

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

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

December 31, 2019

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

TABLE OF CONTENTS

| <u>EXHIBIT</u> | <u>TITLE</u> | <u>PAGE</u> |
|---|--|-------------|
| INTRODUCTORY SECTION | | |
| | INDEPENDENT AUDITORS' REPORT | 1 |
| | MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) | 4 |
| BASIC FINANCIAL STATEMENTS | | |
| A | Statements of Net Position | 11 |
| B | Statements of Revenues Expenses and Changes in Net Position | 12 |
| C | Statements of Cash Flows..... | 13 |
| D | Statements of Net Position – Agency Fund..... | 15 |
| E | Statements of Net Position – Barlinvis Apartments Project..... | 16 |
| F | Statements of Revenues, Expenses and Changes in Net Position – Barlinvis Apartments Project | 17 |
| | Notes to Financial Statements..... | 18 |
| SCHEDULE | | |
| REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) | | |
| 1a | Schedule of Proportionate Share of the Net Pension Liability..... | 47 |
| 1b | Schedule of Contributions to Public Employees' Retirement System | 48 |
| 1c | Schedule of Proportionate Share of the Net OPEB Liability and Contributions..... | 49 |
| SUPPLEMENTARY INFORMATION | | |
| 1 | Schedule of Appropriations Compared to Budget – Administration Fund | 50 |
| 2 | Combining Statement of Net Position – Assets | 51 |
| 3 | Combining Statement of Net Position – Liabilities and Net Position | 52 |
| 4 | Combining Statement of Net Position – Bond Funds – Assets | 53 |
| 5 | Combining Statement of Net Position – Bond Funds – Liabilities and Net Position ... | 54 |
| 6 | Combining Statement of Net Position – Grant Funds..... | 55 |
| 7 | Combining Statement of Net Position – Grant Funds – CDBG | 56 |
| 8 | Combining Statement of Net Position – Grant Funds – HOME | 57 |
| 9 | Combining Statement of Net Position – Grant Funds – Other..... | 58 |
| 10 | Combining Statement of Net Position – Agency Funds..... | 59 |
| 11 | Combining Statement of Net Position – Agency Funds – Housing Projects | 60 |

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

TABLE OF CONTENTS (CONTINUED)

| <u>SCHEDULE</u> | <u>TITLE</u> | <u>PAGE</u> |
|-----------------|---|---------------|
| 12 | Combining Statement of Net Position – Agency Funds - Other | 61 |
| 13 | Combining Statement of Net Position – Agency Funds - Mortgages | 62 |
| 14 | Combining Statement of Activities | 63 |
| 15 | Combining Statement of Activities – Grant Funds | 64 |
| 16 | Combining Statement of Activities – Grant Fund – CDBG | 65 |
| 17 | Combining Statement of Activities – Grant Fund – HOME | 66 |
| 18 | Combining Statement of Cash Flows | 67 |
| 19 | Combining Statement of Cash Flows – Bond Fund | 68 |
| 20 | Combining Statement of Cash Flows – Grant Fund | 69 |
| 21 | Combining Statement of Cash Flows – Grant Fund – CDBG | 70 |
| 22 | Combining Statement of Cash Flows – Grant Fund – HOME | 71 |
| 23 | Combining Statement of Cash Flows – Grant Fund – Other | 72 |
| | Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 73 |
| | Independent Auditors’ Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance | 75 |
| | Schedule of Expenditures of Federal Awards | 77 |
| | Notes to Schedule of Expenditures of Federal Awards | 78 |
| | Schedule of Findings and Questioned Costs | 79 |
| | Summary Schedule of Prior Year Audit Findings | 81 |

INTRODUCTORY SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Atlantic County Improvement Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Atlantic County Improvement Authority, a component unit of the County of Atlantic, State of New Jersey (the "Authority") as of and for the years ended December 31, 2019 and 2018, and the Authority's discretely presented component unit as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority and its component unit, as of December 31, 2019 and 2018, and the changes in financial position and cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information as listed in the table of contents and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the part marked "unaudited," has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for the part marked "unaudited," the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Merodien, P.C.

Certified Public Accountants

August 19, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

Financial Highlights

The following are key financial highlights:

- Total assets and deferred outflows of resources at year-end were \$22,502,546 and less than the liabilities and deferred inflows of resources resulting in the net position (deficit) amount of (\$1,822,359).
- Operating revenues were \$4,287,985 an increase from year 2018 in the amount of \$839,271. This primarily resulted from an increase in grants compared to 2018.
- Operating expenses totaled \$3,603,757, an increase from 2018 in the amount of \$45,167, which was primarily the result of the net impact from an increase in grant related expenses and a decrease of employee benefits expense.

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 supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's budget, bond resolutions and other management tools were used for this analysis.

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

The Statements of Net Position present the financial position of the Authority on a full accrual historical cost basis. The Statements of Net Position present information on all of the Authority's assets and liabilities with the difference reported as net position. Over time, increases and decreases in net position are indicators of whether the financial position of the Authority is improving or deteriorating.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Overview of Annual Financial Report (continued)

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

The Notes to 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 user of the financial statements.

Summary of the Organization and Business

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

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

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

Financial Analysis

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Financial Analysis (Continued)

Condensed Statements of Net Position

| | <u>December 31,</u> | | | <u>2019-2018</u> | |
|--|----------------------|----------------------|----------------------|-------------------|-----------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>\$ Change</u> | <u>% Change</u> |
| Cash | \$ 5,316,078 | \$ 4,841,564 | \$ 6,735,654 | \$ 474,514 | 9.80% |
| Other Current Assets and Capital Assets, Net | 15,873,877 | 15,757,669 | 10,123,682 | 116,208 | 0.74% |
| Noncurrent Assets: | | | | | |
| Net Mortgage and Note Receivable | - | - | 19,276,377 | - | 0.00% |
| Deferred Outflows of Resources | 1,312,591 | 1,580,532 | 1,561,786 | (267,941) | -16.95% |
| Total Assets and Deferred Outflows of Resources | \$ 22,502,546 | \$ 22,179,765 | \$ 37,697,499 | \$ 322,781 | 1.46% |
| Current Liabilities | \$ 16,410,853 | \$ 16,237,792 | \$ 12,946,047 | \$ 173,061 | 1.07% |
| Long Term Liabilities: | | | | | |
| Other | 151,360 | 146,794 | 132,693 | 4,566 | 3.11% |
| Bonds & Notes Payable | 127,179 | 154,827 | 19,276,377 | (27,648) | 0.00% |
| Net Pension Liability | 2,445,550 | 2,722,151 | 3,203,744 | (276,601) | -10.16% |
| Net OPEB Liability | 2,059,138 | 3,086,271 | 3,735,920 | (1,027,133) | -33.28% |
| Deferred Inflows of Resources | 3,130,824 | 2,394,600 | 815,781 | 736,224 | 30.75% |
| Total Liabilities and Deferred Inflows of Resources | 24,324,904 | 24,742,435 | 40,110,562 | (417,531) | -1.69% |
| Net Position: | | | | | |
| Restricted and Invested in Capital Assets Net of Related Debt | 1,869,747 | 1,831,277 | 1,897,609 | 38,470 | 2.10% |
| Unrestricted (Deficit) | (3,692,105) | (4,393,947) | (4,310,672) | 701,842 | -15.97% |
| Total Net Position | (1,822,358) | (2,562,670) | (2,413,063) | 740,312 | -28.89% |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 22,502,546 | \$ 22,179,765 | \$ 37,697,499 | \$ 322,781 | 1.46% |

Condensed Statements of Revenues, Expenses and Changes in Net Position

| | <u>December 31,</u> | | | <u>2019-2018</u> | |
|---------------------------------|------------------------------|------------------------------|------------------------------|----------------------------|---------------------------|
| | <u>2019</u> <u>Actual</u> | <u>2018</u> <u>Actual</u> | <u>2017</u> <u>Actual</u> | <u>\$</u> <u>Change</u> | <u>%</u> <u>Change</u> |
| Revenues: | | | | | |
| Fees | \$ 1,315,870 | \$ 1,457,379 | \$ 1,454,338 | \$ (141,509) | -9.71% |
| Grants | 1,718,543 | 840,665 | 1,756,631 | 877,878 | 104.43% |
| Other Revenues | 1,253,571 | 1,150,670 | 1,968,095 | 102,901 | 8.94% |
| Total Operating Revenues | 4,287,985 | 3,448,714 | 5,179,064 | 839,271 | 24.34% |
| Expenses: | | | | | |
| Project Costs | 1,718,543 | 840,665 | 1,505,482 | 877,878 | 104.43% |
| Depreciation | 65,596 | 61,556 | 61,017 | 4,040 | 6.56% |
| General and Administrative | 1,819,617 | 2,656,369 | 3,378,090 | (836,752) | -31.50% |
| Total Operating Expenses | 3,603,757 | 3,558,590 | 4,944,589 | 45,167 | 1.27% |
| Operating Income (Loss) | 684,228 | (109,876) | 234,475 | 794,104 | 459.36% |
| Change in Accounting Principle | - | - | (3,735,920) | - | - |
| Non-Operating Revenues | 56,084 | (39,731) | 52,957 | 95,815 | -241.16% |
| Changes in Net Position | \$ 740,311 | \$ (149,607) | \$ (3,448,488) | \$ 889,918 | 594.84% |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

General Trends and Significant Events

In January of 2015, the Authority assumed ownership of the 68 unit Barlinvis Apartment Complex in Atlantic City and entered into an agreement with the Pleasantville Community Development Corporation for its operation which continued through 2019. The Complex was sold after the end of the year on April 20, 2020.

On January 19, 2016, the Authority closed on a \$12,000,000 loan from the Casino Reinvestment Development Authority. The proceeds of the loan funded the Authority's Boardwalk Improvement Project. One phase of the project consists of safety and security components which include lighting improvements and security cameras. The second phase consists of a 3-D Light Show component and operation of the Boardwalk Hall Light Show. The revenue dedicated to paying the debt service for the loan is limited to the rent payments due to Atlantic City from the privately funded Atlantic City Matrix Project. This loan is a nonrecourse loan to the Authority. Although the revenue was not sufficient in 2019 to meet the amortization schedule the Authority has no obligation to make the payments.

In 2019, the 66,000 square foot (sq/ft) building of the National Aviation Research and Technology Park (NARTP) was substantially completed. The building is the first of seven, which are to be leased to private companies and educational institutions doing Aviation related activities and is a key component in the Atlantic County's effort to diversify the economy. The Authority is the developer, owner and operator of the building, which is now 97% leased including 44,000(+) sq/ft to General Information Technologies, 4,000(+) sq/ft to Thunderbolt Software, 2,600(+) sq/ft to the Atlantic County Institute of Technology, 7,000 sq/ft of lab and offices for FAA and approximately 4,000 sq/ft of Offices for the NARTP. There is currently interest in the remaining 1,200(+) sq/ft of the building. In 2019, the Authority issued a note in the amount of \$15.5 million that renewed the 2018 note in the same amount and provided capital required for the construction of the project.

In 2019 the Authority advanced the development of the 20,000 (+) square foot first building of the Cape May Tech Village Project at the Cape May Airport on land owned by Cape May County. The project was initially financed by the \$6.2 million Atlantic County Improvement Authority Cape May County Secured Loan Revenue Project note issued on February 12, 2019. Upon completion of the project in 2020 the Authority will lease the building from Cape May County for a 10-year period and sub-lease it to private technology-based companies. The Authority has leases in place with two companies, Cellular Tracking Technologies and D-Tech International, USA for approximately 60% of the building.

The Authority continued to implement other activities in 2019, including the Community Development Block Grant (CDBG) and the HOME Investment Partnership Program (HOME) on behalf of Atlantic County, perform project management services for the County and other public entities, provide various services to other agencies, issue and administer bond financings, and undertake its other responsibilities, including management of two public Golf Courses and the administration of the Section 108 business Loan Program.

In 2019, the Authority continued to administer the Atlantic County Home Foreclosure Registry System. The creation of the registry website provides code enforcement officials with a tool to combat properties in foreclosure that have become problems due to lack of proper maintenance. Through a Shared Services Agreement with the Authority, 20 of Atlantic County's 23 municipalities

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

General Trends and Significant Events (Continued)

elected to participate in the program. Although the registration fee varies by municipality, the first \$100.00 goes to the vendor, the next \$100.00 to the municipality, the next \$100.00 to the Authority and any excess over that goes to the municipality. The program has been highly successful and well received by the participating municipalities. In 2019, the economy of Atlantic County improved and the rate of foreclosures decreased which is reflected in the decline of registration fees earned.

The Stockton Atlantic City Project was completed and operational in the fall of 2019. The revenue required to repay the \$78,980,000 Tax-Exempt Debt – Master Lease (Series A Bonds) and \$48,025,000 Tax-Exempt Debt – Tax Credit Supported Debt (Series B Bonds) issued on September 2016 by the Authority but payable by Stockton University, will be generated from operations.

A. Tax-Exempt Debt (Master Lease Supported): The portion of development costs of the Residential Building and Garage portions of the Project are being financed through the issuance of the Series A Bonds by the ACIA secured by the Master Lease. The Master Lease will be a net lease, with fixed rent payments structured to match the debt service on the Series A Bonds. Student housing and parking fees will offset the rent payments to be made by Stockton University. The obligation to make lease payments will be a general obligation of Stockton University, and as a result, the Series A Bonds. The Series A Bonds will have a 30- year term, with approximately 2 years of capitalized interest. The Series A Bonds include a 10-year no-call provision, typical of the current municipal tax-exempt bond market.

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

Financial Condition

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Financial Condition (Continued)

Total assets increased by \$590,722 or 2.87%. The increase is primarily due to an increase of cash and interfunds receivable. The cash increased as a result of the various capital and financing activities of the Authority.

Total liabilities decreased by \$1,320,980 or 5.91%. The decrease was primarily due to the change in actuarial assumptions impacting the net pension and OPEB liabilities.

Results of Operations

Operating Revenues: Revenues from operations fall into three general categories: administrative fees, grants, and other. Operating revenues increased as a result of the increase in grants revenue.

In comparison with the prior year, grants increased by \$877,878 due to increase in activity for CDBG in the current year.

Operating Expenses: Total operating expenses of the Authority increased by \$45,167 from the prior year due to an increase in grant related expenses and a decrease of employee benefits expense. The decrease in employee benefits expense was the result of net credit entries for the GASB 68 and GASB 75 adjustments for pension and other postemployment benefits. The same entries in 2018 were net debit entries. Excluding the GASB 68 and 75 adjustments, employee benefit expenses would have been \$515,927 and \$499,240 in 2019 and 2018, respectively.

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

| | Year Ended December 31, | | | 2019-2018 | |
|---|-------------------------|---------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2017 | \$ | % |
| | <u>Actual</u> | <u>Actual</u> | <u>Actual</u> | <u>Change</u> | <u>Change</u> |
| Operating Expenses: | | | | | |
| Total | \$ 3,604 | \$ 3,559 | \$ 4,944 | \$ 45 | 1.27% |
| Excluding Project Costs | 1,885 | 2,718 | 3,439 | (833) | -30.64% |
| Excluding Project Costs and Depreciation | 1,820 | 2,656 | 3,378 | (837) | -31.50% |

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

| | Actual Amounts | | | |
|---------------------------------|---------------------|----------------|---------------------|----------------|
| | 2019 | | 2018 | |
| Salaries | \$ 1,168,757 | 32.43% | \$ 1,154,270 | 32.44% |
| Fringe & Payroll Taxes | 79,200 | 2.20% | 938,092 | 26.36% |
| Professional Services | 461,010 | 12.79% | 457,594 | 12.86% |
| Insurance | 73,391 | 2.04% | 70,880 | 1.99% |
| Rent & Administrative & General | 37,259 | 1.03% | 35,533 | 1.00% |
| Project Costs | 1,718,543 | 47.69% | 840,665 | 23.62% |
| Depreciation | 65,596 | 1.82% | 61,556 | 1.73% |
| | <u>\$ 3,603,757</u> | <u>100.00%</u> | <u>\$ 3,558,590</u> | <u>100.00%</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Cash Flow Activity

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

| | Year Ended December 31, | | | 2019-2018 | |
|--|-------------------------|--------------|--------------|------------------|-----------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>\$ Change</u> | <u>% Change</u> |
| Total Operating Revenues | \$ 4,287,985 | \$ 3,448,714 | \$ 5,179,064 | \$ 839,271 | 24.34% |
| Net Cash from Operations | 73,357 | 462,728 | 546,154 | (389,371) | -84.15% |
| Net Cash from Operations as a % of Operating Revenues | 1.71% | 13.42% | 10.55% | N/A | -11.71% |

Capital Assets and Debt Administration

The Authority's building at the Aviation Research and Technology Park opened in 2019. The 66,000 square foot building at a net cost of approximately \$15.5 million will be owned and operated by the Authority.

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

In 2019, the Authority issued Atlantic County Guaranteed refunding note in the amount of \$15,500,000 for the Aviation Park Project and a \$6,200,000 Cape May County Secured Loan Revenue Note for the Cape May Tech Village Project. The Authority continues to hold the Faith Baptist bonds that were issued to fund the community center and the ARC of Atlantic County for expenses related to the construction and move to their current location and the St. Augustine bonds which were issued for the construction of certain school facilities to include a multi-use facility containing a 1,500 seat gymnasium, swimming pool and other athletic facilities. In addition, the Authority had a Guaranteed Note for the Egg Harbor Township Golf Course, and mortgage-backed bonds from ARC, Faith Baptist and St. Augustine.

Each debt is paid off solely from the project financed by the proceeds of the debt. The Egg Harbor Township Golf Corporation Guaranteed Note is paid from the Egg Harbor Township Golf Corporation, plus interest on investments. The ARC, Faith Baptist and St. Augustine Bonds are paid by ARC, Faith Baptist and St. Augustine mortgage payments. No payments are made to the Authority; payments are made to the respective bond trustees or bond holders. All investments are held by the bond trustees. The bond trustees also have the primary responsibility of ensuring that all bond requirements are met. The bond trustees also pay the interest and principal of the Authority's debt. The Authority is responsible for maintaining accounting records based on trust statements provided by the trustees.

Contacting the Authority's Financial Management

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

BASIC FINANCIAL STATEMENTS

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

Exhibit A

STATEMENTS OF NET POSITION
December 31, 2019 and 2018

| ASSETS | 2019 | 2018* | LIABILITIES | 2019 | 2018* |
|---|----------------------|----------------------|---|----------------------|----------------------|
| Unrestricted Assets: | | | Unrestricted Liabilities: | | |
| Current Assets: | | | Current Liabilities: | | |
| Cash and Cash Equivalents | \$ 2,335,088 | \$ 2,189,380 | Accounts Payable | \$ 92,348 | \$ 72,025 |
| Interfund Receivable | 159,861 | - | Interfund Payable | 159,861 | - |
| Accounts Receivable | 558,621 | 386,745 | Unearned Program Income | 477,963 | 326,220 |
| Total Unrestricted Current Assets | <u>3,053,571</u> | <u>2,576,125</u> | Pension Payable | 7,367 | 137,518 |
| Restricted Assets: | | | Total Unrestricted Current Liabilities | <u>737,539</u> | <u>535,763</u> |
| Current Assets: | | | Restricted Liabilities: | | |
| Cash and Cash Equivalents | 2,980,990 | 2,652,184 | Current Liabilities: | | |
| Interest Receivable | 13,091 | 69,334 | Accounts Payable | 55,849 | 91,310 |
| Accounts Receivable | 21,710 | - | Interest Payable | 13,091 | 18,241 |
| Notes Receivable | 154,827 | 181,662 | Notes Payable | 27,649 | 26,835 |
| Total Restricted Current Assets | <u>3,170,618</u> | <u>2,903,180</u> | Bond Anticipation Note Payable | 15,500,000 | 15,500,000 |
| Non-Current Assets: | | | Unamortized Bond Premium | 76,725 | 65,643 |
| Mortgages Receivable | 8,494,905 | 8,197,655 | Total Current Liabilities Payable from Restricted Assets | <u>15,673,314</u> | <u>15,702,029</u> |
| Valuation Allowance for Loan Losses | (8,494,905) | (8,197,655) | Long-Term Liabilities: | | |
| Total Restricted Non-Current Assets | <u>-</u> | <u>-</u> | Accrued Sick and Vacation | 151,360 | 146,794 |
| Total Restricted Assets | <u>3,170,618</u> | <u>2,903,180</u> | Notes Payable | 127,179 | 154,827 |
| Capital Assets, Net of Depreciation | 14,965,766 | 15,119,928 | Net Pension Liability | 2,445,550 | 2,722,151 |
| Total Assets | <u>21,189,955</u> | <u>20,599,233</u> | Net OPEB Liability | 2,059,138 | 3,086,271 |
| DEFERRED OUTFLOWS OF RESOURCES | | | Total Long-Term Liabilities | <u>4,783,228</u> | <u>6,110,043</u> |
| Deferred Outflows Related to Pensions | 789,418 | 1,134,747 | Total Liabilities | <u>21,194,081</u> | <u>22,347,835</u> |
| Deferred Outflows Related to OPEB | 523,173 | 445,785 | DEFERRED INFLOWS OF RESOURCES | | |
| Total Deferred Outflows of Resources | <u>1,312,591</u> | <u>1,580,532</u> | Deferred Inflows Related to Pensions | 977,589 | 1,012,841 |
| | | | Deferred Inflows Related to OPEB | 2,153,235 | 1,381,759 |
| | | | Total Deferred Inflows of Resources | <u>3,130,824</u> | <u>2,394,600</u> |
| | | | NET POSITION | | |
| | | | Investment in Capital Assets, Net of Related Debt Restricted for Unemployment | 1,857,929 | 1,819,459 |
| | | | Unrestricted (Deficit) | (3,692,105) | (4,393,947) |
| | | | Total Net Position | <u>(1,822,359)</u> | <u>(2,562,670)</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 22,502,546</u> | <u>\$ 22,179,765</u> | Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 22,502,546</u> | <u>\$ 22,179,765</u> |

*Some amounts have been reclassified to align with current year presentation

See notes to financial statements.

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

Exhibit B

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018*</u> |
|--|-----------------------|-----------------------|
| Operating Revenues: | | |
| Project Administration Fees | \$ 343,726 | \$ 432,813 |
| Bond Fees | 212,256 | 165,756 |
| Grant and Agency Fund Fees | 759,888 | 858,810 |
| Grants | 1,718,543 | 840,665 |
| Reimbursement and Other | <u>1,253,571</u> | <u>1,150,670</u> |
| Total Operating Revenues | <u>4,287,985</u> | <u>3,448,714</u> |
| Operating Expenses: | | |
| Payroll Expenses | 1,168,757 | 1,154,270 |
| Employee Benefits | 79,200 | 938,092 |
| Professional Fees | 461,010 | 457,594 |
| Insurance | 73,391 | 70,880 |
| Administrative and General | 37,259 | 35,533 |
| Project Costs | 1,718,543 | 840,665 |
| Depreciation | <u>65,596</u> | <u>61,556</u> |
| Total Operating Expenses | <u>3,603,756</u> | <u>3,558,590</u> |
| Operating Income (Loss) | <u>684,228</u> | <u>(109,876)</u> |
| Non-Operating Revenues: | | |
| Investment and Interest Income | 47,978 | 55,443 |
| Amortization Income | 124,833 | 46,887 |
| Cost of Issuance | (117,471) | (142,061) |
| Gain on Disposal of Asset | <u>745</u> | <u>-</u> |
| Total Non-Operating Revenues | <u>56,084</u> | <u>(39,731)</u> |
| Changes in Net Position | 740,311 | (149,607) |
| Net Position - Beginning of Year - as Restated | - | (2,413,063) |
| Net Position - Beginning of Year | <u>(2,562,670)</u> | <u>-</u> |
| Net Position - End of Year | <u>\$ (1,822,359)</u> | <u>\$ (2,562,670)</u> |

*Some amounts have been reclassified to align with current year presentation

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

Exhibit C

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

| | 2019 | 2018* |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received from Customers and Users | \$ 2,383,108 | \$ 2,628,874 |
| Cash Received from Grants | 1,689,777 | 837,350 |
| Cash Paid to Subcontractor and Vendors | <u>(3,999,528)</u> | <u>(3,003,496)</u> |
| Net Cash Flows from Operating Activities | <u>73,357</u> | <u>462,728</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment and Interest Income | <u>46,992</u> | <u>4,482</u> |
| Net Cash Flows from Investing Activities | <u>46,992</u> | <u>4,482</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchases of Fixed Assets | (47,300) | 45,741 |
| Principal Payments Received on Mortgages | 29,172 | 10,617 |
| Payments Paid on Loans | (31,984) | (31,985) |
| Payments Received on Loans | 36,427 | 32,008 |
| Payments Made on Construction | (1,785,072) | (7,077,735) |
| Principal Payments Made on Bonds | - | (11,000,000) |
| Transfer to Unearned Program Income | 136,723 | 55,523 |
| Fees Paid | 46,650 | 38,888 |
| Proceeds from Bonds | <u>1,969,550</u> | <u>15,565,643</u> |
| Net Cash Flows from Capital and Related Financing Activities | <u>354,166</u> | <u>(2,361,300)</u> |
| Change in Cash and Cash Equivalents | 474,514 | (1,894,090) |
| Cash and Cash Equivalents - Beginning of Year | <u>4,841,564</u> | <u>6,735,654</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 5,316,078</u> | <u>\$ 4,841,564</u> |
| Reconciliation to Statements of Net Position: | | |
| Unrestricted Cash | \$ 2,335,088 | \$ 2,189,380 |
| Restricted Cash | <u>2,980,990</u> | <u>2,652,184</u> |
| Total Cash and Cash Equivalents | <u>\$ 5,316,078</u> | <u>\$ 4,841,564</u> |

*Some amounts have been reclassified to align with current year presentation

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

Exhibit C

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018*</u> |
|---|------------------|-------------------|
| Reconciliation of Operating Income (Loss) to Net Cash | | |
| Flows from Operating Activities: | | |
| Operating Income (Loss) | \$ 684,228 | \$ (109,876) |
| Adjustments to Reconcile Operating Income (Loss) to | | |
| Net Cash Flows from Operating Activities: | | |
| Depreciation | 65,596 | 61,556 |
| Changes in Assets and Liabilities: | | |
| Pension | (103,682) | 152,527 |
| OPEB | (333,045) | 286,325 |
| Accounts Receivable | (132,639) | 73,834 |
| Accounts Payable | (111,666) | (15,739) |
| Accrued Sick and Vacation | 4,566 | 14,101 |
| | <u>4,566</u> | <u>14,101</u> |
| Net Cash Flows from Operating Activities | <u>\$ 73,357</u> | <u>\$ 462,728</u> |

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

Exhibit D

STATEMENTS OF NET POSITION – AGENCY FUND
December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash | \$ 1,427,343 | \$ 1,243,472 |
| Mortgage Interest Receivable | 1,124,654 | 861,640 |
| Accounts Receivable - Other | 1,803,568 | 280,616 |
| Mortgages Receivable | 17,231,154 | 16,195,632 |
| Mortgages Receivable - Valuation Allowance | <u>(17,211,420)</u> | <u>(17,005,325)</u> |
| Total Assets | <u>\$ 4,375,298</u> | <u>\$ 1,576,035</u> |
| LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 2,043,319 | \$ 186,698 |
| Bonds and Loans Payable | 219,670 | 219,670 |
| Due to: | | |
| Various Agencies | <u>2,112,310</u> | <u>1,169,667</u> |
| Total Liabilities | <u>\$ 4,375,298</u> | <u>\$ 1,576,035</u> |

STATEMENTS OF NET POSITION – BARLINVIS APARTMENTS PROJECT
December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 435,679 | \$ 183,330 |
| Tenant Security Deposits | 25,395 | 20,310 |
| Accounts Receivable - Tenants | 9,334 | 35,999 |
| Accounts Receivable - Tenant Assistance | 49,062 | 64,975 |
| Prepaid Expenses | 6,769 | 39,260 |
| Total Current Assets | <u>526,239</u> | <u>343,874</u> |
| Non-current Assets | | |
| Reserve for Repairs and Replacements | 228,182 | 356,399 |
| Capital Assets, Net | 2,814,858 | 2,628,512 |
| Total Non-current Assets | <u>3,043,040</u> | <u>2,984,911</u> |
| Total Assets | <u>\$ 3,569,279</u> | <u>\$ 3,328,785</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | \$ 4,759 | \$ 20,370 |
| Total Current Liabilities | <u>4,759</u> | <u>20,370</u> |
| Non-current Liabilities | | |
| Tenant Security Deposits | 16,967 | 17,035 |
| Total Non-current Liabilities | <u>16,967</u> | <u>17,035</u> |
| Total Liabilities | <u>21,726</u> | <u>37,405</u> |
| NET POSITION | | |
| Investment in Capital Assets, Net of Related Debt | 2,814,858 | 2,628,512 |
| Restricted | 228,182 | 356,399 |
| Unrestricted | 504,513 | 306,469 |
| Total Net Position | <u>\$ 3,547,553</u> | <u>\$ 3,291,380</u> |

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

Exhibit F

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
BARLINVIS APARTMENTS PROJECT
Years Ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|----------------------------|----------------------------|
| Operating Revenues | | |
| Tenant Revenue | \$ 174,418 | \$ 174,694 |
| Subsidy Revenue | 602,456 | 648,014 |
| Other Revenues | 3,744 | 3,370 |
| Total Operating Revenues | <u>780,618</u> | <u>826,078</u> |
| Operating Expenses | | |
| Administrative | 118,246 | 120,457 |
| Utilities | 98,839 | 98,193 |
| Ordinary Maintenance and Operations | 86,627 | 160,081 |
| Taxes and Insurance | 72,323 | 57,511 |
| Bad Debt Expense | 43,075 | - |
| Depreciation | 107,239 | 88,879 |
| Total Operating Expenses | <u>526,349</u> | <u>525,121</u> |
| Operating Income | <u>254,269</u> | <u>300,957</u> |
| Non-operating Income | | |
| Investment Income | <u>1,904</u> | <u>1,734</u> |
| Changes in Net Position | 256,173 | 302,691 |
| Net Position, Beginning of Year | <u>3,291,380</u> | <u>2,988,689</u> |
| Net position, End of Year | <u><u>\$ 3,547,553</u></u> | <u><u>\$ 3,291,380</u></u> |

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

NOTES TO FINANCIAL STATEMENTS

A. ORGANIZATION

General

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

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

The Authority assists in the financing of projects by issuing bonds and notes. Outstanding bonds that were issued prior to 2019 include 501(c)3 bonds that financed loans to certain Atlantic County non-profits including the Egg Harbor Township Golf Corporation, ARC of Atlantic County, Faith Baptist Church Community Center, and St. Augustine High School. In 2016, the Authority issued Lease Revenue Bonds to finance a portion of the construction of the Stockton University Island Campus Redevelopment Project Campus, a note to finance the initial portion of the development of the first building at the Stockton Aviation Research and Technology Park (which the Authority will construct and own), and a Loan Revenue Bond to create a Pooled Financing Program for three municipalities to permanently finance Bond Anticipation Notes and unfunded capital improvements and acquisitions.

In 2019, the Authority renewed the note that also provided additional capital needed to continue the construction of the Aviation Park Building and issued a bond to refund the outstanding portion of the Egg Harbor Township Golf Corporation Bond.

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

A new program initiated in 2016 was the Foreclosure Registry Program. Through a Shared Services agreement with twenty participating municipalities the program was designed to facilitate code enforcement for abandoned properties that are in some stage of foreclosure. The program continues in 2019 and has generated revenue for the year from registration fees.

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

NOTES TO FINANCIAL STATEMENTS

A. ORGANIZATION (CONTINUED)

General (Continued)

In 2014, the Authority undertook a new Economic Development Initiative. In 2019, activities under that initiative included the continuation of a Redevelopment Program where the Authority provides funds and technical assistance to six municipalities in advancing redevelopment projects. In addition to the administration of the HUD CDBG Section 108 Business Loan Program, support provided to the newly formed Atlantic County Economic Alliance and oversight of the construction of the Building at the Aviation Research and Technology Park which was completed May 2019, the Authority's Project Management Division undertakes projects on behalf of governments, school districts and other authorities under shared services agreements. In 2019 and 2018, the Authority managed several projects for Atlantic Cape Community College; completed the Boardwalk Improvement Project and Atlantic City Public Safety Building Improvement Project, a Demolition Program for Atlantic City; ADA.

Since 2007, the Authority has operated Atlantic County's John F. Gaffney Green Tree Golf Course "Golf Course". In 2016, the Authority also entered into a shared services agreement with the City of Brigantine to operate the City-owned Links at Brigantine Golf Course. Both agreements continued in 2019 and are in place for 2020.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The Authority, as a component unit of the County, is financially accountable to the County. The Authority, as a component unit, issues separate financial statements from the County. If the County presented its financial statements in accordance with GAAP, these financial statements would be included with the County's on a blended basis.

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

Based on the aforementioned criteria, the Authority has Barlinvis Apartments Project as its component unit.

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Financial Statements

The Authority's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to proprietary (enterprise) funds of state and local governments. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (deficit), financial position and cash flows. The GASB is responsible for establishing GAAP for state and local governments through its pronouncements.

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

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

Budgets and Budgetary Accounting

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

Agency Funds - The Agency Funds held by the Authority account for projects administered by the Authority and assets/liabilities held in the Authority's name on behalf of others. Cash, cash equivalents, and investments held in these funds are considered restricted in accordance with the terms of the individual contracts and agreements (see Note C for balances). Accounts receivable recorded in these funds are due from various agencies as a direct offset between the bonds/loans payable due on these projects and the cash held on behalf of others.

Restricted Assets

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

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets (Continued)

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

Leave Policies

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

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

Pension and Other Post-employment Benefits

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* requires participating employers in the plan to recognize their proportionate share of the collective total pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense based on the ratio of plan members of an individual employer to the total members of the plan.

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

Use of Estimates

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

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks of Loss

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

Cash and Cash Equivalents

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

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

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

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue. For the Authority this is primarily recognized with grants.

Net Position

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

- Investment in Capital Assets, Net of Related Debt – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- Restricted for Unemployment – Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted (Deficit) – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows/Outflows of Resources

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

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

Mortgages Receivable

Mortgages receivable are stated at unpaid principal balances, less the allowance for loan losses as estimated by management. These mortgages are deed restricted, and the Authority will not collect against them unless the terms of the deed restriction are violated. The Authority does not anticipate any violations in the terms, and therefore does not anticipate collections on those removed balances.

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

Capital Assets

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

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

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

| | |
|-------------------------|----------|
| Buildings | 40 years |
| Furniture and equipment | 5 years |

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles

Recently Issued Accounting Pronouncements

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

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting requirements for certain asset retirement obligations and establishes the timing and pattern of recognition of a liability and corresponding deferred outflows of resources. This Statement will be effective for the year ending December 31, 2020. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will be effective for the year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

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

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Statement will become effective for the Authority in the fiscal year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

Recently Issued Accounting Pronouncements (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement will become effective for the Authority in the fiscal year ending December 31, 2021. Management has not yet determined the impact of this Statement on the financial statements.

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

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

Basis of Accounting

The financial statements of the Project are prepared in accordance with GAAP. The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

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

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Cash and Cash Equivalents

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

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

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

Accounts Receivable – Tenants

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

Allowance for Doubtful Accounts

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

Prepaid Expenses

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

Taxes

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

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets, Net

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

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

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

Operating Revenues and Expenses

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

Equity Classifications

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

Investment in Capital Asset, Net of Related Debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

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

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

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

NOTES TO FINANCIAL STATEMENTS

C. CASH AND CASH EQUIVALENTS

Cash includes amounts on deposit, petty cash, change funds and short-term investments with original maturities of 90 days or less.

The New Jersey Governmental Unit Deposit Protection Act (“NJGUDPA”) permits the deposit of public funds in the State of New Jersey Cash Management Fund or in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (“FDIC”) or by any other agencies of the United States that insure deposits. NJGUDPA requires public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

Each deposit participating in the NJGUDPA system must pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million. The minimum 5% pledge applies to institutions that are categorized as “well capitalized” by Federal banking standards. The percentage of the required pledge will increase for institutions that are less than “well capitalized.”

No collateral is required for amounts covered by FDIC or National Credit Union Share Insurance Fund (“NCUSIF”) insurance. The collateral which may be pledged to support these deposits includes obligations of the State and Federal governments, insured securities and other collateral approved by the Department of Banking and Insurance. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged.

If a governmental depository fails and the FDIC or NCUSIF insurance does not insure or pay out the full amount of public deposits, the collateral pledged to protect these funds would first be liquidated and paid out. If this amount is insufficient, other institutions holding public funds would be assessed pro rata up to 4% of their uninsured public funds. Although these protections do not constitute a 100% guarantee of the safety of all funds, no governmental unit under NJGUDPA has ever lost protected deposits.

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 GUDPA or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents.

| Type | Carrying Value | |
|---|---------------------|---------------------|
| | 2019 | 2018 |
| Deposits: | | |
| Demand Deposits | \$ 6,743,421 | \$ 6,085,036 |
| Total Deposits | <u>\$ 6,743,421</u> | <u>\$ 6,085,036</u> |
| Reconciliation of Statements of Net Position: | | |
| Governmental-Type Activity | \$ 5,316,078 | \$ 4,841,564 |
| Fiduciary Fund | 1,427,343 | 1,243,472 |
| Total Cash and Cash Equivalents | <u>\$ 6,743,421</u> | <u>\$ 6,085,036</u> |

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

NOTES TO FINANCIAL STATEMENTS

C. CASH AND CASH EQUIVALENTS (CONTINUED)

As of December 31, 2019 and 2018, the Authority's bank balances of \$6,778,136 and \$6,144,031, respectfully, were not exposed to custodial credit risk. Of the bank balances, \$500,000 and \$250,209, respectfully, were covered by the Federal Deposit Insurance Corporation. As of December 31, 2019 and 2018, the balances of \$6,258,818 and \$5,893,822, respectfully, were collateralized in the Authority's name under GUDPA. For December 31, 2019, \$19,318 was held in the Authority's New Jersey Cash Management Fund which were uninsured and uncollateralized.

D. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2019 and 2018, consisted of the following for the Authority:

| | | |
|------------------------------------|-------------------|-------------------|
| | 2019 | 2018 |
| Accounts receivable – Unrestricted | <u>\$ 558,621</u> | <u>\$ 386,745</u> |
| | <u>\$ 558,621</u> | <u>\$ 386,745</u> |

Accounts receivable at December 31, 2019 and 2018, consisted of the following for the Agency Fund:

| | | |
|-----------------------------|---------------------|-------------------|
| | 2019 | 2018 |
| Accounts receivable – Other | <u>\$ 1,803,568</u> | <u>\$ 280,616</u> |
| | <u>\$ 1,803,568</u> | <u>\$ 280,616</u> |

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

E. CAPITAL ASSETS

A summary of changes in capital assets for the years ended December 31, 2019 and 2018, follows:

| | Furniture and Equipment | Buildings | Barlinvis Apartments | Construction in Progress | Accumulated Depreciation | Capital Assets Net |
|----------------------------|----------------------------|----------------------|-------------------------|-----------------------------|-----------------------------|-----------------------|
| Balance: January 1, 2019 | \$ 161,269 | \$ - | \$ 1,900,000 | \$ 13,397,517 | \$ (338,858) | \$ 15,119,928 |
| Adjustments | 25,371 | 13,252,020 | - | (13,397,517) | (34,036) | (154,162) |
| Balance: December 31, 2019 | <u>\$ 186,640</u> | <u>\$ 13,252,020</u> | <u>\$ 1,900,000</u> | <u>\$ -</u> | <u>\$ (372,894)</u> | <u>\$ 14,965,766</u> |
| | Furniture and Equipment | Buildings | Barlinvis Apartments | Construction in Progress | Accumulated Depreciation | Capital Assets Net |
| Balance: January 1, 2018 | \$ 115,529 | \$ - | \$ 1,900,000 | \$ 6,162,990 | \$ (178,348) | \$ 8,000,171 |
| Adjustments | 45,740 | - | - | 7,234,527 | (160,510) | 7,119,757 |
| Balance: December 31, 2018 | <u>\$ 161,269</u> | <u>\$ -</u> | <u>\$ 1,900,000</u> | <u>\$ 13,397,517</u> | <u>\$ (338,858)</u> | <u>\$ 15,119,928</u> |

The Authority completed development on a portion of the Stockton Aviation Research and Technology Park in 2019. The Authority's net adjustments to construction in progress for the years ended December 31, 2019 and 2018, were \$(13,397,517) and \$7,234,527, respectfully, on construction and development of the site and transfer of the site to depreciable capital asset upon its completion in 2019.

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

NOTES TO FINANCIAL STATEMENTS

F. MORTGAGES RECEIVABLE

The following represents a summary of mortgages and interest receivable held in the Authority's Grant Fund as of December 31, 2019 and 2018, which are considered impaired:

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|--------------------|
| Mortgages receivable - schedule to be forgiven if conditions are met | \$ 8,494,905 | \$ 8,197,655 |
| Total allowance for loan forgiveness | <u>(8,494,905)</u> | <u>(8,197,655)</u> |
| Net receivable value | <u>\$ -</u> | <u>\$ -</u> |

G. MORTGAGES RECEIVABLE – IMPAIRED ASSETS

The following represents the activity of the valuation allowance for loan losses during 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Balance of valuation allowance for loan losses: January 1, | \$ 8,197,655 | \$ 8,612,878 |
| Increases | | |
| Recoveries and write-offs | <u>297,250</u> | <u>(415,223)</u> |
| Subtotal increases | 297,250 | (415,223) |
| Subtotal | <u>8,494,905</u> | <u>8,197,655</u> |
| Balance of valuation allowance for loan losses: December 31, | <u>\$ 8,494,905</u> | <u>\$ 8,197,655</u> |

The following represents a summary of mortgages and mortgage interest receivable held in the Authority's Agency Fund as of December 31, 2019 and 2018, which are considered impaired:

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Mortgages receivable | \$ 17,231,154 | \$ 16,195,632 |
| Total mortgages receivable valuation allowance | <u>(17,211,420)</u> | <u>(17,005,325)</u> |
| Net mortgages receivable - December 31, | <u>\$ 19,734</u> | <u>\$ (809,693)</u> |

The following table represents the ending balance of the mortgage receivable valuation allowance in the Agency Fund for the years ended December 31, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Balance of mortgage receivable valuation allowance: December 31, | \$ 17,211,420 | \$ 17,005,325 |
| Analysis of balance: | | |
| Mortgage interest receivable | 1,124,654 | 861,640 |
| Mortgages receivable | <u>16,086,766</u> | <u>16,143,685</u> |
| Balance | <u>\$ 17,211,420</u> | <u>\$ 17,005,325</u> |

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

NOTES TO FINANCIAL STATEMENTS

H. BOND ANTICIPATION NOTE

Stockton Aviation Technology and Research Park

Under a Bond Authorization of \$15,500,000 to facilitate the financing, construction and operation of a portion of the Stockton Aviation Research and Technology Park of New Jersey, Inc. on September 27, 2016, the Authority issued a note in an original amount of \$8,000,000 to provide the initial funding to begin construction of the first building. In September of 2017, the Authority issued a note in the amount of \$11,000,000 to refund the 2016 note and provide additional capital required for the construction of the building.

In 2018, the Authority issued a note in the amount of \$15.5 million that refunded the initial \$11 million and provided additional capital required for the construction of the project. This note was renewed in 2019 and matured on June 17, 2020. An additional renewal was completed on June 16, 2020. See subsequent event note R for additional detail.

I. LONG-TERM LIABILITIES

Long-term liabilities as of December 31, 2019 and 2018, consisted of the following:

| | December 31, 2019 Balance | Due in One Year | December 31, 2018 Balance | Due in One Year |
|-----------------------|------------------------------|--------------------|------------------------------|--------------------|
| Net pension liability | \$ 2,445,550 | \$ - | \$ 2,722,151 | \$ - |
| Net OPEB liability | 2,059,138 | - | 3,086,271 | - |
| Notes Payable | 154,827 | 27,648 | 181,662 | 26,835 |
| Compensated absences | 151,360 | - | 146,794 | - |
| | <u>\$ 4,810,875</u> | <u>\$ 27,648</u> | <u>\$ 6,136,878</u> | <u>\$ 26,835</u> |

J. CONDUIT DEBT

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

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

The principal amount outstanding on the debt at December 31, 2019 and 2018, was \$164,500,831 and \$182,559,149, respectively. This amount is excluded from the financial statements of the Authority.

Egg Harbor Township Guaranteed Revenue Bonds

In 2000, the Authority issued bonds in the original amount of \$10,880,000. The bonds are special and limited obligations of the Authority, and the principal or redemption price of and interest on the Bonds are payable from properties and funds pledged under the bond resolution ("Resolution") and are secured by a guaranty agreement with the Township of Egg Harbor dated as of September 1, 2000. The guaranty agreement is authorized by a Township ordinance finally adopted July 26, 2000, requiring the Township to pledge its full faith and credit to the punctual

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

NOTES TO FINANCIAL STATEMENTS

J. CONDUIT DEBT (CONTINUED)

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.

Egg Harbor Township Guaranteed Revenue Refunding Bonds

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

Egg Harbor Township Golf Corporation Trustee Activity

The following represents the Egg Harbor Township Golf Corporation's trustee activity during the years ended December 31, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Opening cash and cash equivalents - January 1, | \$ 735,694 | \$ 713,522 |
| Increases | | |
| Interest earned | 18,065 | 13,847 |
| Payment from Egg Harbor Township Golf Course | <u>825,000</u> | <u>700,000</u> |
| Subtotal Increases | <u>843,065</u> | <u>713,847</u> |
| Revised cash and equivalents | <u>1,578,759</u> | <u>1,427,369</u> |
| Decreases | | |
| Administrative costs | (9,000) | (9,000) |
| Interest paid | (282,275) | (297,675) |
| Principal paid | <u>(400,000)</u> | <u>(385,000)</u> |
| Subtotal decreases | <u>(691,275)</u> | <u>(691,675)</u> |
| Ending cash and cash equivalents - December 31, | <u>\$ 887,484</u> | <u>\$ 735,694</u> |

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

NOTES TO FINANCIAL STATEMENTS

J. CONDUIT DEBT (CONTINUED)

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

The ARC of Atlantic County

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

Faith Baptist Church

On September 22, 2006, the Authority issued bonds in an original amount of \$1,000,000 to provide funds for a portion of the Faith Baptist Church building program in Pleasantville. The proceeds of the bonds have been lent to the Faith Baptist Church and are secured by a mortgage note dated September 22, 2006.

Beginning in 2006, there will be 225 fixed monthly payments of \$6,738.80 due to the Authority until January 2, 2026.

K. PENSION OBLIGATIONS

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

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

NOTES TO FINANCIAL STATEMENTS

K. PENSION OBLIGATIONS (CONTINUED)

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

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

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

Allocation Methodology - GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The Authority allocation percentage is based on the ratio of the contributions of the Authority to the total contributions to PERS during the measurement period July 1, 2018 through June 30, 2019. Contributions from the Authority are recognized when due, based on statutory requirements. Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan. To facilitate the separate (sub) actuarial

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

NOTES TO FINANCIAL STATEMENTS

K. PENSION OBLIGATIONS (CONTINUED)

Allocation Methodology (Continued)

valuations, the Division maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentage as of June 30, 2019 and 2018, is based on the ratio of the Authority's contributions to the plan relative to total employer contributions of the all participating employers' contributions for the years ended June 30, 2019 and 2018.

Contributions - The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets.

For the years ended December 31, 2019 and 2018, the Authority's contractually required contributions to PERS were \$132,020 and \$137,518, respectively.

Components of Net Pension Liability - At December 31, 2019 and 2018, the Authority's proportionate share of the PERS net pension liability was \$2,445,550 and \$2,722,151, respectively. The December 31, 2019 and 2018, net pension liabilities were determined by an actuarial valuation as of July 1, 2018 and July 1, 2017, which was rolled forward to June 30, 2019 and June 30, 2018, respectively. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The Authority's proportion measured as of June 30, 2019, was .0135724542% which was a decrease of .00025% from its proportion measured as of June 30, 2018.

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2019 and 2018, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2019 and 2018, measurement dates were \$231,505 and \$280,025, respectively. At December 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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

NOTES TO FINANCIAL STATEMENTS

K. PENSION OBLIGATIONS (CONTINUED)

| | December 31, 2019 | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 43,894 | \$ 10,803 |
| Changes of assumptions | 244,197 | 848,843 |
| Net difference between projected and actual investment earnings on pension plan investments | - | 38,604 |
| Changes in proportion | 435,317 | 79,339 |
| Authority contributions subsequent to the measurement date | 66,010 | - |
| | <u>\$ 789,418</u> | <u>\$ 977,589</u> |

| | December 31, 2018 | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 51,912 | \$ 14,036 |
| Changes of assumptions | 448,565 | 870,399 |
| Net difference between projected and actual investment earnings on pension plan investments | - | 25,534 |
| Changes in proportion | 634,270 | 102,872 |
| | <u>\$ 1,134,747</u> | <u>\$ 1,012,841</u> |

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

| <u>Years Ending December 31,</u> | <u>Amount</u> |
|----------------------------------|---------------------|
| 2020 | \$ 331,851 |
| 2021 | (128,292) |
| 2022 | (238,481) |
| 2023 | (195,291) |
| 2024 | (23,969) |
| | <u>\$ (254,182)</u> |

Actuarial Assumptions - The collective total pension liability for the June 30, 2019, measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The collective total pension liability for the June 30, 2018, measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. These actuarial valuations used the following actuarial assumptions:

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

NOTES TO FINANCIAL STATEMENTS

K. PENSION OBLIGATIONS (CONTINUED)

| | 2019 | 2018 |
|--|------------------------------|------------------------------|
| Inflation | | |
| Price | 2.75% | 2.25% |
| Wage | 3.25% | |
| Salary Increases through 2026 (based on age) | 2.00-6.00% | 1.65-4.15% |
| Salary Increases: Thereafter (based on age) | 3.00-7.00% | 2.65-5.15% |
| Investment rate of return | 7.00% | 7.00% |
| Mortality rate table | Pub-2010 | RP-2000 |
| Period of actuarial experience study upon which actuarial assumptions were based | July 1, 2014 - June 30, 2018 | July 1, 2011 - June 30, 2014 |

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree Mortality Table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree Mortality Table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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

NOTES TO FINANCIAL STATEMENTS

K. PENSION OBLIGATIONS (CONTINUED)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2019 and 2018), is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees, and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 and 2018, are summarized in the following tables:

| Asset Class | 2019 | |
|-----------------------------------|-------------------|---|
| | Target Allocation | Long-Term Expected Real Rates of Return |
| Risk mitigation strategies | 3.00% | 4.67% |
| Cash equivalents | 5.00% | 2.00% |
| U.S. treasuries | 5.00% | 2.68% |
| Investment grade credit | 10.00% | 4.25% |
| High yield | 2.00% | 5.37% |
| Private credit | 6.00% | 7.92% |
| Real assets | 2.50% | 9.31% |
| Real estate | 7.50% | 8.33% |
| U.S. equity | 28.00% | 8.26% |
| Non-U.S. developed markets equity | 12.50% | 9.00% |
| Emerging markets equity | 6.50% | 11.37% |
| Private equity | 12.00% | 10.85% |
| | <u>100.00%</u> | |

| Asset Class | 2018 | |
|-----------------------------------|-------------------|---|
| | Target Allocation | Long-Term Expected Real Rates of Return |
| Risk mitigation strategies | 5.00% | 5.51% |
| Cash equivalents | 5.50% | 1.00% |
| U.S. treasuries | 3.00% | 1.87% |
| Investment grade credit | 10.00% | 3.78% |
| High yield | 2.50% | 6.82% |
| Global diversified credit | 5.00% | 7.10% |
| Credit oriented hedge funds | 1.00% | 6.60% |
| Debt related private equity | 2.00% | 10.63% |
| Debt related real estate | 1.00% | 6.61% |
| Private real asset | 2.50% | 11.83% |
| Equity related real estate | 6.25% | 9.23% |
| U.S. equity | 30.00% | 8.19% |
| Non-U.S. developed markets equity | 11.50% | 9.00% |
| Emerging markets equity | 6.50% | 11.64% |
| Buyouts/venture capital | 8.25% | 13.08% |
| | <u>100.00%</u> | |

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

NOTES TO FINANCIAL STATEMENTS

K. PENSION OBLIGATIONS (CONTINUED)

Discount Rate - The discount rate used to measure the net pension liability was 6.28% and 5.66% as of June 30, 2019 and 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 and 3.87% as of June 30, 2018, based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the participating employers as of June 30, 2019 and 2018, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | At 1% Decrease | At Current Discount Rate | At 1% Increase |
|---|----------------|--------------------------|----------------|
| Authority's proportionate share of net pension liability 2019 | \$ 3,110,618 | \$ 2,445,550 | \$ 1,916,486 |
| Authority's proportionate share of net pension liability 2018 | 3,442,791 | 2,722,151 | 2,134,359 |

L. POST-RETIREMENT BENEFITS

General Information About the OPEB Plan

The Authority participates in the State Health Benefit Local Government Retired Employees Plan (the “Plan”). The Plan is a cost-sharing multiple-employer defined post-retirement benefit plan, which is administered by the Division. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the Division’s CAFR, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>. The Plan provides continued health care benefits to employees retiring after twenty-five years of service. Benefits, contributions, funding and the manner of administration are determined by the State of New Jersey Legislature. The Division charges the Authority for its contributions. The total number of retired participants eligible for benefits was 17 and 20 at December 31, 2019 and 2018, respectively.

The Authority's contributions to the Plan for the years ended December 31, 2019 and 2018, were \$292,116 and \$269,285, respectively.

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

NOTES TO FINANCIAL STATEMENTS

L. POST-RETIREMENT BENEFITS (CONTINUED)

General Information About the OPEB Plan (Continued)

The Plan covers employees of local government employers that have adopted a resolution to participate in the Plan. The Authority adopted a resolution on December 13, 2018. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

L. POST-RETIREMENT BENEFITS (CONTINUED)

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019, for the year ended December 31, 2019, and July 1, 2017 through June 30, 2018, for the year ended December 31, 2018. The allocation percentage and the OPEB amounts were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the OPEB Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Net OPEB Liability

Components of Net OPEB Liability

The components of the Authority's net OPEB liability as of December 31, 2019 and 2018, are as follows:

| | December 31, 2019 | December 31, 2018 |
|---|----------------------|----------------------|
| Total OPEB liability | \$ 2,100,663 | \$ 3,086,271 |
| Plan Fiduciary Net Position | 41,525 | 60,733 |
| Net OPEB Liability | <u>\$ 2,059,138</u> | <u>\$ 3,025,537</u> |
| Plan Fiduciary Net Position as a % of total OPEB liability | 1.98% | 1.97% |

Actuarial Assumptions

The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total OPEB liability as of June 30, 2018, was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. The actuarial valuations used the following actuarial assumptions:

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

NOTES TO FINANCIAL STATEMENTS

L. POST- RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

| | <u>2019*</u> | <u>2018*</u> |
|-------------------|---------------|---------------|
| Inflation | 2.50% | 2.50% |
| Salary increases* | | |
| Through 2026 | 2.00% - 6.00% | 1.65% - 8.98% |
| Thereafter | 3.00% - 7.00% | 2.65% - 9.98% |

* Salary increases are based on years of service within the respective plan.

** Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Mortality Rates

Mortality rates were based on the Pub-2010 General Classification Headcount-Weighted Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Actuarial assumptions used in the July 1, 2018, valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018, and July 1, 2014 to June 30, 2018, respectively. One-hundred percent of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Discount Rate

The discount rates for June 30, 2019 and 2018, were 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2019 and 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

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

NOTES TO FINANCIAL STATEMENTS

L. POST-RETIREMENT BENEFITS (CONTINUED)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate (Continued)

| At June 30, 2019 | | |
|--------------------------|------------------------------------|--------------------------|
| At 1% Decrease (2.5%) | At Current Discount Rate (3.5%) | At 1% Increase (4.5%) |
| \$ 2,422,413 | \$ 2,059,138 | \$ 1,839,199 |

| At June 30, 2018 | | |
|---------------------------|-------------------------------------|---------------------------|
| At 1% Decrease (2.87%) | At Current Discount Rate (3.87%) | At 1% Increase (4.87%) |
| \$ 3,549,755 | \$ 3,086,271 | \$ 2,606,806 |

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

The following presents the net OPEB liability as of June 30, 2019 and 2018, respectively, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| At June 30, 2019 | | |
|-------------------|-------------------------------|-------------------|
| At 1% Decrease | Healthcare Cost Trend Rate | At 1% Increase |
| \$ 1,779,184 | \$ 2,059,138 | \$ 2,510,764 |

| At June 30, 2018 | | |
|-------------------|-------------------------------|-------------------|
| At 1% Decrease | Healthcare Cost Trend Rate | At 1% Increase |
| \$ 2,523,783 | \$ 3,086,271 | \$ 3,674,882 |

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

NOTES TO FINANCIAL STATEMENTS

L. POST-RETIREMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

| | December 31, 2019 | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 602,172 |
| Changes of assumptions | - | 729,713 |
| Net difference between projected and actual earnings on OPEB Plan investments | 1,696 | - |
| Changes in proportion | 376,744 | 821,350 |
| Contributions subsequent to the measurement date | 144,733 | - |
| | \$ 523,173 | \$ 2,153,235 |

| | December 31, 2018 | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 614,292 |
| Changes of assumptions | - | 767,467 |
| Net difference between projected and actual earnings on OPEB Plan investments | 1,599 | - |
| Changes in proportion | 444,186 | - |
| | \$ 445,785 | \$ 1,381,759 |

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

| Years Ending December 31, | Amount |
|---------------------------|----------------|
| 2020 | \$ (273,482) |
| 2021 | (215,352) |
| 2022 | (215,509) |
| 2023 | (215,792) |
| 2023 | (215,885) |
| Thereafter | (194,169) |
| | \$ (1,330,189) |

Changes in Proportion

The total of the previous table reflects the net difference between the deferred outflows of resources and deferred inflows of resources as of December 31, 2019, excluding the employer specific deferred outflows of resources of \$376,744, contributions after the measurement date of \$144,733, and deferred inflows of resources of \$821,350 related to the changes in proportion. These amounts will be recognized (amortized) by the Authority over the average remaining service lives of all plan members, which is 8.14 years and 8.05 years for the 2019 and 2018 amounts, respectively.

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

NOTES TO FINANCIAL STATEMENTS

M. 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.

N. COMPENSATED ABSENCES

Employees become eligible to receive sick leave in accordance with Note B. The benefits are provided as the lesser of \$15,000 or 50% of accrued sick leave. Management estimates that the unrecorded balance of accrued sick leave at December 31, 2019 and 2018, assuming all employees are eligible for accrued sick leave at termination, is approximately \$151,360 and \$146,794, respectively.

O. ECONOMIC DEPENDENCY

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

P. RELATED-PARTY TRANSACTIONS

The Authority leases its primary office space from the County under annual lease agreements. Rent expense paid to the County during 2019 and 2018 was \$0.

The Authority entered into an agreement with the County for the Authority to operate the Golf Course effective June 1, 2007, for a renewable one-year term ending May 31, 2008. On July 14, 2008, the Authority and County amended the initial agreement to December 31, 2007, and enter into a renewal agreement for one year commencing January 1, 2008 and ending December 31, 2008. A renewed agreement was finalized on December 27, 2013, that was substantially comparable to the previous agreement. The Authority will perform the day-to-day operation of the Golf Course including the Golf Course's pro shop and club house. All of the Golf Course equipment which is currently owned by the County shall remain County property but shall be made available for the use and benefit of the Authority. At the discretion of the County Treasurer, the Authority makes one annual payment of revenue and interest to the County, if net proceeds are available. The net revenue shall be based upon the gross revenues of the Golf Course (including green fees, net pro shop sales, and any other revenue generated in connection with Golf Course operations) less operating and management expenses that are incurred by the Authority pursuant to the agreement. For 2019 and 2018, no payments were made to the County, as no net proceeds were available as of December 31, 2019 and 2018.

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

NOTES TO FINANCIAL STATEMENTS

Q. RENT REVENUES

The Authority finalized several noncancelable rental agreements with various entities related to the National Aviation and Technology Park project in 2019, primarily for business premises and equipment that expire at various dates through January 1, 2025. Those rental agreements generally contain renewal options for periods up to ten years. Starting in 2020 rental income will be received for those agreements. In addition to the rental revenue the Authority has promised to provide rental space for the National Aviation Research and Technology Park, Inc. and the Federal Aviation Administration for an indefinite period in exchange for the use of the use of the land that the new facility was constructed on. Future minimum rental revenue under rental agreements are as follows:

| <u>Years Ended</u> | <u>Amount</u> |
|--------------------|---------------------|
| 2020 | \$ 691,470 |
| 2021 | 770,563 |
| 2022 | 790,023 |
| 2023 | 782,548 |
| 2024 | 786,104 |
| 2025 | 59,183 |
| | <u>\$ 3,879,891</u> |

R. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a Public Health Emergency of International Concern and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates. Due to the impact of New Jersey Governor Murphy's Executive Order No. 107 dated March 21, 2020, mandating statewide stay-at home practices and closure of all non-essential retail businesses, it is reasonably possible that revenues will decline significantly. It is unknown how long these conditions will last and what the complete financial effect will be to the Authority.

The Authority assumed ownership of the 68-unit Barlinvis Apartment Complex in Atlantic City by accepting the deed in lieu of foreclosure on January 23, 2015. At that time, the Authority entered into a Management Agreement with the Pleasantville Community Development Corporation who continued to operate it through April 20, 2020, when the complex was sold for \$3.9 million to Barlinvis Apartments Urban Renewal, LLC (an affiliate of the Access Group) of 3150 Livernois Road, Suite 136, Troy, Michigan.

Authorization of Debt - Subsequent to December 31, the Authority authorized and renewed a note as follows:

| <u>Purpose</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Authorization</u> |
|---|----------------------|----------------------|----------------------|
| Aviation Project County Guaranteed Project Note, Series 2020 | 3.25% | June 16, 2021 | <u>\$ 15,500,000</u> |

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Authority's proportion of the net pension liability | 0.0135724542% | 0.0138253932% | 0.0137627319% | 0.0105092655% | 0.0086302495% | 0.0088758224% | 0.0109503964% |
| Authority's proportionate share of net pension liability | \$ 2,445,550 | \$ 2,722,151 | \$ 3,203,744 | \$ 3,112,549 | \$ 1,937,318 | \$ 1,661,797 | \$ 2,092,838 |
| Authority's covered-employee payroll | 878,871 | \$ 878,871 | \$ 687,836 | \$ 558,071 | \$ 588,636 | \$ 578,946 | \$ 578,946 |
| Authority's proportionate share of net pension liability as a % of payroll | 278.26% | 309.73% | 465.77% | 557.73% | 329.12% | 287.04% | 361.49% |
| Total pension liability | 5,631,410 | 5,866,332 | 6,172,911 | 5,199,427 | 3,720,464 | 3,467,914 | 8,042,971 |
| Plan fiduciary net position | 3,185,860 | 3,144,181 | 2,969,167 | 2,086,884 | 1,783,146 | 1,806,118 | 3,918,804 |
| Plan fiduciary net position as a % of total pension liability | 56.57% | 53.60% | 48.10% | 40.14% | 47.93% | 52.08% | 48.72% |

Note: In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Contributions, however, only seven years of data are available at this time.

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

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

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 132,020 | \$ 137,518 | \$ 127,497 | \$ 93,363 | \$ 74,197 | \$ 73,171 | \$ 91,875 |
| Contributions in relation to the contractually required contribution | 132,020 | 137,518 | 127,497 | 93,363 | 74,197 | 73,171 | 91,875 |
| Agency's covered employee payroll | 927,927 | 878,871 | 878,871 | 687,836 | 558,071 | 588,636 | 578,946 |
| Contributions as a % of covered employee payroll | 14.23% | 15.65% | 14.51% | 13.57% | 13.30% | 12.43% | 15.87% |

Note: In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Contributions, however, only seven years of data are available at this time.

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

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

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|--------------|--------------|--------------|--------------|
| Proportion of the net OPEB liability | 0.015201% | 0.019312% | 0.018110% | 0.016853% |
| Proportionate share of net OPEB liability | \$ 2,059,138 | \$ 3,025,537 | \$ 3,697,299 | \$ 3,660,044 |
| Contributions | \$ 292,116 | \$ 269,285 | \$ 258,818 | \$ 242,125 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 1.98% | 1.97% | 1.03% | 0.69% |

Note: In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Proportionate Share of the Net OPEB Liability and Contributions (Unaudited), however, only four years of data are available at this time.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET – ADMINISTRATION FUND
Year Ended December 31, 2019

| | 2019 Budget (Unaudited) | 2019 Final Budget (Unaudited) | 2019 Actual | Variance Favorable/ (Unfavorable) |
|---|-------------------------------|--|-------------------|---|
| Operating Revenues: | | | | |
| Project Administration Fees | \$ 517,432 | \$ 517,432 | \$ 343,726 | \$ (173,706) |
| Bond Fees | 185,131 | 185,131 | 212,256 | 27,125 |
| Grant and Agency Fund Fees | 719,072 | 719,072 | 759,889 | 40,817 |
| Reimbursement and Other | 1,589,387 | 1,589,387 | 1,253,571 | (335,816) |
| Total Operating Revenues | 3,011,022 | 3,011,022 | 2,569,442 | (441,580) |
| Operating Expenses: | | | | |
| Payroll Expenses | 1,287,322 | 1,287,322 | 1,168,757 | 118,565 |
| Employee Benefits | 537,231 | 537,231 | 515,927 | 21,304 |
| Professional Fees | 938,300 | 938,300 | 461,010 | 477,290 |
| Insurance | 77,250 | 77,250 | 73,391 | 3,859 |
| Administrative and General | 81,850 | 81,850 | 37,259 | 44,591 |
| Depreciation | - | - | 65,596 | (65,596) |
| Total Operating Expenses | 2,921,953 | 2,921,953 | 2,321,941 | 600,012 |
| Other Income/(Expenses): | | | | |
| Investment Income | 3,700 | 3,700 | 47,978 | 44,278 |
| Amortization Income | - | - | 124,833 | 124,833 |
| Cost of Issuance | - | - | (117,471) | 117,471 |
| Gain on Disposal of Asset | - | 745 | 745 | - |
| Total Other Income/(Expenses) | 3,700 | 4,445 | 56,084 | 51,639 |
| Net Income | \$ 92,769 | \$ 93,514 | \$ 303,584 | \$ 210,071 |
| Reconciliation to change in net position per Statements of Revenues, Expenses and Changes in Net Position: | | | | |
| Unbudgeted pension and OPEB revenue (expense) | | | 436,727 | |
| Change in net position per Statement of Revenue, Expenses and Change in Net Position | | | <u>\$ 740,311</u> | |

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

COMBINING STATEMENT OF NET POSITION - ASSETS
December 31, 2019

| | Total | Administrative Fund | Bond Fund | Grant Fund |
|-------------------------------------|----------------------|------------------------|----------------------|-------------------|
| Unrestricted Assets: | | | | |
| Current Assets: | | | | |
| Cash | \$ 2,335,088 | \$ 2,335,088 | \$ - | \$ - |
| Due from Bond Fund | 159,861 | 159,861 | - | - |
| Accounts Receivable | 558,621 | 558,621 | - | - |
| Total Unrestricted Current Assets | <u>3,053,571</u> | <u>3,053,571</u> | <u>-</u> | <u>-</u> |
| Restricted Assets: | | | | |
| Current Assets: | | | | |
| Cash | 2,980,990 | 19,236 | 2,449,652 | 512,102 |
| Interest Receivable | 13,091 | - | - | 13,091 |
| Accounts Receivable | 21,710 | - | - | 21,710 |
| Note Receivable | 154,827 | - | - | 154,827 |
| Total Restricted Current Assets | <u>3,170,619</u> | <u>19,236</u> | <u>2,449,652</u> | <u>701,731</u> |
| Non-Current Assets: | | | | |
| Mortgages Receivable | 8,494,905 | - | - | 8,494,905 |
| Valuation Allowance for Loan Losses | (8,494,905) | - | - | (8,494,905) |
| Total Restricted Non-Current Assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Restricted Assets | <u>3,170,619</u> | <u>19,236</u> | <u>2,449,652</u> | <u>701,731</u> |
| Capital Assets, Net of Depreciation | <u>14,965,766</u> | <u>1,713,859</u> | <u>13,251,907</u> | <u>-</u> |
| Total Assets | <u>\$ 21,189,954</u> | <u>\$ 4,786,666</u> | <u>\$ 15,701,558</u> | <u>\$ 701,731</u> |

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

COMBINING STATEMENT OF NET POSITION – LIABILITIES AND NET POSITION
December 31, 2019

| | Total | Administrative Fund | Bond Fund | Grant Fund |
|---|-----------------------|------------------------|----------------------|-------------------|
| Unrestricted Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | \$ 92,348 | \$ 92,348 | \$ - | \$ - |
| Due to Administrative Fund | 159,861 | - | 159,861 | - |
| Unearned Program Income | 477,963 | - | - | 477,963 |
| Total Unrestricted Current Liabilities | 730,172 | 92,348 | 159,861 | 477,963 |
| Restricted Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 55,849 | - | - | 55,849 |
| Interest Payable | 13,091 | - | - | 13,091 |
| Notes Payable | 27,648 | - | - | 27,648 |
| Bond Anticipation Note Payable | 15,500,000 | - | 15,500,000 | - |
| Unamortized Bond Premium | 76,725 | - | 76,725 | - |
| Total Current Liabilities Payable from Restricted Assets | 15,673,313 | - | 15,576,725 | 96,588 |
| Long-Term Liabilities: | | | | |
| Accrued Sick and Vacation | 151,360 | 151,360 | - | - |
| Notes Payable | 127,179 | - | - | 127,179 |
| Total Long-Term Liabilities | 278,540 | 151,360 | - | 127,179 |
| Total Liabilities | 16,682,025 | 243,709 | 15,736,586 | 701,731 |
| Net Position: | | | | |
| Invested in Capital Assets, Net of Related Debt | 1,857,928 | 1,733,095 | 124,833 | - |
| Reserve for Unemployment | 11,818 | 11,818 | - | - |
| Unrestricted (Deficit) | 2,638,183 | 2,798,044 | (159,861) | - |
| Total Net Position | 4,507,929 | 4,542,957 | (35,028) | - |
| Total Liabilities and Net Position | \$ 21,189,954 | \$ 4,786,666 | \$ 15,701,558 | \$ 701,731 |
| Reconciliation to Net Position on Statements of Net Position - GAAP Basis: | | | | |
| Net Position (as shown above) | \$ 4,507,929 | | | |
| Deferred outflows related to pensions | 789,418 | | | |
| Deferred outflows related to OPEB | 523,173 | | | |
| Pension Payable | (7,367) | | | |
| Deferred inflows related to pensions | (977,589) | | | |
| Deferred inflows related to OPEB | (2,153,235) | | | |
| Net Pension Liability | (2,445,550) | | | |
| Net OPEB Liability | (2,059,138) | | | |
| Net Position (Deficit) - GAAP Basis | \$ (1,822,359) | | | |

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

COMBINING STATEMENT OF NET POSITION – BOND FUNDS – ASSETS
 December 31, 2019

| | <u>Total</u> | <u>Stockton Aviation Technology and Research Park</u> |
|---------------------------------|----------------------|---|
| Restricted Assets: | | |
| Current Assets: | | |
| Cash | \$ 2,449,652 | \$ 2,449,652 |
| Total Restricted Current Assets | <u>2,449,652</u> | <u>2,449,652</u> |
| Total Restricted Assets | <u>2,449,652</u> | <u>2,449,652</u> |
| Capital Assets | <u>13,251,907</u> | <u>13,251,907</u> |
| Total Assets | <u>\$ 15,701,558</u> | <u>\$ 15,701,558</u> |

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

COMBINING STATEMENT OF NET POSITION – BOND FUNDS – LIABILITIES AND NET
POSITION
December 31, 2019

| | <u>Total</u> | <u>Stockton Aviation Technology and Research Park</u> |
|---|----------------------|---|
| Restricted Liabilities: | | |
| Current Liabilities: | | |
| Due to Administrative Fund | \$ 159,861 | \$ 159,861 |
| Bond Anticipation Note Payable | 15,500,000 | 15,500,000 |
| Unamortized Bond Premium | 76,725 | 76,725 |
| | <u>15,736,586</u> | <u>15,736,586</u> |
| Total Current Liabilities Payable from Restricted Assets | <u>15,736,586</u> | <u>15,736,586</u> |
| Total Liabilities | <u>15,736,586</u> | <u>15,736,586</u> |
| Net Position: | | |
| Invested in Capital Assets, Net of Related Debt | 124,833 | 124,833 |
| Unrestricted (Deficit) | <u>(159,861)</u> | <u>(159,861)</u> |
| Total Net Position | <u>(35,028)</u> | <u>(35,028)</u> |
| Total Liabilities and Net Position | <u>\$ 15,701,558</u> | <u>\$ 15,701,558</u> |

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

COMBINING STATEMENT OF NET POSITION – GRANT FUNDS
December 31, 2019

| | Total | CDBG | HOME Funds | Other Funds |
|---|-------------------|-------------------|-------------------|-------------------|
| Restricted Assets: | | | | |
| Current Assets: | | | | |
| Cash | \$ 512,102 | \$ 111,783 | \$ 385,445 | \$ 14,874 |
| Interest Receivable | 13,091 | - | - | 13,091 |
| Notes Receivable | 154,827 | - | - | 154,827 |
| Total Restricted Current Assets | 701,731 | 133,493 | 385,445 | 182,793 |
| Non-Current Assets: | | | | |
| Mortgages Receivable | 8,494,905 | 1,330,211 | 7,085,184 | 79,510 |
| Valuation Allowance for Loan Losses | (8,494,905) | (1,330,211) | (7,085,184) | (79,510) |
| Total Restricted Non-Current Assets | - | - | - | - |
| Total Restricted Assets | 701,731 | 133,493 | 385,445 | 182,793 |
| Total Assets | <u>\$ 701,731</u> | <u>\$ 133,493</u> | <u>\$ 385,445</u> | <u>\$ 182,793</u> |
| Unrestricted Liabilities: | | | | |
| Current Liabilities: | | | | |
| Unearned Program Income | \$ 477,963 | \$ 92,701 | \$ 385,262 | \$ - |
| Total Unrestricted Current Liabilities Payable | 477,963 | 92,701 | 385,262 | - |
| Restricted Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Expenses | 55,849 | 40,792 | 183 | 14,874 |
| Interest Payable | 13,091 | - | - | 13,091 |
| Notes Payable | 27,648 | - | - | 27,648 |
| Total Current Liabilities Payable from Restricted Assets | 96,588 | 40,792 | 183 | 55,614 |
| Long-Term Liabilities: | | | | |
| Notes Payable | 127,179 | - | - | 127,179 |
| Total Long-Term Liabilities | 127,179 | - | - | 127,179 |
| Total Liabilities | <u>\$ 701,731</u> | <u>\$ 133,493</u> | <u>\$ 385,445</u> | <u>\$ 182,793</u> |

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

COMBINING STATEMENT OF NET POSITION – GRANT FUNDS – CDBG
 December 31, 2019

| | Total | CDBG 2001-2012 Entitlement | CDBG 2013 Entitlement | CDBG 2014 Entitlement | CDBG 2015 Entitlement | CDBG 2016 Entitlement | CDBG 2017 Entitlement | CDBG 2018 Entitlement | Small Cities | Program Income |
|---------------------------------------|-------------------|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------|-------------------|
| ASSETS | | | | | | | | | | |
| Cash | \$ 111,783 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,950 | \$ - | \$ 17,132 | \$ 92,701 |
| Accounts Receivable | 21,710 | - | - | - | - | - | - | 21,710 | - | - |
| Mortgages Receivable | 1,330,211 | 904,533 | 43,811 | 45,652 | 23,844 | 29,037 | 45,514 | 22,408 | 186,795 | 28,617 |
| Valuation Allowance for Loan Losses | (1,330,211) | (904,533) | (43,811) | (45,652) | (23,844) | (29,037) | (45,514) | (22,408) | (186,795) | (28,617) |
| Total Assets | \$ 133,493 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,950 | \$ 21,710 | \$ 17,132 | \$ 92,701 |
| LIABILITIES | | | | | | | | | | |
| Accounts Payable and Accrued Expenses | \$ 40,792 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,950 | \$ 21,710 | \$ 17,132 | \$ - |
| Unearned Program Income | 92,701 | - | - | - | - | - | - | - | - | 92,701 |
| Total Liabilities | \$ 133,493 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,950 | \$ 21,710 | \$ 17,132 | \$ 92,701 |

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

COMBINING STATEMENT OF NET POSITION – GRANT FUNDS – HOME
 December 31, 2019

| | Total | 1997-2012 Atlantic County HOME | 2013 Atlantic County HOME | 2014 Atlantic County HOME | 2015 Atlantic County HOME | 2016 Atlantic County HOME | 2017 Atlantic County HOME | 2018 Atlantic County HOME | Program Income HOME |
|---------------------------------------|-------------------|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---------------------------|
| ASSETS | | | | | | | | | |
| Cash | \$ 385,445 | \$ - | \$ 100 | \$ - | \$ - | \$ 83 | \$ - | \$ - | \$ 385,262 |
| Mortgages Receivable | 7,085,184 | 4,849,773 | 263,680 | 254,018 | 275,256 | 324,829 | 363,243 | 213,976 | 540,409 |
| Valuation Allowance for Loan Losses | (7,085,184) | (4,849,773) | (263,680) | (254,018) | (275,256) | (324,829) | (363,243) | (213,976) | (540,409) |
| Total Assets | <u>\$ 385,445</u> | <u>\$ -</u> | <u>\$ 100</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 83</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 385,262</u> |
| LIABILITIES | | | | | | | | | |
| Accounts Payable and Accrued Expenses | \$ 183 | \$ - | \$ 100 | \$ - | \$ - | \$ 83 | \$ - | \$ - | \$ - |
| Unearned Program Income | 385,262 | - | - | - | - | - | - | - | 385,262 |
| Total Liabilities | <u>\$ 385,445</u> | <u>\$ -</u> | <u>\$ 100</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 83</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 385,262</u> |

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

COMBINING STATEMENT OF NET POSITION – GRANT FUNDS – OTHER
December 31, 2019

| | Total | Economic Development | USDA/CDP Rental Rehab/ Jobs Bill |
|---|-------------------|-------------------------|--|
| Restricted Assets: | | | |
| Current Assets: | | | |
| Cash | \$ 14,874 | \$ - | \$ 14,874 |
| Interest Receivable | 13,091 | 13,091 | - |
| Notes Receivable | 154,827 | 154,827 | - |
| Total Restricted Current Assets | <u>182,793</u> | <u>167,919</u> | <u>14,874</u> |
| Non-Current Assets: | | | |
| Mortgages Receivable | 79,510 | - | 79,510 |
| Valuation Allowance for Loan Losses | (79,510) | - | (79,510) |
| Total Restricted Non-Current Assets | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Restricted Assets | <u>182,793</u> | <u>167,919</u> | <u>14,874</u> |
| Total Assets | <u>\$ 182,793</u> | <u>\$ 167,919</u> | <u>\$ 14,874</u> |
| Restricted Liabilities: | | | |
| Current Liabilities: | | | |
| Unearned Program Income | \$ 14,874 | \$ - | \$ 14,874 |
| Interest Payable | 13,091 | 13,091 | - |
| Notes Payable | 27,648 | 27,648 | - |
| Total Current Liabilities Payable from Restricted Assets | <u>55,614</u> | <u>40,739</u> | <u>14,874</u> |
| Long-Term Liabilities: | | | |
| Notes Payable | 127,179 | 127,179 | - |
| Total Long-Term Liabilities | <u>127,179</u> | <u>127,179</u> | <u>-</u> |
| Total Liabilities | <u>\$ 182,793</u> | <u>\$ 167,919</u> | <u>\$ 14,874</u> |

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

COMBINING STATEMENT OF NET POSITION – AGENCY FUNDS
December 31, 2019

| | Housing Projects | Other | Mortgages | Total |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | |
| Cash | \$ 895,655 | \$ 484,578 | \$ 47,110 | \$ 1,427,343 |
| Mortgage Interest Receivable | 131,082 | 219,670 | 773,902 | 1,124,654 |
| Accounts Receivable - Other | - | 1,803,568 | - | 1,803,568 |
| Mortgages Receivable | 4,615,105 | - | 12,616,049 | 17,231,154 |
| Valuation Allowance for Loan Losses | <u>(3,821,469)</u> | <u>-</u> | <u>(13,389,951)</u> | <u>(17,211,420)</u> |
| Total Assets | <u>\$ 1,820,372</u> | <u>\$ 2,507,816</u> | <u>\$ 47,110</u> | <u>\$ 4,375,298</u> |
| LIABILITIES | | | | |
| Accounts Payable and Accrued Expenses | \$ 914,566 | \$ 1,123,848 | \$ 4,905 | \$ 2,043,319 |
| Bonds and Loans Payable | - | 219,670 | - | 219,670 |
| Due to Various Agencies | <u>905,806</u> | <u>1,164,298</u> | <u>42,205</u> | <u>2,112,310</u> |
| Total Liabilities | <u>\$ 1,820,372</u> | <u>\$ 2,507,816</u> | <u>\$ 47,110</u> | <u>\$ 4,375,298</u> |

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

COMBINING STATEMENT OF NET POSITION – AGENCY FUNDS – HOUSING PROJECTS
December 31, 2019

| | Grammercy Park Mortgage Subsidy | Habitat for Humanity | Westside Façade | Convention Hall Relocation | Atlantic City Downpayment Assistance Program | Atlantic City Rehabilitation Program | Brighton Towers 2009 | Brighton Towers 2013 | Section 108 | Total |
|-------------------------------------|--|-------------------------|--------------------|----------------------------------|---|--|----------------------------|----------------------------|---------------------|---------------------|
| ASSETS | | | | | | | | | | |
| Cash | \$ 43,237 | \$ 91,037 | \$ - | \$ 10,009 | \$ 82,437 | \$ 129,850 | \$ 16,713 | \$ 312,350 | \$ 210,023 | \$ 895,655 |
| Mortgage Interest Receivable | - | - | - | 47,555 | - | - | 64,409 | 19,118 | - | 131,082 |
| Mortgages Receivable | - | 61,000 | 18,080 | 84,788 | 2,349,793 | 950,330 | 189,958 | 88,385 | 872,771 | 4,615,105 |
| Valuation Allowance for Loan Losses | - | (61,000) | (18,080) | (80,396) | (2,349,793) | (950,330) | (254,367) | (107,503) | - | (3,821,469) |
| Total Assets | <u>\$ 43,237</u> | <u>\$ 91,037</u> | <u>\$ -</u> | <u>\$ 61,956</u> | <u>\$ 82,437</u> | <u>\$ 129,850</u> | <u>\$ 16,713</u> | <u>\$ 312,350</u> | <u>\$ 1,082,794</u> | <u>\$ 1,820,374</u> |
| LIABILITIES | | | | | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,276 | \$ 15,513 | \$ 25,006 | \$ 872,771 | \$ 914,566 |
| Due to Various Agencies | 43,237 | 91,037 | - | 61,956 | 82,437 | 128,574 | 1,200 | 287,343 | 210,023 | 905,806 |
| Total Liabilities | <u>\$ 43,237</u> | <u>\$ 91,037</u> | <u>\$ -</u> | <u>\$ 61,956</u> | <u>\$ 82,437</u> | <u>\$ 129,850</u> | <u>\$ 16,713</u> | <u>\$ 312,350</u> | <u>\$ 1,082,794</u> | <u>\$ 1,820,372</u> |

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

COMBINING STATEMENT OF NET POSITION – AGENCY FUNDS – OTHER
December 31, 2019

| | Public Safety Improvements CRDA | Barlinvis HAP | Golf Courses | Hammonton Affordable Housing | Somers Point Affordable Housing | Revel | Misc. | Total |
|---------------------------------------|---------------------------------------|-------------------|-------------------|------------------------------------|---------------------------------------|-----------------|---------------------|---------------------|
| ASSETS | | | | | | | | |
| Cash | \$ 4,235 | \$ 49,512 | \$ 209,930 | \$ 63,865 | \$ 148,227 | \$ 2,126 | \$ 6,684 | \$ 484,578 |
| Mortgages Receivable | 219,670 | - | - | - | - | - | - | 219,670 |
| Accounts Receivable - Other | - | 667,169 | - | - | - | - | 1,136,399 | 1,803,568 |
| Total Assets | <u>\$ 223,905</u> | <u>\$ 716,681</u> | <u>\$ 209,930</u> | <u>\$ 63,865</u> | <u>\$ 148,227</u> | <u>\$ 2,126</u> | <u>\$ 1,143,083</u> | <u>\$ 2,507,816</u> |
| LIABILITIES | | | | | | | | |
| Accounts Payable and Accrued Expenses | \$ 4,235 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,119,613 | \$ 1,123,848 |
| Bonds and Loans Payable | 219,670 | - | - | - | - | - | - | 219,670 |
| Due to Various Agencies | - | 716,681 | 209,930 | 63,865 | 148,227 | 2,126 | 23,470 | 1,164,298 |
| Total Liabilities | <u>\$ 223,905</u> | <u>\$ 716,681</u> | <u>\$ 209,930</u> | <u>\$ 63,865</u> | <u>\$ 148,227</u> | <u>\$ 2,126</u> | <u>\$ 1,143,083</u> | <u>\$ 2,507,816</u> |

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

COMBINING STATEMENT OF NET POSITION – AGENCY FUNDS – MORTGAGES
December 31, 2019

| | <u>Barlinvis Apartments</u> | <u>Garden Court Apartments</u> | <u>Vermont Plaza</u> | <u>Total</u> |
|---------------------------------------|---------------------------------|--|--------------------------|-------------------|
| ASSETS | | | | |
| Cash | \$ 47,110 | \$ - | \$ - | \$ 47,110 |
| Mortgage Interest Receivable | - | - | 773,902 | 773,902 |
| Mortgages Receivable | - | 9,523,320 | 3,092,729 | 12,616,049 |
| Valuation Allowance for Loan Losses | - | (9,523,320) | (3,866,631) | (13,389,951) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 47,110</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 47,110</u> |
| LIABILITIES | | | | |
| Liabilities: | | | | |
| Accounts Payable and Accrued Expenses | \$ 4,905 | \$ - | \$ - | \$ 4,905 |
| Due to Various Agencies | 42,205 | - | - | 42,205 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>\$ 47,110</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 47,110</u> |

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

COMBINING STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

| | Total | Administrative Fund | Grant Fund |
|---|-------------------|------------------------|------------------|
| Operating Revenues: | | | |
| Project Administration Fees | \$ 343,726 | \$ 343,726 | \$ - |
| Bond Fees | 212,256 | 212,256 | - |
| Grant and Agency Fund Fees | 759,889 | 759,889 | - |
| Grants | 1,718,543 | - | 1,718,543 |
| Reimbursement and Other | 1,253,571 | 1,253,571 | - |
| Total Operating Revenues | 4,287,985 | 2,569,442 | 1,718,543 |
| Operating Expenses: | | | |
| Payroll Expenses | 1,168,757 | 1,168,757 | - |
| Employee Benefits | 515,927 | 515,927 | - |
| Professional Fees | 461,010 | 461,010 | - |
| Insurance | 73,391 | 73,391 | - |
| Administrative and General | 37,259 | 37,259 | - |
| Project Costs | 1,718,543 | - | 1,718,543 |
| Depreciation | 65,596 | 65,596 | - |
| Total Operating Expenses | 4,040,484 | 2,321,941 | 1,718,543 |
| Operating Income | 247,501 | 247,501 | - |
| Non-Operating Revenues: | | | |
| Investment and Interest Income | 47,978 | 47,978 | - |
| Amortization Income | 124,833 | 124,833 | - |
| Cost of Issuance | (117,471) | (117,471) | - |
| Gain on Disposal of Asset | 745 | 745 | - |
| Total Non-Operating Revenues | 56,084 | 56,084 | - |
| Change in Net Position | \$ 303,584 | \$ 303,584 | \$ - |
| Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis: | | | |
| Change in Net Position | \$ 303,584 | | |
| Less: Unbudgeted pension expense | (103,682) | | |
| Less: Unbudgeted OPEB expense | (333,045) | | |
| Change in Net Position - GAAP Basis | \$ 740,311 | | |

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

COMBINING STATEMENT OF ACTIVITIES – GRANT FUNDS
For the Year Ended December 31, 2019

| | <u>Total</u> | <u>CDBG</u> | <u>HOME Funds</u> |
|----------------------------------|---------------------|---------------------|-----------------------|
| Operating Revenues: | | | |
| Grants | <u>\$ 1,718,543</u> | <u>\$ 1,304,189</u> | <u>\$ 414,354</u> |
| Total Operating Revenues | <u>1,718,543</u> | <u>1,304,189</u> | <u>414,354</u> |
| Operating Expenses: | | | |
| Project Costs | <u>1,718,543</u> | <u>1,304,189</u> | <u>414,354</u> |
| Total Operating Expenses | <u>1,718,543</u> | <u>1,304,189</u> | <u>414,354</u> |
| Change in Net Position | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Position - Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Position - End of Year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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

COMBINING STATEMENT OF ACTIVITIES – GRANT FUND – CDBG
For the Year Ended December 31, 2019

| | CDBG 2001-2012 Entitlement | CDBG 2013 Entitlement | CDBG 2014 Entitlement | CDBG 2015 Entitlement | CDBG 2016 Entitlement | CDBG 2017 Entitlement | CDBG 2018 Entitlement | CDBG Small Cities | CDBG Program Income | Total |
|----------------------------------|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------------|---------------------------|--------------|
| Operating Revenues: | | | | | | | | | | |
| Grants | \$ 34,018 | \$ 80,839 | \$ 34,606 | \$ 120,834 | \$ 231,141 | \$ 402,195 | \$ 364,561 | \$ 7,229 | \$ 28,767 | \$ 1,304,189 |
| Total Operating Revenues | 34,018 | 80,839 | 34,606 | 120,834 | 231,141 | 402,195 | 364,561 | 7,229 | 28,767 | 1,304,189 |
| Operating Expenses: | | | | | | | | | | |
| Project Costs | 34,018 | 80,839 | 34,606 | 120,834 | 231,141 | 402,195 | 364,561 | 7,229 | 28,767 | 1,304,189 |
| Total Operating Expenses | 34,018 | 80,839 | 34,606 | 120,834 | 231,141 | 402,195 | 364,561 | 7,229 | 28,767 | 1,304,189 |
| Change in Net Position | - | - | - | - | - | - | - | - | - | - |
| Net Position - Beginning of Year | - | - | - | - | - | - | - | - | - | - |
| Net Position - End of Year | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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

COMBINING STATEMENT OF ACTIVITIES – GRANT FUND -- HOME
For the Year Ended December 31, 2019

| | 2014 Atlantic County HOME | 2015 Atlantic County HOME | 2016 Atlantic County HOME | 2017 Atlantic County HOME | 2018 Atlantic County HOME | Total |
|----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------|
| Operating Revenues: | | | | | | |
| Grants | \$ 9,736 | \$ 16,796 | \$ 27,935 | \$ 145,911 | \$ 213,976 | \$ 414,354 |
| Total Operating Revenues | 9,736 | 16,796 | 27,935 | 145,911 | 213,976 | 414,354 |
| Operating Expenses: | | | | | | |
| Project Costs | 9,736 | 16,796 | 27,935 | 145,911 | 213,976 | 414,354 |
| Total Operating Expenses | 9,736 | 16,796 | 27,935 | 145,911 | 213,976 | 414,354 |
| Change in Net Position | - | - | - | - | - | - |
| Net Position - Beginning of Year | - | - | - | - | - | - |
| Net Position - End of Year | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

| | Total | Administrative Fund | Bond Fund | Grant Fund |
|--|--------------|------------------------|--------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash Received from Customers and Users | \$ 2,383,108 | \$ 2,383,108 | \$ - | \$ - |
| Cash Received from Grants | 1,689,777 | - | - | 1,689,777 |
| Cash Paid to Subcontractor and Vendors | (3,999,528) | (2,284,811) | - | (1,714,717) |
| Net Cash Flows from Operating Activities | 73,357 | 98,297 | - | (24,940) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment and Interest Income | 46,992 | 46,992 | - | - |
| Net Cash Flows from Investing Activities | 46,992 | 46,992 | - | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Purchases of Fixed Assets | (47,300) | (47,300) | - | - |
| Principal Payments Received on Mortgages | 29,172 | - | - | 29,172 |
| Payments Paid on Loans | (31,984) | - | - | (31,984) |
| Payments Received on Loans | 36,427 | - | - | 36,427 |
| Payments Made on Construction | (1,785,072) | - | (1,785,072) | - |
| Transfer to Unearned Program Income | 136,724 | - | - | 136,724 |
| Fees Paid | 46,650 | - | - | 46,650 |
| Interfunds Special Revenue | - | 48,734 | - | (48,734) |
| Proceeds from Bonds | 1,969,550 | - | 1,969,550 | - |
| Net Cash Flows from Capital and Related Financing Activities | 354,166 | 1,434 | 184,478 | 168,254 |
| Change in Cash and Cash Equivalents | 474,514 | 146,723 | 184,478 | 143,313 |
| Cash and Cash Equivalents - Beginning of Year | 4,841,564 | 2,207,601 | 2,265,174 | 368,789 |
| Cash and Cash Equivalents - End of Year | \$ 5,316,078 | \$ 2,354,324 | \$ 2,449,652 | \$ 512,102 |
| Reconciliation to Statements of Net Position: | | | | |
| Unrestricted Cash | \$ 2,335,088 | \$ 2,335,088 | \$ - | \$ - |
| Restricted Cash | 2,980,990 | 19,236 | 2,449,652 | 512,102 |
| | \$ 5,316,078 | \$ 2,354,324 | \$ 2,449,652 | \$ 512,102 |
| Reconciliation of Operating Income to Net Cash Flows from Operating Activities: | | | | |
| Operating Income | \$ 247,501 | \$ 247,501 | \$ - | \$ - |
| Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities: | | | | |
| Depreciation | 65,596 | 65,596 | - | - |
| Changes in Assets and Liabilities: | | | | |
| Accounts Receivable | (132,639) | (186,333) | - | 53,694 |
| Accounts Payable | (111,666) | (33,032) | - | (78,634) |
| Accrued Sick and Vacation | 4,566 | 4,566 | - | - |
| | \$ 73,357 | \$ 98,297 | \$ - | \$ (24,940) |

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

COMBINING STATEMENT OF CASH FLOWS – BOND FUND
For the Year Ended December 31, 2019

| | <u>Total</u> | <u>Stockton Aviation Technology and Research Park</u> |
|--|---------------------|---|
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Payments Made on Construction | \$ (1,785,072) | \$ (1,785,072) |
| Proceeds from Bonds | <u>1,969,550</u> | <u>1,969,550</u> |
| Net Cash Flows from Capital and Related Financing Activities | <u>184,478</u> | <u>184,478</u> |
| Change in Cash and Cash Equivalents | 184,478 | 184,478 |
| Cash and Cash Equivalents - Beginning of Year | <u>2,265,174</u> | <u>2,265,174</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 2,449,652</u> | <u>\$ 2,449,652</u> |
| Reconciliation to Statements of Net Position: Restricted Cash | <u>\$ 2,449,652</u> | <u>\$ 2,449,652</u> |

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

COMBINING STATEMENT OF CASH FLOWS – GRANT FUND
For the Year Ended December 31, 2019

| | Total | CDBG | HOME Funds | Other Funds |
|--|--------------------|--------------------|--------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash Received from Grants | \$ 1,689,777 | \$ 1,275,423 | \$ 414,354 | \$ - |
| Cash Paid to Subcontractors and Vendors | <u>(1,714,717)</u> | <u>(1,253,713)</u> | <u>(461,004)</u> | <u>-</u> |
| Net Cash Flows from Operating Activities | <u>(24,940)</u> | <u>21,710</u> | <u>(46,650)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Principal Payments Received on Mortgages | 29,172 | 29,172 | - | - |
| Payments Paid on Loans | (31,984) | - | - | (31,984) |
| Payments Received on Loans | 36,427 | - | - | 36,427 |
| Transfer to Unearned Program Income | 136,723 | - | 136,723 | - |
| Fees Paid | 46,650 | - | 46,650 | - |
| Interfunds - Special Revenue Funds | <u>(48,735)</u> | <u>(48,735)</u> | <u>-</u> | <u>-</u> |
| Net Cash Flows from Capital and Related Financing Activities | <u>168,253</u> | <u>(19,563)</u> | <u>183,373</u> | <u>4,443</u> |
| Change in Cash and Cash Equivalents | 143,312 | 2,147 | 136,722 | 4,443 |
| Cash and Cash Equivalents - Beginning of Year | <u>368,789</u> | <u>109,636</u> | <u>248,722</u> | <u>10,431</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 512,101</u> | <u>\$ 111,783</u> | <u>\$ 385,444</u> | <u>\$ 14,874</u> |
| Reconciliation to Statements of Net Position: | | | | |
| Restricted Cash | <u>\$ 512,101</u> | <u>\$ 111,783</u> | <u>\$ 385,444</u> | <u>\$ 14,874</u> |
| Reconciliation of Operating Income to Net Cash Flows from Operating Activities: | | | | |
| Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities: | | | | |
| Accounts Receivable | \$ 53,694 | \$ 21,710 | \$ - | \$ 31,984 |
| Accounts Payable | <u>(78,634)</u> | <u>-</u> | <u>(46,650)</u> | <u>(31,984)</u> |
| | <u>\$ (24,940)</u> | <u>\$ 21,710</u> | <u>\$ (46,650)</u> | <u>\$ -</u> |

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

COMBINING STATEMENT OF CASH FLOWS – GRANT FUND -- CDBG
Year Ended December 31, 2019

| | Total | CDBG 2001-2012 Entitlement | CDBG 2013 Entitlement | CDBG 2014 Entitlement | CDBG 2015 Entitlement | CDBG 2016 Entitlement | CDBG 2017 Entitlement | CDBG 2018 Entitlement | Small Cities | Program Income |
|--|--------------|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | | | | | |
| Grants | \$ 1,275,423 | \$ 34,018 | \$ 80,839 | \$ 34,606 | \$ 120,834 | \$ 231,141 | \$ 402,195 | \$ 364,561 | \$ 7,229 | \$ - |
| Cash Paid to Subcontractors and Vendors | (1,253,713) | (34,018) | (80,839) | (34,606) | (120,834) | (231,141) | (402,195) | (342,851) | (14,458) | 7,229 |
| Net Cash Flows from Operating Activities | 21,710 | - | - | - | - | - | - | 21,710 | (7,229) | 7,229 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | | | | | |
| Principal Payments Received on Mortgages | 29,172 | - | - | - | - | - | 1,950 | 6,000 | 3,000 | 18,222 |
| Interfunds - Special Revenue Funds | (48,735) | - | - | - | - | (21,025) | - | (27,710) | - | - |
| Net Cash Flows from Capital and Related Financing Activities | (19,563) | - | - | - | - | (21,025) | 1,950 | (21,710) | 3,000 | 18,222 |
| Change in Cash and Cash Equivalents | 2,147 | - | - | - | - | (21,025) | 1,950 | (0) | (4,229) | 25,451 |
| Cash and Cash Equivalents - Beginning of Year | 109,636 | - | - | - | - | 21,025 | - | - | 21,361 | 67,250 |
| Cash and Cash Equivalents - End of Year | \$ 111,783 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,950 | \$ (0) | \$ 17,132 | \$ 92,701 |
| Reconciliation to Statements of Net Position: Restricted Cash | \$ 111,783 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,950 | \$ - | \$ 17,132 | \$ 92,701 |
| Reconciliation of Operating Income to Net Cash Flows from Operating Activities: | | | | | | | | | | |
| Operating income | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities: | | | | | | | | | | |
| Accounts Receivable | 21,710 | - | - | - | - | - | - | 21,710 | (7,229) | 7,229 |
| | \$ 21,710 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 21,710 | \$ (7,229) | \$ 7,229 |

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

COMBINING STATEMENT OF CASH FLOWS – GRANT FUND – HOME
Year Ended December 31, 2019

| | Total | 2013 Atlantic County HOME | 2014 Atlantic County HOME | 2015 Atlantic County HOME | 2016 Atlantic County HOME | 2017 Atlantic County HOME | 2018 Atlantic County HOME | Program Income |
|--|--------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | | | |
| Grants | \$ 414,354 | \$ - | \$ 9,736 | \$ 16,796 | \$ 27,935 | \$ 145,911 | \$ 213,976 | \$ - |
| Cash Paid to Subcontractors and Vendors | (461,004) | - | (9,736) | (16,796) | (27,935) | (145,911) | (213,976) | (46,650) |
| Net Cash Flows from Operating Activities | (46,650) | - | - | - | - | - | - | (46,650) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | | | |
| Transfer to Unearned Program Income | 136,723 | - | - | - | - | - | - | 136,723 |
| Fees Paid | 46,650 | - | - | - | - | - | - | 46,650 |
| Net Cash Flows from Capital and Related Financing Activities | 183,373 | - | - | - | - | - | - | 183,373 |
| Change in Cash and Cash Equivalents | 136,723 | - | - | - | - | - | - | 136,723 |
| Cash and Cash Equivalents - Beginning of Year | 248,722 | 100 | - | - | 83 | - | - | 248,539 |
| Cash and Cash Equivalents - End of Year | \$ 385,445 | \$ 100 | \$ - | \$ - | \$ 83 | \$ - | \$ - | \$ 385,262 |
| Reconciliation to Statements of Net Position: | | | | | | | | |
| Restricted Cash | \$ 385,445 | \$ 100 | \$ - | \$ - | \$ 83 | \$ - | \$ - | \$ 385,262 |
| Reconciliation of Operating Income to Net Cash Flows from Operating Activities: | | | | | | | | |
| Operating Income | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities: | | | | | | | | |
| Accounts Payable | (46,650) | - | - | - | - | - | - | (46,650) |
| Net Cash Flows from Operating Activities | \$ (46,650) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (46,650) |

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

COMBINING STATEMENT OF CASH FLOWS – GRANT FUND – Other
Year Ended December 31, 2019

| | <u>Total</u> | <u>Economic Development</u> | <u>USDA/CDP Rental Rehab/ Jobs Bill</u> |
|--|------------------|---------------------------------|---|
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Payments Paid on Loans | \$ (31,984) | \$ (31,984) | \$ - |
| Payments Received on Loans | <u>36,427</u> | <u>31,984</u> | <u>4,443</u> |
| Net Cash Flows from Capital and Related Financing Activities | <u>4,443</u> | <u>-</u> | <u>4,443</u> |
| Change in Cash and Cash Equivalents | 4,443 | - | 4,443 |
| Cash and Cash Equivalents - Beginning of Year | <u>10,431</u> | <u>-</u> | <u>10,431</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 14,874</u> | <u>\$ -</u> | <u>\$ 14,874</u> |
| Reconciliation to Statements of Net Position: | | | |
| Restricted Cash | <u>\$ 14,874</u> | <u>\$ -</u> | <u>\$ 14,874</u> |
| Reconciliation of Operating Deficit to Net Cash Flows From Operating Activities: | | | |
| Operating Income/(Loss) | \$ - | \$ - | \$ - |
| Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities: | | | |
| (Increase)/Decrease in Accounts Receivable | 31,984 | 31,984 | - |
| Increase/(Decrease) in Accounts Payable | <u>(31,984)</u> | <u>(31,984)</u> | <u>-</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

To the Board of Commissioners of
Atlantic County Improvement Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Atlantic County Improvement Authority (the "Authority"), a component unit of the County of Atlantic, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 19, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mercadieu, P.C.
Certified Public Accountants

August 19, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

To the Board of Commissioners of
Atlantic County Improvement Authority

Report on Compliance for Each Major Federal Program

We have audited the Atlantic County Improvement Authority's compliance with the types of compliance requirements described in the Uniform Guidance that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended December 31, 2019. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE
(CONTINUED)**

Opinion on Each Major Federal Program

In our opinion, the Atlantic County Improvement Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Mercedien, P.C.
Certified Public Accountants

August 19, 2020

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

| <u>Department/ Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass -Through Entity Number</u> | <u>Disbursements/ Expenditures</u> | <u>Sub-Recipient Expenditures</u> |
|--|------------------------------------|--|--|---------------------------------------|
| US Department of Housing and Urban Development: Passed Through the County of Atlantic | | | | |
| Home Investment Partnership Program (HOME): | | | | |
| Home Investment Partnership Act (HOME) - 2014 | 14.239 | 21-6000049 | \$ 9,736 | \$ - |
| Home Investment Partnership Act (HOME) - 2015 | 14.239 | 21-6000049 | 16,796 | - |
| Home Investment Partnership Act (HOME) - 2016 | 14.239 | 21-6000049 | 27,935 | - |
| Home Investment Partnership Act (HOME) - 2017 | 14.239 | 21-6000049 | 145,911 | - |
| Home Investment Partnership Act (HOME) - 2018 | 14.239 | 21-6000049 | <u>213,976</u> | <u>-</u> |
| Total Home Investment Partnership Act (HOME) | | | <u>414,354</u> | <u>-</u> |
| Community Development Block Grant Entitlement: | | | | |
| CDBG - Entitlement Grants Cluster | | | | |
| Program Grant - 2001-2012 | 14.218 | 21-6000049 | 34,018 | - |
| Program Grant - 2013 | 14.218 | 21-6000049 | 80,839 | - |
| Program Grant - 2014 | 14.218 | 21-6000049 | 34,606 | - |
| Program Grant - 2015 | 14.218 | 21-6000049 | 120,834 | - |
| Program Grant - 2016 | 14.218 | 21-6000049 | 231,141 | - |
| Program Grant - 2017 | 14.218 | 21-6000049 | 402,195 | - |
| Program Grant - 2018 | 14.218 | 21-6000049 | <u>364,561</u> | <u>-</u> |
| Total Community Development Block Grant Entitlement and CDBG - Entitlement Grants Cluster | | | <u>1,268,194</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,682,548</u> | <u>\$ -</u> |

See notes to schedule of expenditures of federal awards.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. This basis of accounting is described in Note B of the basic financial statements.

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

NOTE 3: RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

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

| | <u>Federal</u> |
|--------------------------------------|--------------------|
| Grants Expenditures | \$1,718,543 |
| Less: Program Income | <u>(35,995)</u> |
| Total Expenditures of Federal Awards | <u>\$1,682,548</u> |

NOTE 4: RELATIONSHIP TO THE FEDERAL FINANCIAL REPORTS

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

NOTE 5: NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash federal assistance for the year ended December 31, 2019.

NOTE 6: LOAN GUARANTEES

At December 31, 2019, the Authority is not a guarantor of any loans outstanding.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

Schedule I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
 - Significant deficiencies identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

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

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

Identification of major programs:

Federal CFDA Number

Name of Federal Grant or Cluster

- 14.239

Home Investment Partnership Act

Federal Awards

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

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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2019

Section II – Financial Statement Findings

None reported.

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

None reported.

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended December 31, 2019

None reported.