fixed for the first five-year period, a refunding adjusted interest rates to 3.30% as of December 21, 2010, continuing through October 2030 in accordance with the bond issue documentation.

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. Principal and interest payments are due monthly.

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. Interest-only payments were due monthly until amortization of principal and interest beginning June 1, 2008.

Total General Debt

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 806,040	\$ 1,117,671	\$ 1,923,711
2012	847,887	1,090,119	1,938,006
2013	884,664	1,053,339	1,938,003
2014	917,534	1,016,871	1,934,405
2015	956,373	979,033	1,935,406
2016-2020	5,448,306	4,222,296	9,670,602
2021-2025	6,770,932	2,952,240	9,723,172
2026-2030	7,877,964	1,417,375	9,295,339
2031-2033	2,228,305	118,799	2,347,104
	<u>\$ 26,738,005</u>	<u>\$ 13,967,743</u>	<u>\$ 40,705,748</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 10. LONG-TERM DEBT (Continued)

Atlantic City and Atlantic County Certificates of Participation

The Authority sold \$72,210,000 Certificates of Participation in its leases with the City of Atlantic City (which secured the 1985 City Public Facility Lease Rental Bonds) and Atlantic County (which secured the 1986 County Public Facility Lease Rental Bonds) in 1991. Certificates of Participation represent proportionate interest in the fixed rental payments from these leases. Proceeds from the sale of these Certificates of Participation were used to establish escrow accounts (with U.S. Government securities) Public Facility Lease Rental Bonds, and the 1985 County Completion Bonds. As a result of these transactions, the bonds for these issues have been defeased and, accordingly, connection with the sales of the Certificates of Participation, net of any debt issuance costs, were paid to the lessees in 1991, in accordance with the lease agreements. At the end of the lease terms and satisfaction of the Certificates of Participation, the lessees may purchase the buildings from the Authority for \$1. The Authority's liability associated with these Certificates of Participation is limited to the associated lease revenue and income thereon.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 4,595,000	\$ 1,630,560	\$ 6,225,560
2012	4,945,000	1,268,951	6,213,951
2013	5,315,000	912,478	6,227,478
2014	5,655,000	563,469	6,218,469
2015	6,015,000	191,734	6,206,734
	<u>\$ 26,525,000</u>	<u>\$ 4,567,192</u>	<u>\$ 31,092,192</u>

Long-term debt as of December 31, 2010 consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Payments</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
General	\$ 27,487,310	\$ -	\$ (749,305)	\$ 26,738,005	\$ 806,040
Certificates of Participation	30,800,000	-	(4,275,000)	26,525,000	4,595,000
Compensated Absences	110,945	-	(4,879)	106,066	-
	<u>\$ 58,398,255</u>	<u>\$ -</u>	<u>\$ (5,029,184)</u>	<u>\$ 53,369,071</u>	<u>\$ 5,401,040</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 11. NET ASSETS

Net Assets present the difference between assets and liabilities. The restricted net assets amounts were as follows:

	December 31	
	2010	2009
Invested in Capital Assets, Net of Related Liabilities		
Net Plant and Equipment in Service	\$ 8,615	\$ 13,455
Restricted for Capital Activity and Debt Service:		
Restricted Cash and Equivalents	5,631,813	5,655,641
Restricted Investments		0
Current Assets	5,937,433	5,345,996
Non Current Assets	42,954,220	48,513,092
Subtotal Restrictions	54,523,466	59,514,729
Subtotal	54,532,081	59,528,184
Deductions:		
Current Liabilities Payable from Restricted Assets	(6,460,088)	(6,023,006)
Long Term Liabilities	(48,005,857)	(53,426,491)
Subtotal Deductions	(54,465,945)	(59,449,497)
Subtotal	66,136	78,687
Unrestricted	944,209	927,922
Total Net Assets	\$ 1,010,345	\$ 1,006,609

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 12. PENSION PLAN

All of the Authority's employees participate in the Public Employees' Retirement System ("PERS"). This system is sponsored and administered by the New Jersey Division of Pensions and Benefits and is considered a cost sharing multiple-employer plan.

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 55, with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

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

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), changed the asset valuation method from market related value to full-market value. This legislation also contains a provision to reduce the employee contribution rates under PERS by 1/2 of 1 percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the entity's normal contributions of the fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of chapters 114 and 115, all unfunded accrued liabilities were eliminated.

Due to enactment of the legislation described above, the State of New Jersey's portion of the unfunded accrued liability under the retirement system was eliminated.

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 12. PENSION PLAN (Continued)

The contribution policy for the PERS is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1999, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially-determined rate. The actuarially-determined contribution includes funding for basic retirement allowances, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Authority's total payroll for the years ended December 31, 2010, 2009 and 2008 was \$969,123, \$845,904 and \$737,299, respectively, and covered payroll was \$786,659, \$774,221 and \$686,277, respectively. Information regarding contributions made by the State of New Jersey on behalf of the Authority is not available. Contributions to PERS for the years ended December 31 made by the employees and the Authority were as follows:

<u>Year Ending</u>	<u>Employees</u>		<u>Authority</u>	
	<u>Amount</u>	<u>Percent of Covered Payroll</u>	<u>Amount</u>	<u>Percent of Covered Payroll</u>
12/31/2010	\$ 46,662	5.50%	\$ 61,571	6.00%
12/31/2009	42,582	5.50%	46,629	6.00%
12/31/2008	36,034	5.50%	30,845	4.49%

The Authority had not been required to make a contribution to PERS for several years. Effective with 2005, the Authority's required contributions to PERS was being phased in at 20% per year. For 2008, 2009 and 2010, the Authority has made 100% of the required contribution. The Authority's required contribution to the PERS as a percentage of the total actuarially-determined contribution requirement for all employers covered by PERS is not available.

The "pension benefit obligation" is a standardized disclosure measure representing the present value of pension benefits adjusted for the effects of projected salary increases estimated to be payable in the future based on employee service credited to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the funding status of the retirement systems on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. This measure is independent of the actuarial funding method used to determine employer contributions to the systems.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 13. CONTINGENCIES

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

NOTE 14. COMPENSATED ABSENCES

Employees become eligible to receive sick leave in accordance with Note 2. The benefits are provided as the lesser of \$15,000 or 50% of accrued sick leave. Management estimates that the unrecorded balance of accrued sick leave at December 31, 2010 and 2009, assuming all employees are eligible for accrued sick leave at termination, is approximately \$106,066 and \$110,945, respectively. In 2004, the payment was at management's discretion. During 2005, the Board voted to change the policy, thereby requiring the liability to be recorded.

NOTE 15. POST-RETIREMENT BENEFITS

On January 1, 2007 the Authority as required, adopted GASB 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions." This Statement requires governmental entities to report the future cost of other post employment benefits ("OPEB") on a present-value basis instead of the present "pay as you go" method. At December 31, 2010, based on the eligible employees, the liability for the maximum three-year post-retirement benefit would be \$146,692.

NOTE 16. ECONOMIC DEPENDENCY

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

NOTE 17. RELATED PARTY TRANSACTIONS

The Authority has a net lease receivable due from the County of Atlantic as of December 31, 2010 and 2009 with a balance of \$18,197,255 and \$22,008,440 respectively. The County remits payments equal to debt service on associated Certificates of Participation less earnings on reserves held.

The Authority leases its primary office space from the County under annual lease agreements. Rent expense paid to the County during 2010 and 2009 was \$29,717 and \$29,717, respectively.

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 17. RELATED PARTY TRANSACTIONS (Continued)

The Authority entered into an agreement with the County for the Authority to operate the John F. Gaffney Green Tree Golf Course ("Golf Course") effective June 1, 2007 for renewable one year term ending May 31, 2008. On July 14, 2008, the Authority and County amended the initial agreement to December 31, 2007 and enter into a renewal agreement for one year commencing January 1, 2008 and ending December 31, 2008. This agreement shall be renewable by mutual consent for successive terms of one year each through 2013. The Authority will perform the day-to-day operation of the Golf Course including the Golf Course's Pro Shop and Club House. All 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. The Authority previously, at the end of each month, turned over the net revenue and interest to the County. Beginning in 2011, at the request of the County Treasurer, the Authority will be making one annual payment of revenue and interest to the County. 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.

NOTE 18. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2010 and March 24, 2011, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Authority that would require disclosure.

OTHER SUPPLEMENTARY INFORMATION

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET - ADMINISTRATIVE FUND

Year ended December 31, 2010

	2010 Budget	2010 Final Budget	2010 Actual	Unexpended Balance/ (Excess)
Operating Revenues:				
Project Administration Fees	\$ 963,556	\$ 963,556	\$ 860,359	\$ (103,197)
Bond Fees	79,000	79,000	22,500	(56,500)
Grant and Agency Fund Fees	423,000	423,000	456,293	33,293
Reimbursement and Other	531,200	531,200	172,298	(358,902)
Total Operating Revenues	1,996,756	1,996,756	1,511,450	(485,306)
Operating Expenses:				
Payroll Expenses	1,277,000	1,277,000	959,923	317,077
Employee Benefits	439,200	439,200	300,557	138,643
Rent	29,717	29,717	29,717	
Professional Fees	85,276	85,276	102,150	(16,874)
Insurance	115,000	115,000	86,308	28,692
Administrative and General	60,790	60,790	30,671	30,119
Depreciation	6,000	6,000	4,841	1,159
Total Operating Expenses	2,012,983	2,012,983	1,514,167	498,816
Other Income/(Expenses):				
Investment Income	16,250	16,250	6,453	(9,797)
Total Other Income/(Expenses)	16,250	16,250	6,453	(9,797)
Net Income/(Loss)	\$ 23	\$ 23	\$ 3,736	\$ 3,713

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

COMBINING BALANCE SHEETS

Year ended December 31, 2010

ASSETS

	<u>Total</u>	<u>Administrative Fund</u>	<u>Bond Fund</u>	<u>Grant Fund</u>
Unrestricted Assets:				
Current Assets:				
Cash	\$ 717,374	\$ 717,374	\$	\$
Other Receivables	313,928	313,928		
Total Unrestricted Current Assets	<u>1,031,302</u>	<u>1,031,302</u>		
Restricted Assets:				
Current Assets:				
Cash	5,631,432	57,644	5,490,505	83,283
Interest Receivable	127,825		127,825	
Accounts Receivable - HUD	214,727			214,727
Guaranteed Note Receivable	305,000		305,000	
Interfund Receivable - HOME	80,000	80,000		
Net Lease Payments Receivable	4,730,861		4,730,861	
Mortgages Receivable	501,040		501,040	
Total Restricted Current Assets	<u>11,590,885</u>	<u>137,644</u>	<u>11,155,231</u>	<u>298,010</u>
Non-Current Assets:				
Mortgages Receivable	23,186,311		16,506,965	6,679,346
Valuation Allowance for Loan Losses	(6,679,346)			(6,679,346)
Guaranteed Note Receivable	9,425,000		9,425,000	
Net Lease Payments Receivable	16,942,255		16,942,255	
Total Restricted Non-Current Assets	<u>42,874,220</u>		<u>42,874,220</u>	
Total Restricted Assets	<u>54,465,105</u>	<u>137,644</u>	<u>54,029,451</u>	<u>298,010</u>
Capital Assets, Net of Depreciation	<u>8,615</u>	<u>8,615</u>		
Total Assets	<u>\$ 55,505,022</u>	<u>\$ 1,177,561</u>	<u>\$ 54,029,451</u>	<u>\$ 298,010</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

COMBINING BALANCE SHEETS

Year ended December 31, 2010

LIABILITIES

	<u>Total</u>	<u>Administrative Fund</u>	<u>Bond Fund</u>	<u>Grant Fund</u>
Unrestricted Assets:				
Current Liabilities:				
Accounts Payable	\$ 6,775	\$ 6,775	\$	\$
Total Unrestricted Current Liabilities	<u>6,775</u>	<u>6,775</u>		
Restricted Assets:				
Current Liabilities:				
Accounts Payable	154,622	19,222		135,400
Interfund Payable - Admin				80,000
Interest Payable	766,446		766,446	
Current Portion of Long-Term Debt	<u>5,401,040</u>		<u>5,401,040</u>	
Total Current Liabilities Payable From Restricted Assets	<u>6,402,108</u>	<u>19,222</u>	<u>6,167,486</u>	<u>215,400</u>
Long-Term Liabilities:				
Deferred Program Income	82,610			82,610
Accrued Sick and Vacation	141,219	141,219		
Certificates of Participation	21,930,000		21,930,000	
Bonds Payable	<u>25,931,965</u>		<u>25,931,965</u>	
Total Long-Term Liabilities	<u>48,085,794</u>	<u>141,219</u>	<u>47,861,965</u>	<u>82,610</u>
Total Liabilities	<u>54,494,677</u>	<u>167,216</u>	<u>54,029,451</u>	<u>298,010</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	8,615	8,615		
Restricted for Capital Activity and Debt Service	57,521	57,521		
Unrestricted	<u>944,209</u>	<u>944,209</u>		
Total Net Assets	<u>1,010,345</u>	<u>1,010,345</u>		
Total Liabilities and Net Assets	<u>\$ 55,505,022</u>	<u>\$ 1,177,561</u>	<u>\$ 54,029,451</u>	<u>\$ 298,010</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

COMBINING BALANCE SHEETS - BOND FUNDS

Year ended December 31, 2010

ASSETS

	Total	Atlantic City Certificate of Participation Series 1991	Atlantic County Certificate of Participation Series 1991	Egg Harbor Township Golf Course Series 2006	ARC of Atlantic County	Faith Baptist Church	St. Augustine
Restricted Assets:							
Current Assets:							
Cash	\$ 5,490,505	\$	\$ 5,490,505	\$	\$	\$	\$
Investments							
Interest Receivable	127,825			72,046	2,083	3,520	50,176
Guaranteed Note Receivable	305,000			305,000			
Net Lease Payments Receivable	4,730,861	695,861	4,035,000				
Mortgages Receivable	501,040				74,006	40,292	386,742
Total Restricted Current Assets	11,155,231	695,861	9,525,505	377,046	76,089	43,812	436,918
Non-Current Assets:							
Guaranteed Note Receivable	9,425,000			9,425,000			
Net Lease Payments Receivable	16,942,255	2,780,000	14,162,255				
Mortgages Receivable	16,506,965				1,991,337	827,702	13,687,926
Total Restricted Non-Current Assets	42,874,220	2,780,000	14,162,255	9,425,000	1,991,337	827,702	13,687,926
Total Restricted Assets	54,029,451	3,475,861	23,687,760	9,802,046	2,067,426	871,514	14,124,844
Total Assets	\$ 54,029,451	\$ 3,475,861	\$ 23,687,760	\$ 9,802,046	\$ 2,067,426	\$ 871,514	\$ 14,124,844

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY
 COMBINING BALANCE SHEETS - BOND FUNDS

Year ended December 31, 2010

LIABILITIES AND FUND EQUITY

	Total	Atlantic City Certificate of Participation Series 1991	Atlantic County Certificate of Participation Series 1991	Egg Harbor Township Golf Course Series 2006	ARC of Atlantic County	Faith Baptist Church	St. Augustine
Restricted Assets:							
Current Liabilities:							
Interest Payable	\$ 766,446	\$ 135,861	\$ 502,760	\$ 72,046	\$ 2,083	\$ 3,520	\$ 50,176
Current Portion of Long-Term Debt	5,401,040	560,000	4,035,000	305,000	74,006	40,292	386,742
Total Current Liabilities Payable From Restricted Assets	6,167,486	695,861	4,537,760	377,046	76,089	43,812	436,918
Long-Term Liabilities:							
Certificates of Participation Bonds Payable	21,930,000	2,780,000	19,150,000	9,425,000	1,991,337	827,702	13,687,926
Total Long-Term Liabilities	47,861,965	2,780,000	19,150,000	9,425,000	1,991,337	827,702	13,687,926
Total Liabilities	54,029,451	3,475,861	23,687,760	9,802,046	2,067,426	871,514	14,124,844
Total Net Assets							
Total Liabilities and Net Assets	\$ 54,029,451	\$ 3,475,861	\$ 23,687,760	\$ 9,802,046	\$ 2,067,426	\$ 871,514	\$ 14,124,844

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

COMBINING BALANCE SHEETS - GRANT FUNDS

Year ended December 31, 2010

ASSETS

	<u>Total</u>	<u>CDBG</u>	<u>HOME Funds</u>	<u>Other Funds</u>
Restricted Assets:				
Current Assets:				
Cash	\$ 83,283	\$ 42,937	\$ 25,659	\$ 14,687
Accounts Receivable - HUD	214,727	56,636	158,091	
Total Restricted Current Assets	<u>298,010</u>	<u>99,573</u>	<u>183,750</u>	<u>14,687</u>
Non-Current Assets:				
Mortgages Receivable	6,679,346	861,236	5,721,710	96,400
Valuation Allowance for Loan Losses	(6,679,346)	(861,236)	(5,721,710)	(96,400)
Total Restricted Non-Current Assets				
Total Restricted Assets	<u>298,010</u>	<u>99,573</u>	<u>183,750</u>	<u>14,687</u>
Total Assets	<u>\$ 298,010</u>	<u>\$ 99,573</u>	<u>\$ 183,750</u>	<u>\$ 14,687</u>

LIABILITIES AND NET ASSETS

Restricted Assets:				
Current Liabilities:				
Accounts Payable	\$ 135,400	\$ 56,637	\$ 78,763	\$
Interfund Payable - Admin	80,000		80,000	
Total Current Liabilities Payable From Restricted Assets	<u>215,400</u>	<u>56,637</u>	<u>158,763</u>	
Long-Term Liabilities:				
Deferred Program Income Due To Various Agencies	82,610	42,936	24,987	14,687
Total Long-Term Liabilities	<u>82,610</u>	<u>42,936</u>	<u>24,987</u>	<u>14,687</u>
Total Liabilities	<u>298,010</u>	<u>99,573</u>	<u>183,750</u>	<u>14,687</u>
Total Liabilities and Net Assets	<u>\$ 298,010</u>	<u>\$ 99,573</u>	<u>\$ 183,750</u>	<u>\$ 14,687</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

COMBINING BALANCE SHEETS - GRANT FUNDS - CDBG

Year ended December 31, 2010

	Total	CDBG 2001-02 Entitlement	CDBG 2003 Entitlement	CDBG 2004 Entitlement	CDBG 2005 Entitlement	CDBG 2006 Entitlement	CDBG 2007 Entitlement	CDBG 2008 Entitlement	CDBG 2009 Entitlement	CDBG 2010 Entitlement	Small Cities	Program Income
Assets:												
Cash	\$ 42,937	\$	\$	\$ 1	\$	\$	\$	\$	\$	\$ 56,636	\$ 15,861	\$ 27,075
Accounts Receivable	56,636											
Mortgages Receivable	861,236	142,228	2,774	31,085	113,383	98,583	72,727	84,891	74,748		218,802	21,815
Mortgages Receivable Valuation Allowance	(861,236)	(142,228)	(2,774)	(31,085)	(113,383)	(98,583)	(72,727)	(84,891)	(74,748)		(218,802)	(21,815)
Total Assets	\$ 99,573	\$	\$	\$ 1	\$	\$	\$	\$	\$	\$ 56,636	\$ 15,861	\$ 27,075
Liabilities:												
Accounts Payable and Accrued Expenses	\$ 56,637	\$	\$	\$ 1	\$	\$	\$	\$	\$	\$ 56,636	\$ 15,861	\$ 27,075
Deferred Program Income Due To Atlantic County	42,936											
Total Liabilities	\$ 99,573	\$	\$	\$ 1	\$	\$	\$	\$	\$	\$ 56,636	\$ 15,861	\$ 27,075

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

COMBINING BALANCE SHEETS - GRANT FUNDS - HOME

Year ended December 31, 2010

	2010	1997-2002	2003	2004	2005	2006	2007	2008	2009	2010	Program	
	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Income	
	County	County	County	County	County	County	County	County	County	County	HOME	
	HPRP	HOME	HOME	HOME	HOME	HOME	HOME	HOME	HOME	HOME	HOME	
Assets:												
Cash	\$ 25,659	\$	\$	\$	\$	\$	\$	\$	\$	\$ 672	\$ 24,987	
Accounts Receivable	158,091					13,966			11,708	132,517		
Mortgages Receivable	5,721,710	1,539,901	347,568	646,454	522,002	526,448	533,910	506,845	543,462	72,378	482,742	
Mortgages Receivable Valuation Allowance	(5,721,710)	(1,539,901)	(347,568)	(646,454)	(522,002)	(526,448)	(533,910)	(506,845)	(543,462)	(72,378)	(482,742)	
Total Assets	\$ 183,750	\$	\$	\$	\$	\$ 13,966	\$	\$	\$ 11,708	\$ 133,189	\$ 24,987	
Liabilities:												
Accounts Payable and Accrued Expenses	\$ 78,763	\$	\$	\$	\$	\$ 13,966	\$	\$	\$ 11,708	\$ 53,189	\$	
Interfund Payable - Admin	80,000									80,000		
Deferred Program Income	24,987										24,987	
Total Liabilities	\$ 183,750	\$	\$	\$	\$	\$ 13,966	\$	\$	\$ 11,708	\$ 133,189	\$ 24,987	

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

COMBINING BALANCE SHEETS - GRANT FUNDS - OTHER

Year ended December 31, 2010

	<u>Total</u>	<u>USDA</u>	<u>Jobs Bill</u>
Assets:			
Cash	\$ 14,687	\$ 1,995	\$ 12,692
Mortgages Receivable	96,400	55,525	40,875
Mortgages Receivable Valuation Allowance	<u>(96,400)</u>	<u>(55,525)</u>	<u>(40,875)</u>
Total Assets	<u>\$ 14,687</u>	<u>\$ 1,995</u>	<u>\$ 12,692</u>
Liabilities:			
Deferred Program Income	<u>\$ 14,687</u>	<u>\$ 1,995</u>	<u>\$ 12,692</u>
Total Liabilities	<u>\$ 14,687</u>	<u>\$ 1,995</u>	<u>\$ 12,692</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

COMBINING BALANCE SHEETS - AGENCY FUNDS

Year ended December 31, 2010

	<u>Housing Projects</u>	<u>Other</u>	<u>Mortgages</u>	<u>Total</u>
Assets:				
Cash	\$ 777,447	\$ 201,668	\$	\$ 979,115
Mortgage Interest Receivable	32,403		4,784,835	4,817,238
Accounts Receivable - Other		66,625		66,625
Mortgages Receivable	1,393,252		14,216,049	15,609,301
Mortgages Receivable Valuation Allowance	<u>(1,315,921)</u>		<u>(19,000,884)</u>	<u>(20,316,805)</u>
Total Assets	<u>\$ 887,181</u>	<u>\$ 268,293</u>	<u>\$</u>	<u>\$ 1,155,474</u>
Liabilities:				
Accounts Payable and Accrued Expenses	\$	\$ 47,532	\$	\$ 47,532
Due To Various Agencies	<u>887,181</u>	<u>220,761</u>		<u>1,107,942</u>
Total Liabilities	<u>\$ 887,181</u>	<u>\$ 268,293</u>	<u>\$</u>	<u>\$ 1,155,474</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

BALANCE SHEET
 AGENCY FUNDS, HOUSING PROJECTS

Year ended December 31, 2010

	Grammercy Park Mortgage Subsidy	Habitat for Humanity	Westside Façade	Convention Hall Relocation	Atlantic City Downpayment Assistance Program	Brighton Towers	Rental Rehabilitation	Total
Assets:								
Cash	\$ 141,659	\$ 159,136	\$	\$ 130,402	\$ 268,821	\$ 77,429	\$	\$ 777,447
Mortgage Interest Receivable			23,935			8,468		32,403
Mortgages Receivable			30,505	142,575	978,232	241,940		1,393,252
Mortgages Receivable Valuation Allowance			(30,505)	(56,776)	(978,232)	(250,408)		(1,315,921)
Total Assets	\$ 141,659	\$ 159,136	\$	\$ 240,136	\$ 268,821	\$ 77,429	\$	\$ 887,181
Liabilities:								
Due To Various Agencies	\$ 141,659	\$ 159,136	\$	\$ 240,136	\$ 268,821	\$ 77,429	\$	\$ 887,181
Total Liabilities	\$ 141,659	\$ 159,136	\$	\$ 240,136	\$ 268,821	\$ 77,429	\$	\$ 887,181

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

BALANCE SHEET
 AGENCY FUNDS, OTHER

Year ended December 31, 2010

	Boardwalk Façade	Continuum of Care	Brights Villa	Green Tree Golf Course	AC Board of Education Penn Ave Relocation	Roadways	Misc.	Total
Assets:								
Cash	\$ 31,724	1,805	\$ 40,818	\$ 13,866	\$ 146,902	\$ 6,633	\$ 82	\$ 201,668
Accounts Receivable - Other				26,463				66,625
Total Assets	\$ 31,724	\$ 1,805	\$ 40,818	\$ 40,329	\$ 146,902	\$ 6,633	\$ 82	\$ 268,293
Liabilities:								
Accounts Payable and Accrued Expenses Due To Various Agencies	\$ 31,724	\$ 1,805	\$ 5,746	\$ 1,624	\$ 146,902	\$ 6,633	\$ 82	\$ 47,532
			35,072	38,705				220,761
Total Liabilities	\$ 31,724	\$ 1,805	\$ 40,818	\$ 40,329	\$ 146,902	\$ 6,633	\$ 82	\$ 268,293

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

BALANCE SHEET
 AGENCY FUNDS, MORTGAGES

Year ended December 31, 2010

	Barlinvis Apartments	Garden Court Apartments	Vermont Plaza	Total
Assets:				
Mortgage Interest Receivable	\$ 4,289,279	\$	\$ 495,556	\$ 4,784,835
Mortgages Receivable	1,600,000	9,523,320	3,092,729	14,216,049
Mortgages Receivable Valuation Allowance	(5,889,279)	(9,523,320)	(3,588,285)	(19,000,884)
Total Assets	\$	\$	\$	\$
Total Liabilities	\$	\$	\$	\$

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

COMBINING STATEMENT OF ACTIVITIES

Year ended December 31, 2010

	<u>Total</u>	<u>Administrative Fund</u>	<u>Bond Fund</u>	<u>Grant Fund</u>
Operating Revenues:				
Project Administration Fees	\$ 860,359	\$ 860,359	\$	\$
Bond Fees	22,500	22,500		
Grant and Agency Fund Fees	456,293	456,293		
Grants	2,346,743			2,346,743
Reimbursement and Other	<u>172,298</u>	<u>172,298</u>		
Total Operating Revenues	<u>3,858,193</u>	<u>1,511,450</u>		<u>2,346,743</u>
Operating Expenses:				
Payroll Expenses	959,923	959,923		
Employee Benefits	300,557	300,557		
Rent	29,717	29,717		
Professional Fees	102,150	102,150		
Insurance	86,308	86,308		
Administrative and General	30,671	30,671		
Project Costs	2,004,000			2,004,000
Service Fees	342,743			342,743
Depreciation	<u>4,841</u>	<u>4,841</u>		
Total Operating Expenses	<u>3,860,910</u>	<u>1,514,167</u>		<u>2,346,743</u>
Operating Income (Loss)	<u>(2,717)</u>	<u>(2,717)</u>		
Non-Operating Revenues/(Expenses):				
Investment and Interest Income	1,236,749	6,453	1,230,296	
Lease Rental	1,784,475		1,784,475	
Bond and Note Interest	<u>(3,014,771)</u>		<u>(3,014,771)</u>	
Total Non-Operating Revenues/(Expenses)	<u>6,453</u>	<u>6,453</u>		
(Decrease)/Increase in Net Assets	3,736	3,736		
Net Assets at Beginning of Year	<u>1,006,609</u>	<u>1,006,609</u>		
Net Assets at End of Year	<u>\$ 1,010,345</u>	<u>\$ 1,010,345</u>	\$	\$

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

COMBINING STATEMENT OF ACTIVITIES - BOND FUND

Year ended December 31, 2010

	Egg Harbor Township Golf Course Series 2006	Atlantic City Certificate of Participation Series 1991	Atlantic County Certificate of Participation Series 1991	ARC of Atlantic County	Faith Baptist Church	St. Augustine
Total						
Operating Expenses:						
Service Fees						
Total Operating Expenses						
Operating Loss						
Non-Operating Revenues/(Expenses):						
Investment and Interest Income	\$ 1,230,296	\$	\$ 68,465	\$ 79,098	\$ 42,294	\$ 597,924
Lease Rental	1,784,475	298,348	1,486,127			
Bond and Note Interest	(3,014,771)	(298,348)	(1,554,592)	(79,098)	(42,294)	(597,924)
Total Non-Operating Revenues/(Expenses)						
Decrease in Net Assets						
Net Assets at Beginning of Year						
Net Assets at End of Year	\$	\$	\$	\$	\$	\$

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

COMBINING STATEMENT OF ACTIVITIES - GRANT FUND

Year ended December 31, 2010

	<u>Total</u>	<u>CDBG</u>	<u>HOME Funds</u>
Operating Revenues:			
Grants	\$ 2,232,159	\$ 1,418,697	\$ 813,462
Program Income	<u>114,584</u>	<u>49,297</u>	<u>65,287</u>
Total Operating Revenues	<u>2,346,743</u>	<u>1,467,994</u>	<u>878,749</u>
Operating Expenses:			
Project Costs	2,004,000	1,246,940	757,060
Service Fees	<u>342,743</u>	<u>221,054</u>	<u>121,689</u>
Total Operating Expenses	<u>2,346,743</u>	<u>1,467,994</u>	<u>878,749</u>
Operating Income	<u> </u>	<u> </u>	<u> </u>
Increase/(Decrease) in Net Assets	<u> </u>	<u> </u>	<u> </u>
Net Assets at Beginning of Year	<u> </u>	<u> </u>	<u> </u>
Net Assets at End of Year	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY

COMBINING STATEMENT OF ACTIVITIES - GRANT FUND - CDBG

Year ended December 31, 2010

	CDBG 2004 Entitlement	CDBG 2005 Entitlement	CDBG 2006 Entitlement	CDBG 2007 Entitlement	CDBG 2008 Entitlement	CDBG 2009 Entitlement	CDBG 2010 Entitlement	CDBG Program Income	Total
Operating Revenues:									
Grants	\$	\$ 56,513	\$ 56,513	\$ 150,171	\$ 660,552	\$ 494,825	\$ 56,636	\$ 49,297	\$ 1,418,697
Program Income			56,513	150,171	660,552	494,825	56,636	49,297	1,467,994
Total Operating Revenues			56,513	150,171	660,552	494,825	56,636	49,297	1,467,994
Operating Expenses:									
Project Costs			56,513	150,171	660,552	338,207	56,636	41,497	1,246,940
Fees Paid To ACIA						156,618		7,800	221,054
Total Operating Expenses			56,513	150,171	660,552	494,825	56,636	49,297	1,467,994
Operating Income									
Net Assets at Beginning of Year									
Net Assets at End of Year	\$	\$	\$	\$	\$	\$	\$	\$	\$

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
 COUNTY OF ATLANTIC, NEW JERSEY
 COMBINING STATEMENT OF ACTIVITIES - GRANT FUND - HOME

Year ended December 31, 2010

	2009	2004	2005	2006	2007	2008	2009	2010	Program	Total
	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Atlantic	Income	
	County	County	County	County	County	County	County	County	HOME	
	HPRP	HOME	HOME	HOME	HOME	HOME	HOME	HOME		
Operating Revenues:										
Grants	\$ 2,987	\$	\$ 67,412	\$ 63,354	\$ 38,725	\$ 1,802	\$ 506,665	\$ 132,517	\$ 65,287	\$ 813,462
Program Income										65,287
Total Operating Revenues	<u>2,987</u>		<u>67,412</u>	<u>63,354</u>	<u>38,725</u>	<u>1,802</u>	<u>506,665</u>	<u>132,517</u>	<u>65,287</u>	<u>878,749</u>
Operating Expenses:										
Project Costs			67,412	63,354	38,725	1,802	480,751	83,829	21,187	757,060
Fees Paid To ACIA	<u>2,987</u>						<u>25,914</u>	<u>48,688</u>	<u>44,100</u>	<u>121,689</u>
Total Operating Expenses			<u>67,412</u>	<u>63,354</u>	<u>38,725</u>	<u>1,802</u>	<u>506,665</u>	<u>132,517</u>	<u>65,287</u>	<u>878,749</u>
Operating Income										
Net Assets at Beginning of Year										
Net Assets at End of Year										

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

COMPARATIVE STATEMENTS OF CASH FLOWS

Year ended December 31, 2010

	Total	Administrative Fund	Bond Fund	Grant Fund
CASH FLOWS TO/(FROM) OPERATING ACTIVITIES:				
Project Administration Fees	\$ 854,960	\$ 854,960	\$	\$
Bond Fees	22,500	22,500		
Grant and Agency Fees	393,617	393,617		
Grants	2,313,556			2,313,556
Reimbursement and Other	78,965	78,965		
Payroll Expenses	(970,855)	(970,855)		
Employee Benefits	(300,651)	(300,651)		
Rent	(29,717)	(29,717)		
Professional Fees	(105,604)	(105,604)		
Insurance	(86,308)	(86,308)		
Administrative and General	(26,771)	(26,771)		
Cash Paid To Subcontractor and Vendors	<u>(2,327,852)</u>			<u>(2,327,852)</u>
Net Cash Provided By Operating Activities	<u>(184,160)</u>	<u>(169,864)</u>		<u>(14,296)</u>
CASH FLOWS TO/(FROM) INVESTING ACTIVITIES:				
Investment and Interest Income	<u>108,980</u>	<u>6,453</u>	<u>102,527</u>	
Net Cash Provided/(Used) By Investing Activities	<u>108,980</u>	<u>6,453</u>	<u>102,527</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Payments Received on Mortgages	81,516			81,516
Mortgages Issued	(31,939)			(31,939)
Principal Payments Received on Bonds	(4,275,000)		(4,275,000)	
Fees Paid To ACIA	(51,900)			(51,900)
Interfunds Special Revenue	(82,099)	(82,099)		
Lease Rental	6,139,187		6,139,187	
Interest Paid on Bonds	<u>(1,966,715)</u>		<u>(1,966,715)</u>	
Net Cash Provided/(Used) By Capital and Related Financing Activities	<u>(186,950)</u>	<u>(82,099)</u>	<u>(102,528)</u>	<u>(2,323)</u>
Increase/(Decrease) in Cash and Cash Equivalents	<u>(262,130)</u>	<u>(245,510)</u>	<u>(1)</u>	<u>(16,819)</u>
Cash and Cash Equivalents, January 1	<u>6,610,936</u>	<u>1,020,528</u>	<u>5,490,506</u>	<u>99,902</u>
Cash and Cash Equivalents, December 31	<u>\$ 6,348,806</u>	<u>\$ 775,018</u>	<u>\$ 5,490,505</u>	<u>\$ 83,283</u>
Reconciliation To Balance Sheet:				
Unrestricted Cash	\$ 717,374	\$ 717,374	\$	\$
Restricted Cash	<u>5,631,432</u>	<u>57,644</u>	<u>5,490,505</u>	<u>83,283</u>
	<u>\$ 6,348,806</u>	<u>\$ 775,018</u>	<u>\$ 5,490,505</u>	<u>\$ 83,283</u>
Reconciliation of Operating Income To Net Cash Provided By Operating Activities:				
Operating Loss	\$ (2,717)	\$ (2,717)	\$	\$
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:				
Depreciation	4,841	4,841		
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	(212,340)	(161,408)		(50,932)
Increase/(Decrease) In Accounts Payable	89,174	(1,380)		90,554
Decrease in Due To Atlantic County	(53,918)			(53,918)
(Decrease) In Accrued Sick and Vacation	<u>(9,200)</u>	<u>(9,200)</u>		
	<u>\$ (184,160)</u>	<u>\$ (169,864)</u>	<u>\$</u>	<u>\$ (14,296)</u>

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

COMPARATIVE STATEMENTS OF CASH FLOWS - BOND FUND

Year ended December 31, 2010

	<u>Total</u>	<u>Atlantic City Certificate of Participation Series 1991</u>	<u>Atlantic County Certificate of Participation Series 1991</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Service Fees			
Net Cash Provided/(Used) By Operating Activities			
CASH FLOWS TO/(FROM) INVESTING ACTIVITIES:			
Investment and Interest Income	\$ 102,527	\$	\$ 102,527
Net Cash Provided/(Used) By Investing Activities	102,527		102,527
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payments Received on Bonds			
Principal Payments Made on Mortgages/Bonds	(4,275,000)	(520,000)	(3,755,000)
Lease Rental	6,139,187	839,499	5,299,688
Interest Paid on Bonds	(1,966,715)	(319,500)	(1,647,215)
Net Cash Provided/(Used) By Capital and Related Financing Activities	(102,528)	(1)	(102,527)
(Decrease)/Increase in Cash and Cash Equivalents	(1)	(1)	
Cash and Cash Equivalents, January 1	5,490,506	1	5,490,505
Cash and Cash Equivalents, December 31	\$ 5,490,505	\$	\$ 5,490,505
Reconciliation To Balance Sheet:			
Restricted Cash	\$ 5,490,505	\$	\$ 5,490,505
	\$ 5,490,505	\$	\$ 5,490,505
Reconciliation of Operating Income To Net Cash Provided By Operating Activities:			
Operating Loss	\$	\$	\$
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:			
Decrease in Accounts Payable			
	\$	\$	\$

**ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY**

COMPARATIVE STATEMENTS OF CASH FLOWS - GRANT FUND

Year ended December 31, 2010

	<u>Total</u>	<u>CDBG</u>	<u>HOME Funds</u>	<u>Other Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Grants	\$ 2,313,556	\$ 1,418,697	\$ 894,859	\$
Program Income				
Cash Paid To Subcontractors and Vendors	<u>(2,327,852)</u>	<u>(1,472,615)</u>	<u>(855,237)</u>	
Net Cash Provided/(Used) By Operating Activities	<u>(14,296)</u>	<u>(53,918)</u>	<u>39,622</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Payments Received on Mortgages	81,516	47,070	25,888	8,558
Mortgages Issued	(31,939)		(20,713)	(11,226)
Fees Paid To ACIA	(51,900)	(7,800)	(44,100)	
Interfunds - Special Revenue Funds				
Net Cash Provided/(Used) By Capital and Related Financing Activities	<u>(2,323)</u>	<u>39,270</u>	<u>(38,925)</u>	<u>(2,668)</u>
Increase/(Decrease) in Cash and Cash Equivalents	(16,619)	(14,648)	697	(2,668)
Cash and Cash Equivalents, January 1	<u>99,902</u>	<u>57,585</u>	<u>24,962</u>	<u>17,355</u>
Cash and Cash Equivalents, December 31	<u>\$ 83,283</u>	<u>\$ 42,937</u>	<u>\$ 25,659</u>	<u>\$ 14,687</u>
Reconciliation To Balance Sheet:				
Restricted Cash	<u>\$ 83,283</u>	<u>\$ 42,937</u>	<u>\$ 25,659</u>	<u>\$ 14,687</u>
	<u>\$ 83,283</u>	<u>\$ 42,937</u>	<u>\$ 25,659</u>	<u>\$ 14,687</u>
Reconciliation of Operating Income To Net Cash Provided By Operating Activities:				
Operating Income/(Loss)				
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:				
Decrease in Accounts Receivable	\$ (50,932)	\$ 39,427	\$ (90,359)	\$
Increase/(Decrease) in Accounts Payable	90,554	(39,427)	129,981	
(Decrease) in Due To Atlantic County	<u>(53,918)</u>	<u>(53,918)</u>		
	<u>\$ (14,296)</u>	<u>\$ (53,918)</u>	<u>\$ 39,622</u>	<u>\$</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

COMPARATIVE STATEMENTS OF CASH FLOWS - GRANT FUND - CDBG

Year ended December 31, 2010

		CDBG 2001-2002 Entitlement	CDBG 2003 Entitlement	CDBG 2004 Entitlement	CDBG 2005 Entitlement	CDBG 2006 Entitlement	CDBG 2007 Entitlement	CDBG 2008 Entitlement	CDBG 2009 Entitlement	CDBG 2010 Entitlement	Small Cities	Program Income
CASH FLOWS FROM OPERATING ACTIVITIES:												
Grants	\$	1,418,697	\$	\$	\$	56,513	\$	960,552	\$	494,825	\$	56,636
Program Income												
Cash Paid To Subcontractors and vendors		(1,472,615)				(56,513)	(150,171)	(660,552)	(494,825)	(56,636)	(17,035)	(36,883)
Net Cash Provided/(Used) By Operating Activities		(53,918)									(17,035)	(36,883)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:												
Principal Payments Received on Mortgages		47,070		2,980	21,985	2,195					8,250	38,820
Transfer To Deferred Program Income		(7,800)		(2,980)	(21,985)	(2,195)						(7,800)
Fees Paid To ACIA												
Interfunds - Special Revenue Funds												
Net Cash Provided/(Used) By Capital and Related Financing Activities		39,270									8,250	31,020
Increase/(Decrease) in Cash and Cash Equivalents		(14,648)									(6,785)	(5,863)
Cash and Cash Equivalents, January 1		57,585			1						24,646	32,936
Cash and Cash Equivalents, December 31	\$	42,937	\$	\$	\$	1	\$	\$	\$	\$	15,861	27,075
Reconciliation To Balance Sheet Restricted Cash	\$	42,937	\$	\$	\$	1	\$	\$	\$	\$	15,861	27,075
Reconciliation of Operating Income To Net Cash Provided By Operating Activities:												
Operating Income/(Loss)												
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:												
(Increase)/Decrease in Accounts Receivable	\$	39,427	\$	\$	\$	\$	32,257	\$	48,080	\$	14,726	\$
Increase/(Decrease) in Accounts Payable		(39,427)					(32,257)	(49,080)	(14,726)	(56,636)		
Decrease in Due To Atlantic County		(53,918)									(17,035)	(36,883)
	\$	(53,918)	\$	\$	\$	\$	\$	\$	\$	\$	(17,035)	(36,883)

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

COMPARATIVE STATEMENTS OF CASH FLOWS - GRANT FUND - HOME

Year ended December 31, 2010

	1997 - 2002	2003	2004	2005	2006	2007	2008	2009	2010	Program Income
	Atlantic County HOME	Atlantic County HOME	Atlantic County HOME	Atlantic County HOME	Atlantic County HOME	Atlantic County HOME	Atlantic County HOME	Atlantic County HOME	Atlantic County HOME	
CASH FLOWS FROM OPERATING ACTIVITIES:										
Grants	\$ 894,859	\$	\$	\$ 67,412	\$ 63,354	\$ 38,725	\$ 40,742	\$ 804,626	\$ 80,000	\$
Cash Paid To Subcontractors and Vendors	(855,237)			(67,412)	(63,354)	(38,725)	(1,802)	(604,616)	(79,328)	
Net Cash Provided/(Used) By Operating Activities	39,622						38,940	10	672	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:										
Principal Payments Received on Mortgages	15,763				16,125					25,888
Transfer To Deferred Program Income	(15,763)				(16,125)					(20,713)
Mortgages Issued										(44,100)
Fees Paid To ACIA										
Interfunds - Special Revenue Funds										
Net Cash Provided/(Used) By Capital and Related Financing Activities	(38,925)									(38,925)
Increase/(Decrease) in Cash and Cash Equivalents	697						38,940	10	672	(38,925)
Cash and Cash Equivalents, January 1	24,962						(38,940)	(10)		63,912
Cash and Cash Equivalents, December 31	\$ 25,659	\$	\$	\$	\$	\$	\$	\$	\$ 672	\$ 24,987
Reconciliation To Balance Sheet:										
Restricted Cash	\$ 25,659	\$	\$	\$	\$	\$	\$	\$	\$ 672	\$ 24,987
Reconciliation of Operating Income To Net Cash Provided By Operating Activities:										
Operating Income/(Loss)	\$ (90,359)	\$	\$	\$	\$	\$	\$ 38,940	\$ 3,218	\$ (132,517)	\$
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:	129,981							(3,208)	133,189	
Decrease/(Increase) in Accounts Receivable										
Increase/(Decrease) in Accounts Payable										
	\$ 39,622	\$	\$	\$	\$	\$	\$ 38,940	\$ 10	\$ 672	\$

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

COMPARATIVE STATEMENTS OF CASH FLOWS - GRANT FUND - OTHER

Year ended December 31, 2010

	<u>Total</u>	<u>USDA</u>	<u>Jobs Bill</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal Payments Received on Mortgages	\$ 8,558	\$ 2,000	\$ 6,558
Mortgages Issued	(11,226)	(2,587)	(8,639)
Interfunds - Special Revenue Funds	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided/(Used) By Capital and Related Financing Activities	<u>(2,668)</u>	<u>(587)</u>	<u>(2,081)</u>
Increase/(Decrease) in Cash and Cash Equivalents	(2,668)	(587)	(2,081)
Cash and Cash Equivalents, January 1	<u>17,355</u>	<u>2,582</u>	<u>14,773</u>
Cash and Cash Equivalents, December 31	<u>\$ 14,687</u>	<u>\$ 1,995</u>	<u>\$ 12,692</u>
Reconciliation To Balance Sheet:			
Restricted Cash	<u>\$ 14,687</u>	<u>\$ 1,995</u>	<u>\$ 12,692</u>
	<u>\$ 14,687</u>	<u>\$ 1,995</u>	<u>\$ 12,692</u>
Reconciliation of Operating Income To Net Cash Provided By Operating Activities:			
Operating Income/(Loss)			
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:			
(Increase)/Decrease in Accounts Receivable			
Increase/(Decrease) in Accounts Payable			
Increase/(Decrease) in Interfunds Payable	<u> </u>	<u> </u>	<u> </u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>

SINGLE AUDIT SECTION



FORD-SCOTT

& ASSOCIATES, L.L.C.

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

Chairman and Commissioners of the
Atlantic County Improvement Authority
Mays Landing, New Jersey

We have audited the basic financial statements of the Atlantic County Improvement Authority ("Authority"), a component unit of the County of Atlantic, as of and for the year ended December 31, 2010, and have issued our report thereon dated March 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic 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*.

We noted certain matters that we reported to the Authority's management in a separate letter dated March 24, 2011.

This report is intended solely for the information and use of management, the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as well as other federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



Leon P. Costello
Certified Public Accountant

March 24, 2011



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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Chairman and Commissioners of the
Atlantic County Improvement Authority
Mays Landing, New Jersey

Compliance

We have audited the compliance of the Atlantic County Improvement Authority ("Authority") in the County of Atlantic, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circulars A-133 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. Our audit does not provide a legal determination on the Atlantic County Improvement Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the Atlantic County Improvement Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management of the Authority, the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Ford, Scott & Associates, L.L.C.
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CERTIFIED PUBLIC ACCOUNTANTS



Leon P. Costello
Certified Public Accountant

March 24, 2011

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

SCHEDULE OF FEDERAL FINANCIAL AWARDS

Year ended December 31, 2010

Department/ Program Title	Federal CFDA Number	Pass - Through Grant Number	Program or Award Amount	Receipts or Revenue Recognized	Disbursements/ Expenditures
US Department of Housing and Urban Development: Passed Through The Count of Atlantic					
Home - Program Income - (not in totals - information only)			\$	\$ 65,287	\$ 65,287
Home Investment Partnership Act (HOME) - 2004	14.239	M-04-DC-34-0229	879,410	-	-
Home Investment Partnership Act (HOME) - 2005	14.239	M-05-DC-34-0229	795,854	67,412	67,412
Home Investment Partnership Act (HOME) - 2006	14.239	M-06-DC-34-0229	673,087	63,354	63,354
Home Investment Partnership Act (HOME) - 2007	14.239	M-07-DC-34-0229	731,074	38,725	38,725
Home Investment Partnership Act (HOME) - 2008	14.239	M-08-DC-34-0229	700,196	1,802	1,802
Home Investment Partnership Act (HOME) - 2009	14.239	M-09-DC-34-0229	773,958	506,665	506,665
Home Investment Partnership Act (HOME) - 2010	14.239	M-10-DC-34-0229	766,606	132,517	132,517
Total Home Investment Partnership Act (HOME)				810,475	810,475
Community Development Block Grant Entitlement					
CDBG - Program Income - (not in totals - information only)				49,297	49,297
Program Grant - 2005	14.218	B-05-UC-34-0111	1,622,568	-	-
Program Grant - 2006	14.218	B-06-UC-34-0111	1,465,751	56,513	56,513
Program Grant - 2007	14.218	B-07-UC-34-0111	1,365,600	150,171	150,171
Program Grant - 2008	14.218	B-08-UC-34-0111	1,671,395	660,552	660,552
Program Grant - 2009	14.218	B-09-UC-34-0111	1,467,932	494,825	494,825
Program Grant - 2010	14.218	B-10-UC-34-0111	1,424,682	56,636	56,636
Total Community Development Block Grant Entitlement				1,418,697	1,418,697
Total Federal Financial Awards				\$ 2,229,172	\$ 2,229,172

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC, NEW JERSEY

NOTES TO SCHEDULE OF FEDERAL FINANCIAL AWARDS

Year ended December 31, 2010

Note 1. General

The accompanying Schedule of Federal Financial Awards presents the activity of all federal award programs of the Atlantic County Improvement Authority. The Authority is defined in Note 1(A) to the Authority's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule of Federal Financial Awards.

Note 2. Basis of Accounting

The accompanying Schedule of Federal Financial Awards is presented using the modified accrual basis of accounting. This basis of accounting is described in Note 1 to the Authority's financial statements.

Note 3. Relationship To General Purpose Financial Statements

Amounts reported in the accompanying Schedule agree with amounts reported in the Authority's financial statements.

Grant Fund	\$ 2,229,172
Less: Program Income	<u> </u>
Federal Award Schedule	<u>\$ 2,229,172</u>

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified Opinion

Internal control over financial reporting:

- 1) Material weakness(es) identified? yes X no
- 2) Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Non-compliance material to basic financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

- 1) Material weakness(es) identified: yes X no
- 2) Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? yes X no

Identification of major program:

CFDA Number(s)

14.218
14.239

Name of Federal Program or Cluster

Community Development Block Program
HOME Investment Partnership Act

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes No

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements that are required to be reported under this section.

III. FEDERAL AWARDS ASSISTANCE FINDINGS AND QUESTIONED COSTS

Federal:

Our audit disclosed no material Findings or Questioned Costs.

SUMMARY SCHEDULE OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT

This Section identifies the status of prior-year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, and U.S. OMB Circular A-133 (Section .315 (a)(b)).

Status of Prior-Year Findings

None

COMMENTS AND RECOMMENDATIONS

ATLANTIC COUNTY IMPROVEMENT AUTHORITY
COUNTY OF ATLANTIC

FINDINGS AND RECOMMENDATIONS

2010-01

The Authority's professional services expenses exceeded its budgeted amount without obtaining an approved amended budget. In addition, the Authority's self prepared financial statements omitted one Agency Fund cash account.

Criteria:

The Authority is required to amend its approved budget when it determines that expenses will exceed the originally budgeted amount. This amendment is to be approved and filed with the Division of Local Government Services. In addition, all Authority cash accounts, although recorded internally, are to be included in prepared financial statements.

Condition:

Professional service expenses exceeded the budgeted amount by \$16,874. A new 2010 Agency account with an ending balance of \$146,902 was excluded from the financial statements.

Cause:

Inadvertent oversight in the year end review of budgeted expenses and financial statement preparation. A computerized system that does not prevent or "red flag" when expenses exceed budgeted amounts.

Effect:

An overexpended budget line and incomplete Agency Fund account balances.

Recommendation:

That the Authority amend its budget by year end, and ensure the inclusion of all cash and related accounts in their financial statements.

In accordance with OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and Division of Local Government Services Regulations, a corrective action plan must be prepared and filed by the City Council in response to comments, if any.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call me.

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March 24, 2011