

THE ESSEX COUNTY IMPROVEMENT AUTHORITY

COUNTY OF ESSEX, NEW JERSEY

REPORT OF AUDIT

YEAR ENDED DECEMBER 31, 2018

Prepared By:

Joseph J. Faccone, RMA

For the Firm of:

Samuel Klein and Company

Certified Public Accountants

550 Broad Street

Newark, New Jersey 07102

THE ESSEX COUNTY IMPROVEMENT AUTHORITY

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THE ESSEX COUNTY IMPROVEMENT AUTHORITY

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INTRODUCTORY SECTION



Essex County Improvement Authority

**27 Wright Way, Building M
Fairfield, New Jersey 07004
Phone: 973-575-0952
Fax: 973-808-0528**

August 15, 2019

To the Board of Commissioners
Essex County Improvement Authority
27 Wright Way
Fairfield, New Jersey 07004

The comprehensive annual financial report (CAFR) of the Essex County Improvement Authority ("Authority") for the year ended December 31, 2018 is submitted herewith. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation including all disclosures, rests with Authority management. We believe that the data presented is accurate in all material respects; that the report is presented in a manner designed to fairly set forth the results of operations of the Authority as measured by the financial activity of its funds; that the report fairly presents the financial position of the Authority for the year then ended; and that all disclosures necessary to enable the reader to gain a maximum understanding of the Authority's financial activities have been included.

The CAFR is presented in two sections:

1. **Introductory Section:** Provides information on the contents of the report, this transmittal letter and the Authority's organizational structure.
2. **Financial Section:** Includes the auditor's opinion, management's discussion and analysis, basic financial statements and other supplemental information.

Profile of the Government

Since October 16, 1972 when the Board of Chosen Freeholders created the Essex County Improvement Authority, the Authority has financed hundreds of millions of dollars of capital projects, equipment and refunding transactions predominantly throughout Essex County, significantly reducing interest, financing and debt service costs to taxpayers.

Organization of Structure

The Essex County Improvement Authority consists of a Chairman, a Vice-Chairman, Secretary, Treasurer and three (3) other Commissioners.

Future Plans

The Authority continues to effectively and profitably manage the Essex County Airport and various parking facilities that service Essex County.

The Authority will continue to provide financing and capital support in accordance with its statutory authority. The Authority will monitor all existing ECIA and County debt for potential refinancing savings as well as to provide financing for projects deemed worthy by the Commissioners.

Financial Information

Internal Controls

In developing and evaluating the Authority's accounting system, an important consideration is the overall adequacy of internal controls. Internal controls are designed to provide the Authority management with reasonable (but not absolute) assurance regarding (a) the safeguarding of assets against loss from unauthorized use or disposition, and (b) the overall reliability of the financial records for preparing financial statements and for maintaining accountability and control over the Authority's assets.

The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of cost and benefits requires estimates and judgment by management.

Financial Operating Results

The management's discussion and analysis that follows, summarizes and reviews the changes of the Authority's financial operations.

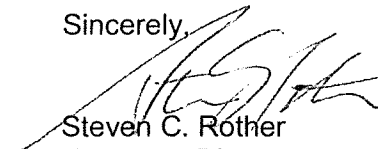
Independent Audit

The Authority is required to have an annual audit of the books of account, financial records, and transactions conducted by independent certified public accountants selected by the Board of Commissioners. This requirement has been complied with. The independent auditor's report on the 2018 fiscal year financial statements of the Authority has been included in the financial section of this report.

Acknowledgment

In closing, preparation of the report would not have been possible without the leadership and support of the Board of Commissioners.

Sincerely,



Steven C. Rother
Executive Director

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
ROSTER OF OFFICIALS
YEAR ENDED DECEMBER 31, 2018

COUNTY OF ESSEX, NEW JERSEY

COUNTY EXECUTIVE

Joseph N. DiVincenzo, Jr.

BOARD OF COMMISSIONERS

<u>NAME</u>	<u>TITLE</u>
Steven H. Klinghoffer.....	Chairman
Ronald J. Brown	Vice-Chairman
Carla A. Stanziale	Secretary
Gerard M. Spiesbach.....	Treasurer
Mark S. Dunec.....	Commissioner
Clifford Ross.....	Commissioner
Jacqueline Yustein	Commissioner

EXECUTIVE DIRECTOR

Steven C. Rother

GENERAL COUNSEL

Nia H. Gill, Esq.

FINANCIAL SECTION

SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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NEWARK, NJ 07102-9969
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36 WEST MAIN STREET, SUITE 303
FREEHOLD, NJ 07728-2291
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Essex County Improvement Authority
27 Wright Way
Fairfield, New Jersey 07004

Report on the Financial Statements

We have audited the accompanying financial statements of the Essex County Improvement Authority, County of Essex, State of New Jersey (the "Authority"), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which comprise the Authority's financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity 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 on pages 9 to 24 and pension information on pages 86 to 87 be presented to supplement the financial statements. Such information, although not a part of the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining and individual fund financial statements information included in the supplementary information is presented for purposes of additional analysis and are not a required part of the financial statements.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

The combining and individual fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2019 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Joseph J. Faccone

Joseph J. Faccone
Registered Municipal Accountant #100

Samuel Klein and Company

SAMUEL KLEIN AND COMPANY

Newark, New Jersey
August 15, 2019

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

Board of Commissioners
Essex County Improvement Authority
27 Wright Way
Fairfield, New Jersey 07004

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements and fund information of Essex County Improvement Authority, County of Essex, State of New Jersey (the "Authority"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which comprise of the Authority's financial statements, and have issued our report thereon dated August 15, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Joseph J. Faccone

Joseph J. Faccone
Registered Municipal Accountant #100

Samuel Klein and Company

SAMUEL KLEIN AND COMPANY

Newark, New Jersey
August 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis is designed to provide an analysis of the Improvement Authority's financial condition and operating results and to also inform the reader on Improvement Authority financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Transmittal Letter (beginning on page 1) and the Authority's basic financial statements (beginning on page 25).

USING THIS ANNUAL REPORT

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. As enterprise funds, the Authority's basic financial statements include:

Statement of net position – reports the Authority's current financial resources (current spendable resources) with capital assets and noncurrent obligations. (Exhibit A)

Statement of revenues, expenses and change in net position – reports the Authority's operating and nonoperating revenues, by major source along with operating and nonoperating expenses and capital contributions. (Exhibit B)

Statement of cash flows – reports the Authority's cash flows from operating activities, investing, capital and noncapital activities. (Exhibit C)

Notes to the financial statements – the notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other information – in addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information.

COMPARATIVE STATEMENT OF NET POSITION – AUTHORITY-WIDE STATEMENT
ADJUSTED TO CONFORM TO GENERAL ACCEPTED ACCOUNTING PRINCIPLES

The Authority-wide comparative statement (pages 25-26) combine all five (5) basic financial proprietary fund statements (pages 86-89) and the restricted funds (pages 90-94) and adjust for the long-term pension liability in order to comply with proper financial reporting.

	Years ended December 31,	
	<u>2018</u>	<u>[As Restated] 2017</u>
Assets:		
Current Assets	\$ 59,136,406	\$ 58,273,129
Restricted Assets	523,370,991	569,742,871
Noncurrent Assets	<u>25,662,915</u>	<u>25,927,591</u>
Total Assets	<u>\$ 608,170,312</u>	<u>\$ 653,943,591</u>
Deferred Outflows	<u>\$ 1,281,695</u>	<u>\$ 1,631,214</u>
Liabilities:		
Current Liabilities - Unrestricted	\$ 4,655,581	\$ 4,601,323
Current Liabilities - Restricted	48,858,034	45,884,931
Noncurrent Liabilities	<u>531,290,874</u>	<u>579,831,803</u>
Total Liabilities	<u>\$ 584,804,489</u>	<u>\$ 630,318,057</u>
Deferred Inflows	<u>\$ 3,665,314</u>	<u>\$ 2,041,424</u>
Net Position:		
Invested in Capital Assets	\$ 20,113,619	\$ 19,730,606
Restricted	1,314,610	1,512,512
Unrestricted (Deficit)	<u>(446,027)</u>	<u>1,972,208</u>
	<u>\$ 20,982,202</u>	<u>\$ 23,215,326</u>

The Authority's December 31, 2017 financial statements were restated to conform to the December 31, 2018 presentation due to the implementation of GASB No. 75 related to Other Post-Employment Benefits "OPEB".

The net position of the Authority decreased by \$2,233,124 during 2018 compared to 2017 as restated mainly due to lower revenue and higher nonoperating expenses.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION - AUTHORITY-WIDE STATEMENT ADJUSTED TO CONFORM TO GENERAL ACCEPTED ACCOUNTING PRINCIPLES

	Years Ended December 31,	
	<u>2018</u>	<u>[As Restated] 2017</u>
Total Revenues	\$ 37,112,822	\$ 39,341,338
Operating Expenses	34,492,146	36,608,782
Depreciation	817,568	806,635
Total Operating Expenses	35,309,714	37,415,417
Operating Income	1,803,108	1,925,921
Nonoperating Revenues/(Expenses)	(4,036,232)	(1,847,540)
Change in Net Position - Increase	(2,233,124)	78,381
Net Position, Beginning	23,215,326	23,136,945
Net Position, Ending	\$ 20,982,202	\$ 23,215,326

The Authority's revenue decreased \$2,228,516 mostly as a result of lower trustee and administration fees and less overall debt outstanding which also drives certain revenues.

The Authority's operating expenses exclusive of depreciation decreased by \$2,116,636 in 2018 when compared to 2017 as restated.

The Authority's overall non-operating expenses increased during the year.

The Authority operates unrestricted funds with four different proprietary activities: Development and Finance Assistance, Airport, Parking and Sportsplex Complex.

STATEMENTS OF NET POSITION – INDIVIDUAL FUNDS BASIC FINANCIAL STATEMENTS

Development and Finance Assistance – Administration

The Development and Finance Assistance Fund consists of revenues from various sources; financing fees (the Authority provides financing to local governmental and non-governmental units within the County and outside) parking fees (management fees, excess revenue as per Parking Agreements with the County of Essex).

The Development and Finance Assistance Fund can be used to pay for expenses for all the departments. The Authority six (6) administrative employees that include the Executive Director and Counsel oversee work in all departments.

The Development and Finance Assistance's net position of \$6,548,255 is comprised of the following:

- Invested in capital assets of \$45,455
- Unrestricted funds of \$6,502,800

	Years ended December 31,		Increased/ (Decreased)	Percent
	2018	2017		
Assets:				
Current Assets	\$ 8,572,835	\$ 9,785,072	\$(1,212,237)	-12.39%
Noncurrent Assets	45,455	62,522	(17,067)	-27.30%
Total Assets	<u>\$ 8,618,290</u>	<u>\$ 9,847,594</u>	<u>\$(1,229,304)</u>	-12.48%
Liabilities:				
Current Liabilities -				
Unrestricted	<u>\$ 2,070,035</u>	<u>\$ 2,063,403</u>	<u>\$ 6,632</u>	0.32%
Total Liabilities	<u>\$ 2,070,035</u>	<u>\$ 2,063,403</u>	<u>\$ 6,632</u>	0.32%
Net Position:				
Invested in Capital Assets	\$ 45,455	\$ 62,522	\$ (17,067)	-27.30%
Restricted		64,736	(64,736)	-100.00%
Unrestricted	<u>6,502,800</u>	<u>7,656,933</u>	<u>(1,154,133)</u>	-15.07%
	<u>\$ 6,548,255</u>	<u>\$ 7,784,191</u>	<u>\$(1,235,936)</u>	-15.88%

The majority of the Development and Finance Assistance's Current Assets include cash and cash equivalents, interfund and intrafund receivables.

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION –
INDIVIDUAL FUNDS BASIC FINANCIAL STATEMENTS

Development and Finance Assistance-Administration

	<u>Years Ended December 31,</u>		<u>Increased/</u>	
	<u>2018</u>	<u>2017</u>	<u>(Decreased)</u>	<u>Percent</u>
Total Revenues	\$ 609,606	\$ 803,837	\$ (194,231)	-24.16%
Operating Expenses:				
Salaries and Benefits	591,442	561,478	29,964	5.34%
Other	242,269	187,943	54,326	28.91%
Depreciation	17,067	17,067	-	0.00%
Total Operating Expenses	850,778	766,488	84,290	11.00%
Operating Income	(241,172)	37,349	(278,521)	N/M
Nonoperating Revenues/ (Expenses)	(994,764)	260,048	(1,254,812)	N/M
Change in Net Position - Increased/(Decreased)	(1,235,936)	297,397	(1,533,333)	N/M
Net Position, Beginning	7,784,191	7,486,794	297,397	3.97%
Net Position, Ending	\$ 6,548,255	\$ 7,784,191	\$ (1,235,936)	-15.88%

Net position, as of December 31, 2018 compared to 2017, decreased mainly due to provision for Non-operating (expenses) consisting of a Capital Contribution and a provision for Settlement of Litigation.

STATEMENTS OF NET POSITION – INDIVIDUAL FUNDS BASIC FINANCIAL STATEMENTS

Airport

The Authority operates general aviation airport located in Fairfield Township, Essex County, New Jersey which is comprised of two hundred and seventy eight (278) acres of property. The airport has two main runways and offers tie-downs and hangar storage. Also through its tenants, the airport provides FBO services, aircraft avionics and maintenance and flight school training. There is approximately twelve (12) Authority employees who work at the Airport. Their main task is to maintain the grounds, buildings and providing security.

Airport funds are considered unrestricted; however the funds are restricted for Airport use only. Also, the funds are dedicated to bondholders under Airport financing documents.

	Years ended December 31,		Increased/ (Decreased)	Percent
	<u>2018</u>	<u>2017</u>		
Assets:				
Current Assets	\$ 4,145,568	\$ 5,364,564	\$ (1,218,996)	-22.72%
Restricted Assets	91,217	108,405	(17,188)	-15.86%
Noncurrent Assets	<u>25,617,640</u>	<u>25,865,069</u>	<u>(247,429)</u>	-0.96%
Total Assets	<u>\$ 29,854,425</u>	<u>\$ 31,338,038</u>	<u>\$ (1,483,613)</u>	-4.73%
Liabilities:				
Current Liabilities -				
Unrestricted	\$ 982,831	\$ 1,065,049	\$ (82,218)	-7.72%
Noncurrent Liabilities	<u>5,505,000</u>	<u>6,145,000</u>	<u>(640,000)</u>	-10.41%
Total Liabilities	<u>\$ 6,487,831</u>	<u>\$ 7,210,049</u>	<u>\$ (722,218)</u>	-10.02%
Deferred Inflows -				
Preimum	<u>\$ 44,296</u>	<u>\$ 51,985</u>	<u>\$ (7,689)</u>	-14.79%
Net Position:				
Invested in				
Capital Assets	\$ 20,068,164	\$ 19,668,084	\$ 400,080	2.03%
Restricted	91,217	108,405	(17,188)	-15.86%
Unrestricted	<u>3,162,738</u>	<u>4,299,515</u>	<u>(1,136,777)</u>	-26.44%
	<u>\$ 23,322,119</u>	<u>\$ 24,076,004</u>	<u>\$ (753,885)</u>	-3.13%

The majority of the Airport's Current Assets include cash and cash equivalents and inventory.

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION –
INDIVIDUAL FUNDS BASIC FINANCIAL STATEMENTS

Airport

	<u>Years Ended December 31,</u>		<u>Increased/</u>	
	<u>2018</u>	<u>2017</u>	<u>(Decreased)</u>	<u>Percent</u>
Operating Revenue	\$ 4,457,840	\$ 4,294,559	\$ 163,281	3.80%
Operating Expenses:				
Salaries and Benefits	901,636	835,209	66,427	7.95%
Other	2,336,656	2,112,917	223,739	10.59%
Depreciation	800,501	789,568	10,933	1.38%
Total Operating Expenses	4,038,793	3,737,694	301,099	8.06%
Operating Income	419,047	556,865	(137,818)	-24.75%
Nonoperating Revenues/ (Expenses)	(1,172,932)	(324,181)	(848,751)	N/M
Change in Net Position - Increased/(Decreased)	(753,885)	232,684	(986,569)	N/M
Net Position, Beginning	24,076,004	23,843,320	232,684	0.98%
Net Position, Ending	\$ 23,322,119	\$ 24,076,004	\$ (753,885)	-3.13%

Net position, as of December 31, 2018, decreased mainly due to Nonoperating Revenue/(Expenses) consist mainly of capital contribution for removal of obstructions on and off the airport.

STATEMENTS OF NET POSITION – INDIVIDUAL FUND BASIC FINANCIAL STATEMENTS

Parking - Garage

The Authority operates a parking facility located in Newark, New Jersey at the County of Essex complex, i.e. Hall of Records. This facility is comprised of both deck (1,000 spaces) and surface parking lot (300 spaces). This facility serves those who visit the County for business or utilize the County court complex including the jurors.

There are approximately six (6) Authority employees who work at the Parking Facility. Their main task is to assist the parkers, maintain the grounds and collect daily parking fees.

	<u>Years ended December 31,</u>		<u>Increased/</u>	
	<u>2018</u>	<u>2017</u>	<u>(Decreased)</u>	<u>Percent</u>
Assets:				
Current Assets	\$ 1,711,938	\$ 1,755,570	\$ (43,632)	-2.49%
Restricted Assets	<u>2,515,000</u>	<u>3,075,000</u>	<u>(560,000)</u>	-18.21%
Total Assets	<u>\$ 4,226,938</u>	<u>\$ 4,830,570</u>	<u>\$ (603,632)</u>	-12.50%
Liabilities:				
Current Liabilities -				
Unrestricted	\$ 2,296,938	\$ 2,315,570	\$ (18,632)	-0.80%
Noncurrent Liabilities	<u>1,930,000</u>	<u>2,515,000</u>	<u>(585,000)</u>	-23.26%
Total Liabilities	<u>\$ 4,226,938</u>	<u>\$ 4,830,570</u>	<u>\$ (603,632)</u>	-12.50%

There is no Net Position since all net revenue is allocated between the County of Essex and the Authority. The Authority portion of the excess of revenue is deposited into the Development and Financial Assistance Fund. Excess expenses are returned to the County – as per the Parking Agreements between the County of Essex and the Authority.

The majority of the Parking Current Assets include cash and cash equivalents.

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION –
INDIVIDUAL FUNDS BASIC FINANCIAL STATEMENTS

Parking - Garage

	<u>Years Ended December 31,</u>		<u>Increased/ (Decreased)</u>	<u>Percent</u>
	<u>2018</u>	<u>2017</u>		
Operating Revenue	<u>\$ 2,232,428</u>	<u>\$ 2,246,388</u>	<u>\$ (13,960)</u>	-0.62%
Operating Expenses:				
Salaries and Benefits	333,990	317,718	16,272	5.12%
Other	<u>423,083</u>	<u>380,234</u>	<u>42,849</u>	11.27%
Total Operating Expenses	<u>757,073</u>	<u>697,952</u>	<u>59,121</u>	8.47%
Operating Income	1,475,355	1,548,436	(73,081)	-4.72%
Nonoperating Revenues/ (Expenses)	<u>\$ (1,475,355)</u>	<u>\$ (1,474,070)</u>	<u>\$ (1,285)</u>	0.09%

The Nonoperating Revenue/(Expenses) includes the distribution of operating income to the County and the Authority.

STATEMENTS OF NET POSITION – INDIVIDUAL FUND BASIC FINANCIAL STATEMENTS

Sportsplex Complex - Garage

The Authority operates Parking Garage located at the Bears & Eagles Stadium in Newark, New Jersey. In 2003 the County of Essex, City of Newark and Port Authority of NY/NJ collaborated to construct a parking deck adjacent to the Bears & Eagles Stadium. This deck holds 377 parking spaces. This deck allows for commuter licensed parking, Stadium parking and has assisted in the development of a portion of the City of Newark by allowing local businesses access to parking through license agreements, for their employees and customers. The only revenue currently generated for the Sportsplex Complex is from the Sportsplex Parking Garage.

There are three (3) Authority employees who work at the Parking Garage. Their main task is to assist the parkers and maintain the grounds.

	<u>Years ended December 31,</u>		<u>Increased/</u>	
	<u>2018</u>	<u>2017</u>	<u>(Decreased)</u>	<u>Percent</u>
Assets:				
Current Assets	<u>\$ 1,515,811</u>	<u>\$ 1,677,294</u>	<u>\$ (161,483)</u>	-9.63%
Total Assets	<u>\$ 1,515,811</u>	<u>\$ 1,677,294</u>	<u>\$ (161,483)</u>	-9.63%
Liabilities:				
Current Liabilities - Unrestricted	<u>\$ 292,418</u>	<u>\$ 337,924</u>	<u>\$ (45,506)</u>	-13.47%
Total Liabilities	<u>\$ 292,418</u>	<u>\$ 337,924</u>	<u>\$ (45,506)</u>	-13.47%
Net Position:				
Restricted	<u>\$ 1,223,393</u>	<u>\$ 1,339,370</u>	<u>\$ (115,977)</u>	-8.66%
	<u>\$ 1,223,393</u>	<u>\$ 1,339,370</u>	<u>\$ (115,977)</u>	-8.66%

The majority of the Sportsplex Parking Garage Current Assets include cash and cash equivalents, intrafund receivable and other current assets.

The net position is earmarked in effect for reinvestment into the stadium to operate the Stadium under the Leaseback Agreement.

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION –
INDIVIDUAL FUNDS BASIC FINANCIAL STATEMENTS

Sportsplex Complex - Garage

	<u>Years Ended December 31,</u>		<u>Increased/ (Decreased)</u>	<u>Percent</u>
	<u>2018</u>	<u>2017</u>		
Operating Revenue	<u>\$ 549,845</u>	<u>\$ 447,126</u>	<u>\$ 102,719</u>	22.97%
Operating Expenses:				
Salaries and Benefits	145,650	107,754	37,896	35.17%
Other	<u>150,286</u>	<u>161,525</u>	<u>(11,240)</u>	-6.96%
Total Operating Expenses	<u>295,936</u>	<u>269,279</u>	<u>26,657</u>	9.90%
Operating Income	253,910	177,847	76,063	42.77%
Nonoperating Revenues/ (Expenses)	<u>(369,887)</u>	<u>(177,230)</u>	<u>(192,657)</u>	108.70%
Change in Net Position - Increased/(Decreased)	(115,978)	617	(116,595)	N/M
Net Position, Beginning	<u>1,339,370</u>	<u>1,338,753</u>	<u>617</u>	0.05%
Net Position, Ending	<u><u>\$ 1,223,393</u></u>	<u><u>\$ 1,339,370</u></u>	<u><u>\$ (115,978)</u></u>	-8.66%

Net position, as of December 31, 2018, decreased slightly in spite of an increase in revenue and increase of expenditures and nonoperating charges to maintain and operate Sportsplex Stadium under a leaseback agreement that ended in 2018.

STATEMENTS OF NET POSITION – INDIVIDUAL FUND BASIC FINANCIAL STATEMENTS

Sportsplex Complex – Stadium

The Authority, up to October 24, 2016, operated the Stadium located in the City of Newark, County of Essex. Operations consisted of various revenues derived from activities conducted at the Stadium; however, since the Stadium was sold, the authority was responsible for maintaining the building and property. The lease-back agreement ended December 31, 2018. The only realized revenue currently generated is that from the adjacent parking garage.

	<u>Years ended December 31,</u>		<u>Increased/</u>	
	<u>2018</u>	<u>2017</u>	<u>(Decreased)</u>	<u>Percent</u>
Assets:				
Current Assets	\$ -	\$ 4,834	\$ (4,834)	N/M
Total Assets	<u>\$ -</u>	<u>\$ 4,834</u>	<u>\$ (4,834)</u>	N/M
Liabilities:				
Current Liabilities - Unrestricted		\$ -	\$ -	N/M
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	N/M
Net Position:				
Unrestricted	\$ -	\$ 4,834	\$ (4,834)	N/M
	<u>\$ -</u>	<u>\$ 4,834</u>	<u>\$ (4,834)</u>	N/M

This fund has been officially closed in 2018 as the baseball stadium was sold in 2016 and it was being phased out under a leaseback agreement.

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION –
INDIVIDUAL FUND BASIC FINANCIAL STATEMENTS

Sportsplex Complex – Stadium

	<u>Years Ended December 31,</u>		<u>Increased/ (Decreased)</u>	<u>Percent</u>
	<u>2018</u>	<u>2017</u>		
Operating Revenue	\$ 18,460	\$ 57,385	\$ (38,925)	-67.83%
Operating Income	18,460	57,385	(38,925)	-67.83%
Nonoperating Revenues/ (Expenses)	<u>(23,294)</u>	<u>(57,740)</u>	<u>34,446</u>	-59.66%
Change in Net Position - Increased/(Decreased)	(4,834)	(355)	(4,479)	N/M
Net Position, Beginning	<u>4,834</u>	<u>5,189</u>	<u>(355)</u>	-6.84%
Net Position, Ending	<u>\$ -</u>	<u>\$ 4,834</u>	<u>\$ (4,834)</u>	-100.00%

The net position as of December 31, 2018 is zero due to the fact that the fund was closed out since the Stadium was sold in 2016 and is not being rented any longer. The only revenue generated for the Sportsplex Complex is from the Sportsplex Parking Garage.

CAPITAL ASSETS, NET

As of December 31, 2018, the Authority had \$59,974,728 invested in land, buildings, furniture, equipment and vehicles. Details are as follows:

	December 31,	
	2018	2017
Land	\$ 9,085,551	\$ 9,085,551
Construction in Progress: Airport	2,170,704	1,589,406
Total Capital Assets Not being Depreciated	11,256,255	10,674,957
Airport Improvements	36,226,813	36,257,144
Buildings	11,137,999	11,137,999
Equipment and Vehicles	1,264,580	1,264,580
Furniture and Fixtures	89,081	89,081
	48,718,473	48,748,804
Total Accumulated Depreciation	(34,311,813)	(33,496,170)
Total Capital Assets being Depreciated - Net of Accumulated Depreciation	14,406,660	15,252,634
Capital Assets, Net	\$ 25,662,915	\$ 25,927,591

Authority Debt Proprietary Funds (Only)

As of December 31, 2018 the Authority had \$8,660,000 of bonded indebtedness attributed to its parking and airport operations as follows:

	December 31,	
	2018	2017
Airport Bonds	\$ 6,145,000	\$ 6,840,000
Parking Bonds	2,515,000	3,075,000
	\$ 8,660,000	\$ 9,915,000

RESTRICTED FUNDS

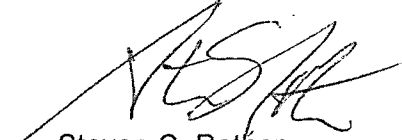
The Restricted Fund of the Authority provides the accounting and custodianship for the various participants based financings that the Authority has issued as a conduit. The financings have occurred since the Authority was empowered to issue debt on behalf of the county, municipalities within the county, other qualifying municipalities and certain not-for-profit entities.

	December 31,	
	<u>2018</u>	<u>2017</u>
Current Assets	\$ 44,419,505	\$ 41,118,595
Restricted Assets	<u>520,764,774</u>	<u>566,559,466</u>
	<u>\$ 565,184,279</u>	<u>\$ 607,678,061</u>
Current Liabilities	\$ 49,945,129	\$ 45,991,930
Noncurrent Liabilities	<u>516,239,149</u>	<u>561,686,131</u>
	<u>\$ 566,184,278</u>	<u>\$ 607,678,061</u>
Revenues:		
Development and Financial Assistance	\$ 28,910,338	\$ 31,264,691
Interest	<u>334,305</u>	<u>227,351</u>
	<u>\$ 29,244,643</u>	<u>\$ 31,492,042</u>
Expenses		
Services by Contract	\$ 748,374	\$ 784,699
Interest and Related Charges	<u>28,496,269</u>	<u>30,707,343</u>
	<u>\$ 29,244,643</u>	<u>\$ 31,492,042</u>

The majority of the assets consist of bonds receivable and liabilities consist of bonds payable, which are intended to offset each other. Currently the individual bond issuances are managed and monitored by a trustee and overseen by the Authority.

FINANCIAL CONTACT

The Authority's statements are designed to present a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about the report or need additional financial information, please contact the Executive Director, Steven C. Rother.

A handwritten signature in black ink, appearing to read 'S. C. Rother', with a long horizontal stroke extending to the left.

Steven C. Rother
Executive Director

FINANCIAL STATEMENTS

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018				2017 [As Restated]			
	Unrestricted Fund	Restricted Fund	Eliminations	Total	Unrestricted Fund	Restricted Fund	Eliminations	Total
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 14,604,684			\$ 14,604,684	\$ 16,905,954			\$ 16,905,954
Inventory	48,695			48,695	67,259			67,259
Accounts receivable	14,376			14,376	142,353			142,353
Restricted bonds receivable		\$ 43,892,363		43,892,363		\$ 40,515,382		40,515,382
Due from participants/county						75,007		75,007
Other current assets	49,145	527,142		576,287	38,969	528,206		567,175
Interfunds Receivable	87,095		\$ (87,095)		107,000		\$ (107,000)	
Intrafunds Receivable	1,142,157		(1,142,157)		1,325,799		(1,325,799)	
Total current assets	15,946,152	44,419,505	(1,229,252)	59,136,406	18,587,334	41,118,595	(1,432,799)	58,273,130
Restricted assets:								
Restricted cash and cash equivalents	91,217	14,394,826		14,486,043	108,405	14,386,722		14,495,127
Restricted bonds receivable		448,014,149		448,014,149		491,374,131		491,374,131
Restricted net investment in direct financing leases, less construction costs to be incurred of \$3,849,202 and \$5,961,387 in 2018 and 2017 respectively	2,515,000	58,355,798		60,870,798	3,075,000	60,798,613		63,873,613
Total restricted assets	2,606,217	520,764,774		523,370,991	3,183,405	566,559,466		569,742,871
Noncurrent assets:								
Capital assets, net	25,662,915			25,662,915	25,927,591			25,927,591
Total noncurrent assets	25,662,915			25,662,915	25,927,591			25,927,591
Total assets	\$ 44,215,284	\$ 565,184,279	\$ (1,229,252)	\$ 608,170,311	\$ 47,698,330	\$ 607,678,061	\$ (1,432,799)	\$ 653,943,592
DEFERRED OUTFLOW OF RESOURCES								
Pension Obligation	\$ 1,204,900			\$ 1,204,900	\$ 1,630,214			\$ 1,630,214
OPEB Obligation	76,795			76,795	1,000			1,000
Total deferred outflow of resources	\$ 1,281,695			\$ 1,281,695	\$ 1,631,214			\$ 1,631,214

See Notes to Financial Statements.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018				2017 [As Restated]			
	Unrestricted Fund	Restricted Fund	Eliminations	Total	Unrestricted Fund	Restricted Fund	Eliminations	Total
LIABILITIES								
Current liabilities:								
Current portion of bonds payable	\$ 1,225,000	\$ 45,979,363		\$ 47,204,363	\$ 1,255,000	\$ 43,267,382		\$ 44,522,382
Due to participants/counties		2,170,738		2,170,738		1,513,923		1,513,923
Various Reserves		131,850		131,850		461,546		461,546
Accrued expenses and other current liabilities	3,430,581	576,083		4,006,664	3,346,323	642,080		3,988,403
Interfund payable		87,095	\$ (87,095)			107,000	\$ (107,000)	
Intrafund payable	1,142,157		(1,142,157)		1,325,799		(1,325,799)	
Total current liabilities	5,797,738	48,945,129	(1,229,252)	53,513,615	5,927,122	45,991,931	(1,432,799)	50,486,254
Noncurrent Liabilities:								
Bonds payable	7,435,000	516,239,149		523,674,149	8,660,000	561,686,131		570,346,131
Net Pension Obligation	3,078,419			3,078,419	3,647,981			3,647,981
Net OPEB Obligation	4,538,306			4,538,306	5,837,691			5,837,691
Total noncurrent liabilities	15,051,725	516,239,149		531,290,874	18,145,672	561,686,131		579,831,803
Total Liabilities	\$ 20,849,463	\$ 565,184,279	\$ (1,229,252)	\$ 584,804,490	\$ 24,072,794	\$ 607,678,062	\$ (1,432,799)	\$ 630,318,057
DEFERRED INFLOW OF RESOURCES								
Unamortized Gain on Refunding of Bonds	\$ 44,296			\$ 44,296	\$ 51,985			\$ 51,985
Pension Obligation	1,058,110			1,058,110	770,066			770,066
OPEB Obligation	2,562,908			2,562,908	1,219,373			1,219,373
Total deferred inflow of resources	\$ 3,665,314			\$ 3,665,314	\$ 2,041,424			\$ 2,041,424
NET POSITION								
Invested in Capital Assets	\$ 20,113,619			\$ 20,113,619	\$ 19,730,606			\$ 19,730,606
Restricted	1,314,610			1,314,610	1,512,512			1,512,512
Unrestricted (Deficit)	(446,027)			(446,027)	1,972,208			1,972,208
Net Position	\$ 20,982,202			\$ 20,982,202	\$ 23,215,326			\$ 23,215,326

See Notes to Financial Statements.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017 [As Restated]		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
Revenues:						
Airport	\$ 4,399,865		\$ 4,399,865	\$ 4,273,369		\$ 4,273,369
Development and financial assistance	598,687	\$ 28,910,338	29,509,025	799,637	\$ 31,264,691	32,064,328
Parking	2,229,557		2,229,557	2,245,731		2,245,731
Sportsplex	18,441		18,441	57,323		57,323
Sportsplex Parking	549,005		549,005	447,000		447,000
Interest	72,624	334,305	406,929	26,236	227,351	253,587
Total revenues	7,868,179	29,244,643	37,112,822	7,849,296	31,492,042	39,341,338
Expenses:						
Salaries	1,219,422		1,219,422	1,122,690		1,122,690
Fringe benefits	875,788		875,788	1,151,432		1,151,432
Services by contract	3,152,293	748,374	3,900,667	2,842,618	784,699	3,627,317
Interest and related charges		28,496,269	28,496,269		30,707,343	30,707,343
Depreciation	817,568		817,568	806,635		806,635
Total expenses	6,065,071	29,244,643	35,309,714	5,923,375	31,492,042	37,415,417
Operating Income	1,803,108		1,803,108	1,925,921		1,925,921
Nonoperating Revenues/(Expenses)						
Capital Expenditures	(346,103)		(346,103)	(181,871)		(181,871)
Capital Contributions	(2,465,000)		(2,465,000)	(87,939)		(87,939)
Grant Contributions	300,506		300,506	4,138		4,138
Interest Expense	(442,646)		(442,646)	(503,692)		(503,692)
Amounts due under Service Agreements	(672,593)		(672,593)	(399,164)		(399,164)
Provision for Settlement of Litigation	(731,752)		(731,752)	(670,362)		(670,362)
Miscellaneous	321,356		321,356	(8,649)		(8,649)
Total Nonoperating Revenues/(Expenses)	(4,036,232)		(4,036,232)	(1,847,539)		(1,847,539)
Change in Net Position - Increase/(Decrease)	(2,233,124)		(2,233,124)	78,382		78,382
Net Position, Beginning (as adjusted)	23,215,326		23,215,326	23,136,944		23,136,944
Net Position, Ending	\$ 20,982,202		\$ 20,982,202	\$ 23,215,326		\$ 23,215,326

See Notes to Financial Statements.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 8,049,011	\$ 748,374	\$ 8,797,385	\$ 8,817,534	\$ 784,699	\$ 9,602,233
Cash Paid to Suppliers	(3,183,054)	(748,374)	(3,931,428)	(3,727,403)	(784,699)	(4,512,102)
Cash Paid to Employees & for Benefits	(1,972,718)		(1,972,718)	(1,822,159)		(1,822,159)
Net Cash Flows from Operating Activities	\$2,893,239		\$2,893,239	\$3,267,972		\$3,267,972
Cash Flows from Noncapital Financing Activities:						
Other Operating Receipts/(Expenditures)	320,636		320,636	(2,461)		(2,461)
Service Agreements	(672,593)		(672,593)	(581,035)		(581,035)
Litigation Provision	(731,752)		(731,752)	(670,361)		(670,361)
Net Cash Flows from Noncapital Financing Activities	(1,083,709)		(1,083,709)	(1,253,857)		(1,253,857)
Cash Flows from Capital and Related Financing Activities:						
Acquisition of Capital Assets	(898,277)		(898,277)	(510,199)		(510,199)
Interest Paid	(442,646)	(28,496,269)	(28,938,915)	(515,375)	(30,707,343)	(31,222,718)
Bonds Paid	(1,255,000)	(42,735,001)	(43,990,001)	(1,210,000)	(39,179,999)	(40,389,999)
Grants	300,506		300,506			
Capital Contribution	(2,465,000)		(2,465,000)	(87,909)		(87,909)
Bonds Proceeds, Net					39,582,473	39,582,473
Transfer to Escrow					(39,582,473)	(39,582,473)
Received from Participants For Bonds Paid		38,180,001	38,180,001		39,179,999	39,179,999
Finance Lease - Receipt	560,000	4,555,000	5,115,000	535,000	7,975,000	8,510,000
Finance Lease (Cost)		(2,112,185)	(2,112,185)		(12,726,100)	(12,726,100)
Receipts from Participant		28,170,168	28,170,168		29,695,243	29,695,243
Finance Lease, Net		2,438,286	2,438,286		(5,501,668)	(5,501,668)
Net Cash Flows/(Used in) from Capital and Related Financing Activities	(4,200,417)		(4,200,417)	(1,788,483)	(11,264,868)	(13,053,351)
Cash Flows from Investing Activities:						
Interest Received on Investments	72,425	334,305	406,730	26,235	227,351	253,586
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ (2,318,462)	\$ 334,305	\$ (1,984,157)	\$ 251,867	\$ (11,037,517)	\$ (10,785,650)
Cash and Cash Equivalents at Beginning of Year	17,014,362	14,386,722	31,401,084	16,762,495	25,424,239	42,186,734
Cash and Cash Equivalents at End of Year	\$ 14,695,900	\$ 14,721,027	\$ 29,416,927	\$ 17,014,362	\$ 14,386,722	\$ 31,401,084

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
Cash flows from operating activities:						
Revenues over/(under) expenses - net	\$ 1,803,109		\$ 1,803,109	\$ 1,925,921		\$ 1,925,921
Non-cash portion of change in net pension liability and OPEB and related deferrals	122,772		122,772	452,460		452,460
Adjustments to reconcile revenues over/(under) expenses to net cash provided by operating activities:						
Depreciation and amortization	809,879		809,879	806,635		806,635
Interest on investments	(72,425)		(72,425)	(26,235)		(26,235)
Changes in assets and liabilities:						
Decrease/(increase) in accounts receivable, net	127,976		127,976	31,464		31,464
Decrease/(increase) in due from participants/county		\$ 75,007	75,007		\$ 29,869	29,869
(Increase)/decrease in other current assets	(10,174)	1,064	(9,110)	(4,089)	3,179	(910)
Decrease/(increase) in inventory	18,564		18,564	(8,915)		(8,915)
(Increase)/decrease in interfund receivable/payable	19,905	(19,905)		28,000	(28,000)	
(Increase)/decrease in intrafund receivable	183,642		183,642	(86,225)		(86,225)
Increase/(decrease) in various reserves		(329,696)	(329,696)		244,954	244,954
Increase/(decrease) in restricted cash		(317,288)	(317,288)		(85,563)	(85,563)
Increase/(decrease) in accrued expenses	73,916	(65,997)	7,919	70,704	(407,365)	(336,661)
Increase/(decrease) in intrafund payable	(183,642)		(183,642)	78,252		78,252
Increase/(decrease) in due to participants/county		656,815	656,815		242,926	242,926
Net cash provided/(used in) by operating activities	\$ 2,893,522		\$ 2,893,522	\$ 3,267,972		\$ 3,267,972

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1. **OPERATIONS**

The Essex County Improvement Authority (the "Authority"), is a political subdivision of the State of New Jersey. The Authority was established by the County of Essex in 1972. The Authority has the power to acquire, construct, renovate and install any "public facility", to issue its bonds, notes or other obligations to finance the costs of such public facility and to purchase bonds.

The Authority's activities consist of (1) the operation of a general aviation airport located in Fairfield, New Jersey; (2) a parking facility located adjacent to the County of Essex (the "County") courthouse in Newark, New Jersey; (3) the administration and further development of its pooled governmental loan programs and its capital equipment and property and infrastructure leasing programs, which in combination, provide financing to local governmental units including the County for the acquisition, construction, renovation or installation of any public facility; (4) the administration and further development of bond financings and (5) up to October 24, 2016 at which time, it was sold (see Note 5D) the operation of the Stadium Complex through 2018 by leaseback agreement and adjacent parking facility located in the City of Newark, County of Essex. Operations consist of various revenues derived from activities conducted at the Stadium Complex and adjacent parking facility.

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Basis of Financial Statements**

The financial statements of the Authority have been prepared on the accrual basis of accounting, with certain elimination entries, in accordance with governmental accounting standards applicable to local government units for enterprise funds. The Authority's operations are segregated into the following:

- Unrestricted funds – includes the operation of the airport, juror and sportsplex parking, sportsplex (baseball stadium) and the development, financial assistance and administrative functions. With respect to revenues derived from airport operations, they are deemed by Authority Bond Resolution as pledged to the airport revenue/refunding bonds (see Note 7). The accounting requirements are such that the airport net position is presented as unrestricted. However, within an individual unrestricted fund, there may be funds that are designated for specific related purposes which are deemed as restricted.
- Restricted funds – includes the administration of the various financing programs for the county, local government units and other qualified participants which are maintained in accordance with each applicable bond resolution. In addition, other Authority funds segregate where applicable.
- All interfund balances and transactions have been eliminated for the purpose of financial reporting.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. 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 estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C. Unrestricted – Cash, Cash Equivalents and Investments

Cash includes petty cash, change funds, cash in banks, savings accounts, money markets, or highly liquid securities with a maturity date of three (3) months or less from the date of purchase which may be withdrawn at any time without prior notice or penalty. Cash equivalents are defined as short-term, highly liquid securities that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with original maturity dates of three (3) months or less meet this definition. For the Statements of Cash Flows the Authority includes all cash, cash equivalents and investments.

D. Restricted – Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments are stated at cost, which approximates market. These assets are restricted for the future redemption of bonds payable and future investments in direct financing leases. Restricted cash, cash equivalents and investments are principally held in interest bearing bank accounts or U. S. Government obligations, and are held by independent trustees.

E. Inventory

Inventory of airplane fuel is expensed when consumed and is stated at cost utilizing the first-in-first-out method.

F. Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (5 to 40 years).

G. Grants For Capital Expenditures

Grants received from governmental units which are restricted to the acquisition of assets, are reflected as invested in capital assets in the statement of change in unrestricted net position. Depreciation on such property, when acquired, is reflected as a reduction of invested in capital assets.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. **Deferred Outflows/Inflows of Resources**

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

I. **Refundings of Debt – Unrestricted Funds**

Governmental Accounting Standard Statement No. 65, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," provides for current and advance refundings resulting in defeasance of debt to defer the difference between the reacquisition price and the net carrying amount of the defeased indebtedness and amortize the difference as a component of interest expense over the shorter of the remaining life of the old indebtedness or the life of the new debt.

J. **Net Position**

Net Position represents the difference between assets, deferred outflows, deferred inflows and liabilities in the government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any noncurrent debt used to build or acquire the capital assets. Net position is reported as restricted in the government- wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

K. **Accounting and Financial Reporting for Pensions**

The Authority has also implemented GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Accounting and Financial Reporting for Pensions (Continued)

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events.

L. Accounting and Financial Reporting for Other Post-Employment Benefits ("OPEB")

Statement No. 75 – The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service.

In addition, Statement No. 75 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net OPEB liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 75, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to OPEB, contributions made after the measurement date of the beginning net OPEB liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

M. **Other Accounting Standards**

The Authority is currently reviewing the following for applicability and potential impact on the financial statements:

- GASB Statement No. 83. *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Authority does not expect this Statement to impact its financial statements.

- GASB Statement No. 84. *Fiduciary Activities*. This 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 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Authority does not expect this Statement to impact its financial statements.

- GASB 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.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority does not expect this Statement to impact its financial statements.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

M. **Other Accounting Standards (Continued)**

- GASB Statement No. 88. *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Authority does not expect this Statement to impact its financial statements.

- GASB Statement No. 89. *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encourage. The requirements of this Statement should be applied prospectively. The Authority does not expect this Statement to impact its financial statements.

- GASB Statement No. 90. *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The Authority does not expect this Statement to impact its financial statements.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

M. **Other Accounting Standards (Continued)**

- *GASB Statement No. 91. Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Authority does not expect this Statement to impact its financial statements.

N. **Subsequent Events** – Management has reviewed and evaluated all events and transactions from December 31, 2018 through August 15, 2019, the date that the financial statements are issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Authority that would require disclosure.

Note 3. **CASH, CASH EQUIVALENTS AND INVESTMENTS**

A. **Cash and Cash Equivalents**

New Jersey statutes and the Authority's Bond Resolution permit the deposit of public funds in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund. At December 31, 2018, all deposits of the Unrestricted Fund of the Authority with a maturity of three months or less from the date of purchase were deemed cash and cash equivalents for the purposes of the Statement of Cash Flows.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey (GUDPA), public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to one hundred percent 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, The Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

B. Investments

New Jersey statutes permit the Authority to purchase the following types of securities:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or authority of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

New Jersey Statutes and the Authority's General Bond Resolution authorize the Authority to invest in obligations which are obligations of or guaranteed by the Federal Government and certain State managed funds whose investments are primarily in Federal securities and certain banking institutions. As indicated by GASB #3 as amended by GASB #40, all securities with a maturity date of more than three (3) months from the date of purchase are deemed to be investments of the Authority.

At December 31, 2018, the Authority's total cash, cash equivalents and investments on deposit are as follows:

Unrestricted	\$ 14,959,745
Restricted	<u>14,394,826</u>
	<u><u>\$ 29,354,571</u></u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 4. **RESTRICTED BONDS RECEIVABLE**

The bonds receivable at December 31 consist of following:

	<u>2018</u>
1986 Series Bonds (PGLP) receivable in annual installments ranging from \$285,000 to \$965,000 through 2025, with interest varying and due monthly an average rate charged of 2.30% per annum in 2018. (a)	\$ 9,093,000
2004 Series Bonds receivable (2004 Project Consolidation Revenue Refunding Bonds) ranging in annual installment from \$10,680,000 to \$12,725,000 in 2023 through 2030 with interest rate of 5.5%. (b)	93,240,000
2005 Series A and B Bonds receivable (Marina Bay Multifamily Housing Revenue Bonds) ranging in annual installments from \$121,794 to \$364,513 through 2045. The Series A Bonds carry an interest of 5% and the Series B Bonds carry an interest rate of 3.75%. (c)	6,678,512
2005 Series Bonds receivable (2005 Project Consolidation Revenue Refunding Bonds) ranging in annual installments from \$165,000 to \$440,000 through 2027 with interest rates ranging from 4.125% to 4.375%. (d)	1,720,000
2005 Series A Bonds receivable (Sportsplex Refunding Project) ranging in annual installments from \$20,000 to \$380,000 through 2027. The Series A Bonds carry interest rates ranging from 3.75% to 4.35%. (e)	2,425,000
2006 Series Bonds receivable (2006 Project Consolidation Revenue Refunding Bonds) ranging in annual installments from \$2,815,000 to \$3,820,000 through 2024 with interest rate of 5.25%. (f)	20,260,000
2006 Series A Bonds receivable (Sportsplex Refunding Project) ranging in annual installments from \$315,000 to \$385,000 through 2027. The Series A Bonds carry interest rates ranging from 4.25% to 4.30%. (g)	1,070,000
2007 Series Bonds receivable (2007 Project Consolidation Revenue Refunding Bonds) ranging in annual installments from \$25,360,000 to \$46,445,000 through 2022 with interest rates ranging from 5% to 5.25%. (h)	149,400,000

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 4. **RESTRICTED BONDS RECEIVABLE (CONTINUED)**

Bonds receivable at December 31:
(Continued)

	<u>2018</u>
2010 Series Bonds receivable (Parking Revenue Bonds, Bloomfield Parking Authority Project) ranging in annual installments from \$5,000 in 2019 to \$1,500,000 through 2040 with interest rates ranging from 7.275% to 8.008%. (i)	\$ 12,480,000
<i>Subsequent Event - on April 11, 2019 this Series of Bonds was totally refunded by the Township of Bloomfield.</i>	
2010 Series Bonds receivable (Fern Senior Housing Project) payable in one installment of \$11,300,000 in 2040 with varying interest rates. (j)	11,300,000
2013 Series Bonds receivable (2013 Project Consolidation Revenue Refunding Bonds) ranging in annual installments from \$4,545,000 to \$4,590,000 through 2020 with interest rate of 5.0%. (k)	9,135,000
2014 Series Bonds receivable (2014 Project Consolidation Revenue Refunding Bonds) ranging in annual installations from \$8,890,000 to \$10,270,000 through 2022 with interest rates from 4.0% to 5.0%. (l)	38,270,000
2015 Series Bonds receivable (2015 Solid Waste Disposal Revenue Bonds, Covanta Project) payable in one installment of \$90,000,000 in 2045 with an interest rate of 5.25%. (m)	90,000,000
2015 Series A, B and C receivable (2015 Park Terrace/Grove House Apartments Project Revenue Bonds) ranging in annual installments from \$5,000 in 2018 to \$480,000 in 2053 with interest rates ranging from 5.0% to 7.0%. (n)	8,845,000
2017 Series Bonds receivable (2017 Project Consolidation Revenue Refunding Bonds) ranging in annual installments from \$200,000 to \$34,020,000 through 2027 with interest rates ranging from 2.0% to 2.125%. (o)	37,990,000
	<u>\$ 491,906,512</u>
Current	\$ 43,892,363
Noncurrent	<u>448,014,149</u>
	<u>\$ 491,906,512</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 4. **RESTRICTED BONDS RECEIVABLE (CONTINUED)**

- (a) In connection with the 1986 Pooled Government Loan Program bonds issued, the Authority used the proceeds of the bond issuances to purchase bonds of various local government units. The local government units used the proceeds to renovate or acquire public facilities. The proceeds from the bonds receivable are restricted for the future redemption of the pooled government loan program bonds payable. (see Note 8(a))
- (b) In connection with the 2004 Project Consolidation Revenue Bonds (Refunding Project). (See Note 8(c))
- (c) In connection with the 2005 Marina Bay Series A and B Revenue Bonds. (See Note 8(d))
- (d) In connection with the 2005 Project Consolidation Revenue Bonds (Refunding Project). (See Note 8(e))
- (e) In connection with the 2005 Sportsplex Refunding Bonds, Series A and B. (See Note 8(f))
- (f) In connection with the 2006 Project Consolidation Revenue Bonds (Refunding Project). (See Note 8(g))
- (g) In connection with the 2006 Sportsplex Refunding Bonds Series A and B. (See Note 8(h))
- (h) In connection with the 2007 Project Consolidation Revenue Bonds (Refunding Project). (See Note 8(i))
- (i) In connection with the 2010 Bloomfield Parking Authority Bonds. (See Note 8(j))

Subsequent Event – on April 11, 2019 this Series of Bonds was totally refunded by the Township of Bloomfield.
- (j) In connection with the 2010 Fern Senior Housing Project Revenue Bonds. (See Note 8(k))
- (k) In connection with the 2013 Project Consolidation Revenue Refunding Bonds. (See Note 8(o))
- (l) In connection with the 2014 Project Consolidation Revenue Refunding Bonds. (See Note 8(p))
- (m) In connection with the 2015 Solid Waste Disposal (Covanta Project) Revenue Bonds. (See Note 8(q))
- (n) In connection with the 2015 Project Revenue Bonds (Park Terrace/Grove House Apartments Projects), Series 2015 A-C. (See Note 8(r))
- (o) In connection with the 2017 Project Consolidation Revenue Refunding Bonds. (See Note 8(s))

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 4. **RESTRICTED BONDS RECEIVABLE (CONTINUED)**

Bonds receivable for the next five (5) years and every five (5) years thereafter are as follows:

Next five (5) years:

2019	\$ 42,084,363
2020	53,537,395
2021	57,473,044
2022	61,468,940
2023	50,495,092
	<u>265,058,834</u>

Every five (5) years thereafter:

2024	17,891,513
2025	13,343,214
2026	13,005,208
2027	13,307,508
2028	11,010,129
	<u>68,557,572</u>

2029	11,613,083
2030	12,246,386
2031	385,054
2032	399,103
2033	418,551
	<u>25,062,177</u>

2034	438,414
2035	458,713
2036	479,465
2037	505,693
2038	527,417
	<u>2,409,702</u>

2039	549,660
2040	11,877,444
2041	605,796
2042	634,740
2043	664,303
	<u>14,331,943</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 4. **RESTRICTED BONDS RECEIVABLE (CONTINUED)**

Bonds receivable for the next five (5) years and every five (5) years thereafter are as follows: (Continued)

Every Five (5) years thereafter: (continued)

2044	\$ 694,514
2045	90,633,771
2046	370,000
2047	390,000
2048	410,000
	<u>92,498,285</u>
2049	435,000
2050	455,000
2051	485,000
2052	505,000
2053	535,000
	<u>2,415,000</u>
	<u>\$ 470,333,513</u>

Reconciliation to Statement of Net Position:

Current Portion	\$ 43,892,363
Noncurrent Portion	<u>448,014,149</u>
	\$ 491,906,512
Less: PGLP Bonds Receivable	<u>9,093,000</u>
	<u>\$ 482,813,512</u>

Reconciliation to Exhibit A and Schedule 2:

Balance per Schedule and Exhibit	\$ 482,813,512
Less: Bloomfield Total Refunding (See Note 4(i))	<u>12,480,000</u>
Remaining Bonds Receivable after Giving Effect to to Bloomfield Paydown.	<u>\$ 470,333,512</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 5. RESTRICTED NET INVESTMENT IN DIRECT FINANCING LEASES

The Authority issued bonds to finance the acquisition, construction and renovation of certain capital improvements on behalf of local government units. The Authority then leased such capital assets to the local government units and the County of Essex. The leases are accounted for as direct financing leases with payment terms similar to the bond debt service requirements. The restricted investment in direct financing leases represents the future minimum lease payments receivable less the cost to be incurred in connection with the construction of the capital improvements at December 31, 2018.

Also, in connection with the issuance of the 1992 Parking Facility Revenue Bonds, the Authority is party to a service agreement with the County related to the construction and operation of the new parking facility for jurors serving the County. This service agreement expires in 2022 and provides for annual service charges payable in monthly installments by the County to the Authority equal to the principal and interest on the 2009 Parking Facility Revenue Refunding Bonds due and payable in such year, the operating expenses, including the Authority's management fee for operation of the parking facility, payable in such year, and the administrative expenses, including the Authority's administrative fee for issuing the bonds, payable in such year. This agreement is accounted for as a direct financing lease with payment terms similar to the bond debt service requirements. The restricted investment in direct financing leases represents the future minimum lease payments receivable. The unearned income represents the cost to be incurred in connection with the construction of the parking facility at December 31, 2018. Receipts of operating expenses under this agreement, including the Authority's management fee for operation of the parking facility, are included in parking revenues in the accompanying statements of revenues and expenses. Receipts of administrative fees under this agreement, including the Authority's administrative fee for issuing the bonds, are included in development and financial assistance revenues in the accompanying statements of revenues and expenses.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 5. **RESTRICTED NET INVESTMENT IN DIRECT FINANCING LEASES (CONTINUED)**

A. **Future Minimum Lease Payments**

Future minimum lease payments to be received for the next five (5) years and every five (5) years thereafter under direct financing leases are as follows:

	<u>Unrestricted</u>	<u>Restricted ⁽¹⁾</u>
Next five (5) years:		
2019	\$ 585,000	\$ 445,000
2020	615,000	465,000
2021	645,000	485,000
2022	670,000	510,000
2023	-	535,000
	<u>2,515,000</u>	<u>2,440,000</u>
Every five (5) years thereafter:		
2024		555,000
2025		585,000
2026		615,000
2027		650,000
2028		340,000
		<u>2,745,000</u>
2029		<u>355,000</u>
Total Minimum Obligation	<u>\$ 2,515,000</u>	<u>\$ 5,540,000</u>

Note: All principal and interest for direct financing leases for 2018 have been received.

Reconciliation to Exhibit A and Schedule 2

Balance per Schedule and Exhibit		\$ 62,205,000
Less: Newark 2010 Series A	\$ 33,360,000	
Newark 2010 Series B	<u>23,305,000</u>	<u>56,665,000</u>
		<u>\$ 5,540,000</u>

Subsequent Event - on February 28, 2019 the Newark Lease 2010 Series A and B were refunded by the City of Newark and the issue removed from the Authority's records. The amounts have been adjusted to reflect the reduction.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 5. **RESTRICTED NET INVESTMENT IN DIRECT FINANCING LEASES (CONTINUED)**

B. **Leased Properties**

There are several properties that are owned by the ECIA and leased to participants. The asset value is reflected as part of the net investment in direct financing leases. The properties remaining or portion thereof will revert to the participants upon completion of the lease. They are as follows:

County of Essex – Participant

<u>Description</u>	<u>Block-Lot</u>	<u>Address</u>
Social Services	380-4	50 South Clinton Street, E. Orange
Social Services Parking Lot	380-26	90 South Clinton Street, E. Orange
Gibraltar	62-1.1-C-001 and 1.5-C-005	147-159 Halsey Street, Newark
County Jail	5070-7.1	354-374 Doremus Avenue, Newark
Juror Parking	232-1-SUF-01	48-60 Howard Street, Newark

City of Newark – Participant *

<u>Description</u>	<u>Block-Lot</u>	<u>Address</u>
City Finance Building	163-101	838 Broad Street
Child and Family Well Being	101-1.6	110 William Street
Child and Family Well Being	99-3	34 William Street
Municipal Courts and Annex	873-1	31 Green Street
Traffic and Signal	2837-1	255 Central Avenue
Symphony Hall	883-41	1020 Broad Street
Firehouse, Engine 10 and 12	2575-1.15	350 Carter Avenue
Firehouse, Engine 6 and 11	267-15	345 South 5th Street
Firehouse, Engine 13	761-51	714 Mount Prospect Avenue
Firehouse, Engine 16	2484-3	458-473 Ferry Street
Firehouse, Engine 18	2533-2C	395-399 Avon Avenue
Firehouse, Engine 19	3511-1d	526-528 Frelinghuysen Avenue
Firehouse, Engine 7	423-1	241 West Market Street
Fire Headquarters	4074-19	1010 18th Avenue
Police Headquarters	973-1	22 Franklin Street
Special Operations	188801-4.8	470-476 Orange Street
West District Police Precinct	2551-1.38	10-30 17th Avenue

** Subsequent Event – on February 28, 2019 the Newark Lease 2010 Financing Series A and B were refunded by the City of Newark via issuance of debt and as a result, all assets under "City of Newark – Participants" revert to the City at the time of closing the transaction.*

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 5. **RESTRICTED NET INVESTMENT IN DIRECT FINANCING LEASES (CONTINUED)**

C. **County of Essex – Lessee/Sublease**

The Authority is a party to a lessee/sublease agreement with the County of Essex relating to four (4) properties. The Authority derives no revenue and incurs no expenses in this transaction. The County ultimately owns this property. The properties are as follows:

- McLoones Boathouse at the South Mountain Recreation Complex
Cherry Lane, West Orange, NJ
- Highlawn Inc. at the Eagle Rock Reservation
West Orange, NJ
- Aramark Sports and Entertainment Services, LLC at South Mountain
Recreation Complex, Turtle Back Zoo, West Orange, NJ
- United Skates of Essex County at Branch Brook Park

D. **Sale of Sportsplex Complex**

Stadium

On October 24, 2016 the Authority finalized the sale of the Sportsplex Stadium (known locally as Newark Bears and Eagles Stadium). The contracted sales price was \$23,500,000, which was allocated to defease (redeem) \$17,955,000 of previously issued bonds related to the stadium construction, and to distribute other excesses to the County of Essex and City of Newark. Under a leaseback agreement the Authority was operating the Stadium until December 31, 2018. There was no professional team involved. Subsequent to year-end, the demolition of the stadium commenced.

Garage

On July 23, 2018 the Authority entered into an Exchange Agreement with LEG 450 Broad Street, LLC. LEG intends to construct a mixed-use project and will deliver to the Authority, through a condominium regime, an ECIA parking unit consisting of no less than 377 parking spaces. In exchange thereof, the Authority intends to transfer its ownership of the Sportsplex Garage to LEG.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 6. CAPITAL ASSETS, NET

A summary of premises and equipment at December 31 is as follows:

a. Unrestricted Fund

	Balance December 31, 2017	Additions	Transfer/ (Retirements)	Balance December 31, 2018
Land	\$ 9,085,551	\$ -		\$ 9,085,551
Construction in Progress:				
Airport	1,589,406	581,298	\$ -	2,170,704
 Total Capital Assets Not being Depreciated	 10,674,957	 581,298	 0	 11,256,255
 Airport Improvements	 36,257,144		 (30,331)	 36,226,813
Buildings	11,137,999			11,137,999
Equipment and Vehicles	1,264,580			1,264,580
Furniture and Fixtures	89,081			89,081
 Total	 48,748,804	 -	 (30,331)	 48,718,473
 Total Accumulated Depreciation	 (33,496,170)	 (817,569)	 1,926	 (34,311,813)
 Total Capital Assets being Depreciated - Net of Accumulated Depreciation	 15,252,634	 (817,569)	 (28,405)	 14,406,660
 Capital Assets, Net	 \$ 25,927,591	 \$ (236,271)	 \$ (28,405)	 \$ 25,662,915

Depreciation is provided for on the straight line basis, annually.

Depreciation expense for the years 2018 and 2017 were \$817,569 and \$812,349 respectively.

Capital assets also include assets that were funded by grants contributed from the Federal and State governments.

b. Restricted Fund

There are other assets that are reflected in Net Investment in Direct Financing Leases that are not required to be included in Capital Assets. These will revert to the County of Essex, City of Newark and/or other participants at the conclusion of the related Lease(s). Refer to Note 5.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 7. **BONDS PAYABLE – UNRESTRICTED FUND**

The debt service obligations from the Authority's unrestricted fund for 2018 have been satisfied. The details are as follows:

	<u>2018</u>
\$8,590,000 County of Essex Airport Revenue and Refunding Bonds Series 2007 (a)	5,290,000
\$1,880,000 County of Essex Airport Refunding Bonds, Series 2014 (b)	<u>855,000</u>
Subtotal for Airport	6,145,000
\$7,040,000 Parking Facility Revenue Refunding Bonds, Series 2009 (c)	<u>2,515,000</u>
Total	\$ 8,660,000
Less: Current Portion	<u>1,225,000</u>
Noncurrent Portion	<u><u>\$ 7,435,000</u></u>

- (a) The \$8,590,000 Essex County Improvement Authority Airport Revenue and Refunding Bonds, Series 2007 were issued to refund the remaining outstanding balance of the \$3,000,000 Airport Revenue Bonds, Series 1994 previously issued by the County of Essex and the Essex County Improvement Authority and to finance capital improvements.

The remaining bonds are payable in annual installments on November 1 ranging from \$310,000 to \$470,000 through 2032 at interest rates ranging from 4.50% to 5.0%.

The Series 2007 Bonds maturing on or before November 1, 2017 are not subject to optional redemption prior to maturity. The Series 2007 Bonds maturing on or after November 1, 2018 are subject to optional redemption prior to maturity by the Authority, on or after November 1, 2017. To date there has been no call nor Notice of Redemption authorized by the Authority.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 7. **BONDS PAYABLE – UNRESTRICTED FUND (CONTINUED)**

- (b) The \$1,880,000 Essex County Improvement Authority Airport Refunding Revenue Bonds, Series 2014 were issued to refund the remaining outstanding balance of the \$1,920,000 Airport Revenue Bonds, Series 2004, previously issued by the County of Essex and the Essex County Improvement Authority.

The remaining bonds are payable in annual installments on October 1 ranging from \$275,000 to \$295,000 in 2021 at an interest rate of 3.0%.

The Series 2014 bonds are not subject to call or early redemption.

Airport Bonds – Pledge

The Airport Revenue Bond Series 2007 and 2014 (Note 7a and 7b) are payable from and are secured on a parity basis with all other bonds issued pursuant to, and outstanding under the Bond Resolution by a pledge of the funds and accounts which are held by the Trustee under the Bond Resolution, and by a pledge of the revenues of the Authority which are derived from the ownership and operation of the Airport. "Revenues" is defined under the Bond Resolution to consist of (i) all revenues, income, and receipts derived or to be derived by the Authority, from or attributable to the ownership or use the Airport Project, (ii) the proceeds of any insurance covering a loss due to an interruption in the operation of the Airport Project, and (iii) any investment income which is derived from the investment of any funds which are held by the Trustee pursuant to the terms of the Bond Resolution and which are deposited in the Revenue Fund.

Airport Bonds – County Guarantee

The payment of the principal of and interest on the Airport Revenue Bonds Series 2007 and 2014 is further secured under the provisions of the County Guaranty Payment of the principal of and interest on the Airport Bonds is unconditionally and irrevocably guaranteed by the County under the Airport County Guaranty, which requires, among other things, that the County, if necessary, levy ad valorem taxes upon all the property within the County without limitation as to rate or amount in order to make such payments.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 7. **BONDS PAYABLE – UNRESTRICTED FUND (CONTINUED)**

- (c) The \$7,040,000 Parking Facility Revenue Refunding Bonds, Series 2009 (Note 7d) were issued to provide funds for the advance refunding of \$7,100,000 of the Authority's Parking Facility Revenue Bonds, Series 1998. The bonds are term bonds, payable in annual installments on October 1, ranging from \$585,000 to \$670,000 through 2022. The remaining bonds bear interest at rates ranging from 4.0% to 5.0%.

The Series 2009 Parking Facility Bonds maturing before October 1, 2020 shall not subject to optional redemption prior to their stated maturities. The Series 2009 Parking Facility Bonds maturing on or after October 1, 2020 shall be subject to redemption prior to their stated maturities at the option of the Authority (on its own direction or at the direction of the County) either in whole or in part on any date, on or after October 1, 2019, at par upon notice and other terms as provided in the Parking Facility Bond Resolution, by selection of maturities by the Authority (on its own direction or at the direction of the County), or by lot or in any customary manner within any maturity as determined by the Trustee. To date there has been no call nor Notice of Redemption authorized by the Authority.

Parking Facility Revenue Bonds – Pledge

The Parking Facility Bonds are special obligations of the Authority payable by the Authority solely from and secured by the respective pledge of the Trust Estate as provided in the Parking Facility Bond Resolution. The Trust Estate is defined as (i) all right, title and interest of the Authority in, to and under (a) the Revenues, (b) all moneys and securities held in any Funds or Accounts established under the Parking Facility Bond Resolution with respect to the respective series of Parking Facility Bonds, including the Series 2009 Parking Facility Bonds (except for the Operating Expense Fund and the Rebate Fund), which would include Public Service Charges necessary to satisfy any deficiency in the County Revenues, (c) any moneys or securities to be set aside pursuant to the terms of the Parking Facility Bond Resolution and pledged to the Owners of the Parking Facility Bonds, including the Series 2009 Parking Facility Bonds, and (d) payments, if any, made by the County under the respective Parking Facility County Guaranty and (ii) any other rights, title and interest in, to and under the Service Agreement (but none of the Authority's obligations under the Service Agreement, and also excluding the Reserved Rights), including, without limitation, the Service Agreement Rights and all payments and other amounts required to be paid by the County thereunder and under any other documents executed and deliver in connection with the Service Agreement and the Parking Facility Project.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 7. **BONDS PAYABLE – UNRESTRICTED FUND (CONTINUED)**

(c) (Continued)

Parking Facility Revenue Bonds – Pledge (Continued)

“County Revenues” is primarily comprised of County Service Charges. “County Service Charges” is defined to include payments to be made by the County to the Authority or the Trustee (to the extent Series 2009 Parking Facility Bonds are outstanding), which for any year of calculation, shall equal the sum of the principal and redemption premium, if any, of and interest on the Series 2009 Parking Facility Bonds and any other series of additional bonds (as hereinafter defined) due and payable in such year.

Parking Facility County Guaranty

The principal of and interest on the Series 2009 Parking Facility Bonds will also be fully, unconditionally and irrevocably secured by the County under a guaranty ordinance. The obligation of the County to make payments under the terms of the 2009 Parking Facility County Guaranty constitutes the valid, binding, direct and general obligation of the County, and is payable out of the first funds becoming legally available for such purpose. In the opinions of Bond Counsel to the Authority and the County and based upon certain respective assumptions set forth therein, the County has the power and is obligated to levy ad valorem taxes upon all the taxable property in the County for the purpose of making such payments under the 2009 Parking Facility County Guaranty, as the same may become due, without limitation as to rate or amount, if such funds are not otherwise available. The 2009 Parking Facility County Guaranty will remain in full force and effect for as long as the Series 2009 Parking Facility Bonds remain outstanding.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 7. **BONDS PAYABLE – UNRESTRICTED FUND (CONTINUED)**

Analysis of Bonds Paid

	Original Issued Amount	2018 Activity		Cumulative Amount Paid
		Balance December 31, 2017	Paid During Year	Balance December 31, 2018
Airport Revenue Bonds Series 1998	\$ 1,000,000	\$ 75,000	\$ 75,000	\$ 1,000,000
County of Essex Airport Revenue & Refunding Bonds Series 2007	8,590,000	5,640,000	350,000	\$ 5,290,000
County of Essex Airport Refunding Bonds Series 2014	1,880,000	1,125,000	270,000	855,000
Parking Facility Revenue Bonds, Series 2009	<u>7,040,000</u>	<u>3,075,000</u>	<u>560,000</u>	<u>2,515,000</u>
	<u>\$ 18,510,000</u>	<u>\$ 9,915,000</u>	<u>\$ 1,255,000</u>	<u>\$ 8,660,000</u>
				<u>\$ 9,850,000</u>

Gain on Refunding of Bonds, Net

Accounting losses/gains on advanced refundings of debt are presented net and amortized as a component of interest expense using the straight-line method over the remaining life of the new debt. The unamortized gain at December 31, 2018 was \$44,296. During 2018 the Authority amortized \$7,690 of the gain on defeasance to interest expense. The amounts are reflected as part of the Deferred Inflows of Resources on the Statement of Net Position.

Unamortized Gain on Refunding					
	Gain	Net	Amortization	Accumulated Amortization	Net
		Book Value Dec 31, 2017	During 2018		Book Value Dec 31, 2017
Airport 2007	\$ 49,371	\$ 29,128	\$ 1,975	\$ 20,242	\$ 27,153
Airport 2014	40,000	<u>22,858</u>	<u>5,715</u>	<u>17,144</u>	<u>17,143</u>
		<u>\$ 51,986</u>	<u>\$ 7,690</u>	<u>\$ 37,386</u>	<u>\$ 44,296</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 7. **BONDS PAYABLE – UNRESTRICTED FUND (CONTINUED)**

Debt Service Obligation

All debt service obligations due during the year 2018 have been satisfied. The aggregate remaining maturities of bonds payable for the next five (5) years and every five (5) years thereafter as of December 31, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
Next five (5) years:			
2019	\$ 1,225,000	\$ 407,313	\$ 1,632,313
2020	1,285,000	353,887	1,638,887
2021	1,340,000	295,338	1,635,338
2022	1,095,000	234,237	1,329,237
2023	445,000	179,488	624,488
	<u>5,390,000</u>	<u>1,470,263</u>	<u>6,860,263</u>
Every five (5) years thereafter:			
2024	470,000	157,237	627,237
2025	295,000	133,738	428,738
2026	310,000	118,987	428,987
2027	325,000	104,263	429,263
2028	340,000	88,825	428,825
	<u>1,740,000</u>	<u>603,050</u>	<u>2,343,050</u>
2029	355,000	72,675	427,675
2030	375,000	55,812	430,812
2031	390,000	38,000	428,000
2032	410,000	19,475	429,475
	<u>1,530,000</u>	<u>185,962</u>	<u>1,715,962</u>
	<u>\$ 8,660,000</u>	<u>\$ 2,259,275</u>	<u>\$ 10,919,275</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 8. **BONDS PAYABLE – RESTRICTED FUND**

The Bonds Payable that are issued by the Authority as conduit issuer on behalf of Participants are as follows:

	<u>2018</u>
\$250,000,000 Pooled Governmental Loan Program Bonds, Series 1986 (a)	\$ 17,200,000
\$5,500,000 City of Newark General Obligation Guaranteed Lease Revenue Bonds, Series 1999 (b)	3,080,000
\$188,565,000 County of Essex Project Consolidation Revenue Bonds, Series 2004 (2004 Refunding Project) (c)	93,240,000
\$7,400,000 Multifamily Housing Revenue Bonds, Series 2005 A&B (Marina Bay Project, Cape May County) (d)	6,678,512
\$11,515,000 County of Essex Project Consolidation Revenue Bonds, Series 2005 (2005 Refunding Project) (e)	1,720,000
\$14,420,000 Essex County Improvement Authority General Obligation Lease Revenue Refunding Bonds, Series 2005 A & B (Sportsplex Refunding Project) (f)	2,425,000
\$41,865,000 County of Essex Project Consolidation Revenue Bonds, Series 2006 (2006 Refunding Project) (g)	20,260,000
\$13,215,000 Essex County Improvement Authority General Obligation Lease Revenue Refunding Bonds, Series 2006 A & B (Sportsplex Refunding Project) (h)	1,070,000
\$235,845,000 County of Essex Project Consolidation Revenue Bonds, Series 2007 (2007 Refunding Project) (i)	149,400,000
\$12,480,000 Parking Revenue Bonds, Series 2010 (Bloomfield Parking Authority Project) Recovery Zone Economic Development Bonds, Federally Taxable-Issuer Subsidized (j)	12,480,000

Subsequent Event - on April 11, 2019 this Series of Bonds 2010 was totally refunded by the Township of Bloomfield and the obligation removed from the Authority records. The issue has been removed from the long-term payout.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 8. **BONDS PAYABLE – RESTRICTED FUND (CONTINUED)**

	<u>2018</u>
\$11,300,000 Essex County Improvement Authority Variable Rate Demand Multi-Family Housing Revenue Bonds, Series 2010 (Fern Senior Housing Project) (k)	\$ 11,300,000
\$42,185,000 Lease Revenue Bonds, City of Newark Series 2010A Working Capital, Leased Premises (l)	33,360,000
<i>Subsequent Event - on February 28, 2019 the Newark Lease 2010 Series A and B were refunded by the City of Newark and the issue removed from the Authority's records. The issue has been removed from the long-term payout.</i>	
\$30,255,000 Lease Revenue Bonds, City of Newark Series 2010B Capital Improvements and Environmental Remediation Leased Premises (m)	23,305,000
<i>Subsequent Event - on February 28, 2019 the Newark Lease 2010 Series A and B were refunded by the City of Newark and the obligation removed from the Authority records. The issue has been removed from the long-term payout.</i>	
\$3,825,000 County of Essex General Obligation Guaranteed Lease Revenue Refunding Bonds (Social Services) Series 2011 (n)	2,460,000
\$52,540,000 County of Essex Project Consolidation Revenue Bonds, Series 2013 (2013 Refunding Project) (o)	9,135,000
\$58,255,000 County of Essex Project Consolidation Revenue Bonds, Series 2014 (2014 Refunding Project) (p)	38,270,000
\$90,000,000 Essex County Improvement Authority Solid Waste Disposal Revenue Bonds (Covanta Project), Series 2015 (q)	90,000,000
\$8,855,000 Essex County Improvement Authority Project Revenue Bonds (Park Terrace/Grove House Apartments Project), Series 2015 A-C (r)	8,845,000
\$38,460,000 County of Essex Project Consolidation Revenue Bonds, Series 2017 (2017 Refunding Project) (s)	<u>37,990,000</u>
Total	<u>\$ 550,918,512</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 8. **BONDS PAYABLE – RESTRICTED FUND (CONTINUED)**

		<u>2018</u>
Total Bonds Payable		\$ 550,918,512
Less: Current Portion		<u>45,979,363</u>
Noncurrent Portion		<u>\$ 504,939,149</u>
Reconciliation to Offsetting Receivable:		
Restricted Bonds Receivable (Note 4)	\$ 491,906,512	
Investment in Direct Financing Leases (Note 5)	<u>62,205,000</u>	<u>554,111,512</u>
		\$ 554,111,512
Add: PGLP Bonds Payable	\$ 17,200,000	
Less: PGLP Bonds Receivable	<u>9,093,000</u>	<u>8,107,000</u>
		<u>\$ 562,218,512</u>

Restricted Debt Issue and Related Charges

Amortization of loss or gain on refunding of debt on behalf of participants is not required to be disclosed in conjunction with the Statement of Net Position as presented, due to the fact that the ECIA deems participants shares as conduit debt.

- (a) The 1986 \$250,000,000 Pooled Governmental Loan Program Bonds were issued to refinance the \$100,000,000 Initial Program Bonds and are payable based on a mandatory sinking fund provision stipulated in the bond resolution. The bonds had an average interest rate of 1.6335% per annum in 2018. The bonds are secured by restricted cash, cash equivalents and investments and restricted bonds receivable (see Note 4(a)).
- (b) The \$5,500,000 City of Newark General Obligation Guaranteed Lease Revenue Bonds, Series 1999 were issued to provide funds for financing the acquisition, construction, installation and renovation of the City of Newark's Public Safety Communications Center, and pay costs of issuance associated therewith. The bonds are term bonds payable in annual installments on April 1, from \$215,000 in 2019 to \$355,000 in 2029 and bear interest at rates ranging from 5.0% to 5.125%. The bonds are secured unconditionally and irrevocably by the City of Newark.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 8. **BONDS PAYABLE – RESTRICTED FUND (CONTINUED)**

- (c) The \$188,565,000 Essex County Improvement Authority Project Consolidation Revenue Bonds, Series 2004 (Refunding Project) were issued to refund various previously issued bonds of the County of Essex and the Essex County Improvement Authority. (See Note 4(b))

The Authority executed a partial defeasance of the bonds. Sufficient funds were deposited into an irrevocable trust to cover outstanding principal of \$65,245,000 of Project Consolidation Revenue Refunding Bonds, Series 2004. The Project Consolidation Revenue Bonds, Series 2014 were purchased for \$58,255,000 with a premium of \$7,849,023. The funding for the partial defeasance was provided for within the Authority's Series 2014 \$58,255,000 Project Consolidation Revenue Bonds. The Authority completed the partial advance refunding to achieve debt service savings. The bonds are secured by an unconditional and irrevocable guarantee by the County of Essex and certain revenues.

The remaining bonds are payable in annual installments on October 1, ranging from \$10,680,000 to \$12,725,000 between 2023 and 2030 at an interest rate of 5.5%.

- (d) The \$2,800,000 Multifamily Housing Revenue Bonds, Series 2005 A and \$4,600,000 Multifamily Housing Revenue Bonds, Series 2005 (collectively the Marina Bay Project) were issued to finance a portion of the costs of the acquisition of a low and moderate income multifamily senior citizens residential rental facility and to pay certain costs of issuance associated therewith. The principal and interest on this debt has not been paid since April of 2014 and the obligee is in the process of refinancing the debt. (See Note 4(c))

The remaining bonds are payable in monthly installments from January 2018 to September 2045 annually ranging from \$121,794 to \$364,513. The Series 2019 A Bonds carry an interest rate of 5% and the Series B Bonds carry an interest rate of 3.75%.

- (e) The \$11,515,000 Essex County Improvement Authority Project Consolidation Revenue Bonds Series 2005 (Refunding Project) were issued to refund various previously issued bonds of the Essex County Improvement Authority. The bonds are secured by an unconditional and irrevocable guarantee by the County of Essex and certain revenues. In 2017, funds were provided to refund the remaining of the 2005 Series Bonds in the amount of \$5,210,000. (See Note 4(d))

The remaining bonds are payable in annual installments on December 15, ranging from \$165,000 to \$440,000 between 2019 and 2027 at rates ranging from 4.125% to 4.375%.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 8. **BONDS PAYABLE – RESTRICTED FUND (CONTINUED)**

- (f) The \$14,420,000 Essex County Improvement Authority General Obligation Guaranteed Lease Revenue Refunding Bonds, Series 2005 (Sportsplex Refunding Project) were issued to refund portions of 1997 Series A and B Sportsplex Project Bonds and the 1999 Sportsplex Project Series D2 Bonds in their entirety. The bonds are secured by an unconditional and irrevocable guarantee by the County of Essex and certain revenues. In conjunction with the sale of the Sportsplex Stadium (See Note 5D) during 2016 funds were provided to refund all the remaining 2005 Series B Bonds in the amount of \$6,990,000. (See Note 4 (e))

The Bonds were issued in two Series. The \$2,485,000 Series A Bonds are tax-exempt bonds maturing in amounts ranging from \$20,000 in 2019 to \$380,000 in 2027. Interest rates range from 3.75% to 4.35%.

- (g) The \$41,865,000 Essex County Improvement Authority Project Consolidation Revenue Bonds Series 2006 (Refunding Project) were issued to refund various previously issued bonds of the Essex County Improvement Authority. The bonds are secured by an unconditional and irrevocable guarantee by the County of Essex and certain revenues. In conjunction with the sale of the Sportsplex Stadium (See Note 5D) during 2016 funds were provided to refund the remaining Series B bonds in the amount of \$6,880,000. (See Note 4 (f))

The remaining bonds are payable in annual installments on December 15, ranging from \$2,815,000 in 2019 to \$3,820,000 in 2024 at an interest rate of 5.25%.

- (h) The \$13,215,000 Essex County Improvement Authority General Obligation Guaranteed Lease Revenue Refunding Bonds, Series 2006 (Sportsplex Refunding Project) were issued to refund 1997 Series E and H Sportsplex Project Bonds and the 1999 Series H2 Sportsplex Project Bonds in their entirety. (See Note 4(g))

The Bonds were issued in two series. The \$1,070,000 Series A Bonds are tax-exempt bonds maturing in amounts ranging from \$315,000 to \$385,000 through 2027. Interest rates range from 4.25% to 4.30%. The bonds are secured by an unconditional and irrevocable guarantee by the County of Essex and certain revenues.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 8. **BONDS PAYABLE – RESTRICTED FUND (CONTINUED)**

- (i) The \$235,845,000 Essex County Improvement Authority Project Consolidation Revenue Bonds Series 2007 (Refunding Project) were issued to refund various previously issued bonds of the Essex County Improvement Authority and the County of Essex and to provide for certain costs in connection with the issuance of the Bonds. In conjunction with the sale of the Sportsplex Stadium (See Note 5D) during 2016 funds were provided to refund \$920,000 of the Series 2007 bonds outstanding. In 2017, funds were provided to refund the last payment of the 2007 Series Consolidation Bonds in the amount of \$33,455,000. (See note 4(h))

The remaining bonds are payable in annual installments on December 15, ranging from \$25,360,000 to \$46,445,000 between 2019 and 2022 at interest rates ranging from 5.0% to 5.25%. The bonds are secured by an unconditional and irrevocable guarantee by the County of Essex and certain revenues.

- (j) The \$12,480,000 Parking Revenue Bonds, Series 2010 were issued to provide funds for the Bloomfield Parking Authority Project. The bonds are term bonds, payable on December 15, ranging from \$5,000 in 2019 to \$1,500,000 in 2040. The bonds are Recovery Zone Economic Development Bonds and are Federally Taxable-Issuer Subsidized. The bonds bear interest at rates ranging from 7.275% to 8.008%. The Bonds are secured by the Township of Bloomfield. (See Note 4(i))

Subsequent Event - on April 11, 2019 this Series of Bonds was totally refunded by the Township of Bloomfield and the obligation removed from the ECIA records.

- (k) The \$11,300,000 Variable Rate Demand Multi-Family Housing Revenue Bonds, Series 2010 were issued for the Fern Senior Housing Project. The bonds are payable in one (1) installment in 2040 and interest is at a variable rate. (See Note 4(j))
- (l) The \$42,185,000 City of Newark Lease Revenue Bonds, Series 2010 A are term bonds. The bonds are payable in annual installments on November 1, ranging from \$1,915,000 in 2019 to \$3,760,000 in 2030. The remaining bonds bear interest at rates ranging from 4.0% to 6.0%. The Bonds are secured unconditionally and irrevocably by the City of Newark. (See Note 5).

Subsequent Event - on February 28, 2019 the Newark Lease 2010 Series A and B were refunded by the City of Newark and the issue removed from the Authority's records. The issue has been removed from the long-term payout.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 8. **BONDS PAYABLE – RESTRICTED FUND (CONTINUED)**

- (m) The \$30,255,000 City of Newark Lease Revenue Bonds, Series 2010B are term bonds. The bonds are payable in annual installments on November 1, ranging from \$1,380,000 in 2018 to \$2,580,000 in 2030. The remaining bonds bear interest at rates ranging from 4.25% to 5.75%. The Bonds are secured unconditionally and irrevocably by the City of Newark. (See Note 5)

Subsequent Event - on February 28, 2019 the Newark Lease 2010 Series A and B were refunded by the City of Newark and the issue removed from the Authority records. The issue has been removed from the long-term payout.

- (n) The \$3,825,000 Lease Revenue Refunding Bonds, Series 2011 for Social Services were issued to provide funds for the advance refunding of \$3,715,000 of the Authority's Bonds, Series 1998. The bonds are term bonds, payable in annual installments on October 1, ranging from \$230,000 in 2019 to \$325,000 in 2027. The remaining bonds bear interest at rates ranging from 3.5% to 5.0%. The bonds are secured by an unconditional and irrevocable guarantee by the County of Essex and certain revenues. (See Note 5)

- (o) The \$52,540,000 Essex County Improvement Authority General Obligation Project Consolidation Revenue Bond Series 2013 (Refunding Project) were issued to refund all remaining 2003 Series of County Correctional Facility Bonds.

The Bonds were issued in one Series and are tax-exempt bonds maturing in amounts ranging \$4,545,000 to \$6,905,000 from 2019 to 2022. Interest rates range from 4.0% to 5.0%. The Bonds are secured by an unconditional and irrevocable guaranty of the County of Essex. In conjunction with the sale of the Sportsplex Stadium (See Note 5D) during 2016 funds were provided to refund \$165,000 of the Series 2013 bonds outstanding. (See Note 4(k))

- (p) The \$58,255,000 Essex County Improvement Authority General Obligation Project Consolidation Revenue Bonds Series 2014 (Refunding Project were issued to refund \$65,245,000 of the 2004 Project Consolidation Revenue Bonds).

The Bonds were issued in one series and are tax-exempt bonds maturing in amounts ranging from \$2,455,000 to \$10,270,000 from 2018 to 2022. Interest rates ranging from 4.0% to 5.0%. The Bonds are secured by an unconditional and irrevocable guaranty of the County of Essex. (See Note 4(l))

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 8. **BONDS PAYABLE – RESTRICTED FUND (CONTINUED)**

- (q) The \$90,000,000 Solid Waste Disposal Revenue Bonds Series 2015. The bonds were issued to provide improvements at the County Cogen Plant. The bond will mature on July 1, 2045. Interest will be at 5.25% annually. The Bonds are limited obligations of the Authority and, except to the extent payable out of Bond proceeds or any income from the investment thereof, will be payable solely from, and secured solely by, a pledge of payments derived by the Authority under a Loan Agreement dated as of August 1, 2015, as amended with Covanta Holding Corporation (the "Company").

In addition, the full and prompt payment of principal and purchase price of, premium, if any, and interest on, the Bonds will be guaranteed by Covanta Energy LLC, a wholly-owned, direct subsidiary of the Company, pursuant to a Guaranty Agreement, to be dated as of August 1, 2015 (the "Guaranty"). The Bonds are not secured by the project, nor any revenue thereof, nor any property of the Company or the Guarantor. (See Note 4(m))

- (r) The \$8,855,000 Park Terrace/Grove House Project Revenue Bonds. The bonds were issued to provide funds for (i) finance the cost of the acquisition, renovation and equipping of (a) a 39-unit multifamily residential rental housing facility located at 321 Park Avenue, East Orange, Essex, New Jersey and (b) a 33-unit multifamily residential rental housing facility located at 254 North Grove Street, East Orange, Essex, New Jersey, (ii) fund separate accounts for the Senior Bonds and the Subordinate Series 2015C Bonds in the Debt Service Reserve Fund, (iii) fund an operating reserve and (iv) pay certain costs of issuance of the Bonds.. The semi-annual maturity range is \$5,000 in 2019 to \$480,000 in 2053 at interest rates ranging from 5.0% to 7.0%. The Bonds are secured by provisions of the Trust Estate created in the Indenture which includes all right, title and interest of the Authority in and to various assets. (See Note 4(n))
- (s) The \$38,460,000 Essex County Improvement Authority General Obligation Project Consolidation Revenue Bonds Series 2017 (Refunding Project were issued to refund \$5,210,000 of the 2005 Refunding Bonds (See Note 8(e)) and \$33,455,000 of the 2007 Refunding Bonds (See Note 8(i)). The Series 2017 Bonds are not subject to redemption prior to their stated maturities.

The Bonds were issued in one series and are tax-exempt bonds maturing in amounts ranging from \$200,000 to \$34,020,000 from 2019 to 2027. Interest rates ranging from 2.0% to 2.125%. The Bonds are secured by an unconditional and irrevocable guaranty of the County of Essex. (See Note 4(o))

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 8. **BONDS PAYABLE – RESTRICTED FUND (CONTINUED)**

Debt Service Obligation

All debt service obligations due during the year 2018 have been satisfied. The aggregate remaining maturities of bonds payable for the next five (5) years and every five (5) years thereafter as of December 31, 2018 are as follows:

	<u>Restricted Fund</u> <u>Principal Only</u>
Next five (5) years:	
2019	\$ 42,529,363
2020	54,002,395
2021	57,958,044
2022	61,978,940
2023	51,030,092
	<u>267,498,834</u>
Every five (5) years thereafter:	
2024	18,446,512
2025	13,928,214
2026	30,820,208 *
2027	13,957,508
2028	11,350,129
	<u>88,502,571</u>
2029	11,968,083
2030	12,246,386
2031	385,054
2032	399,104
2033	418,551
	<u>25,417,178</u>
2034	438,414
2035	458,713
2036	479,465
2037	505,693
2038	527,417
	<u>2,409,702</u>
2039	549,659
2040	11,877,444 **
2041	605,796
2042	634,740
2043	664,303
	<u>14,331,942</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 8. **BONDS PAYABLE – RESTRICTED FUND (CONTINUED)**

Debt Service Obligation (Continued)

	<u>Restricted Fund</u> <u>Principal Only</u>	
Every five (5) years thereafter (continued):		
2044	\$ 694,514	
2045	90,633,771	***
2046	370,000	
2047	390,000	
2048	410,000	
	<u>92,498,285</u>	
2049	435,000	
2050	455,000	
2051	485,000	
2052	505,000	
2053	535,000	
	<u>2,415,000</u>	
Total	<u>\$ 493,073,512</u>	
Recap:		
Current Portion as Presented per Exhibit A and Schedule 2	\$ 45,979,363	
Less: Adjustment of Newark 2010 Series A & B and Bloomfield Parking	<u>3,450,000</u>	
	<u>\$ 42,529,363</u>	

* Includes maturity of a "bullet" final payment for the 1986 PGLP Loan balance of \$17,200,000 in 2026. (Note 8(a))

** Includes maturity of a "bullet" final payment of \$11,300,000 for the 2010 Fern Senior Housing Project (Note 8 (k))

*** Includes maturity of a "bullet" final payment of \$90,000,000 for the 2015 Solid Waste Disposal Revenue Bonds, Covanta Project. (Note 8(q))

Reconciliation to Exhibit A and Schedule 2

Total Bonds Payable per Exhibit A and Schedule 2		\$ 562,218,512
Less Refunded Subsequent Yearend:		
Newark Lease 2010 Series A	\$ 33,360,000	
Newark Lease 2010 Series B	23,305,000	
Township of Bloomfield - Parking	<u>12,480,000</u>	<u>69,145,000</u>
		<u>\$ 493,073,512</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 8. **BONDS PAYABLE – RESTRICTED FUND (CONTINUED)**

Summary of Debt – Restricted As of December 31, 2018

	Original	Balance	County Debt	Other Debt		Cumulative
	Amount	December 31,	Direct &	Not County	County	Paid
<u>Note 8</u>	<u>Issued</u>	<u>2018</u>	<u>Guaranteed</u>	<u>Guaranteed</u>	<u>Guaranteed</u>	<u>Down</u>
a	\$ 250,000,000	\$ 17,200,000	\$ 9,093,000	\$ 8,107,000		\$ 232,800,000
b	5,500,000	3,080,000		3,080,000 (N)		2,420,000
c	188,565,000	93,240,000	93,240,000			95,325,000
d	7,400,000	6,678,512		6,678,512 (H)		721,488
e	11,515,000	1,720,000	1,720,000			9,795,000
f	14,420,000	2,425,000	2,425,000			11,995,000
g	41,865,000	20,260,000	20,260,000			21,605,000
h	13,215,000	1,070,000		1,070,000 (N)		12,145,000
i	235,845,000	149,400,000	149,400,000			86,445,000
k	11,300,000	11,300,000		11,300,000 (H)		-
n	3,825,000	2,460,000	2,460,000			1,365,000
o	52,540,000	9,135,000	9,135,000			43,405,000
p	58,255,000	38,270,000	38,270,000			19,985,000
q	90,000,000	90,000,000		90,000,000 (C)		-
r	8,855,000	8,845,000		8,845,000 (H)		10,000
s	38,460,000	37,990,000	37,990,000			470,000
	<u>\$ 1,031,560,000</u>	<u>\$ 493,073,512</u>	<u>\$ 363,993,000</u>	<u>\$ 129,080,512</u>	<u>\$ 0</u>	<u>\$ 538,486,488</u>

Guarantor:

(N) = City of Newark

(H) = Housing

(C) = Covanta

Reconciliation to Exhibit - Balance at December 31, 2018 **\$ 493,073,512**

Add: Newark 2010 Series A	\$ 33,360,000	
Newark 2010 Series B	23,305,000	
Bloomfield Parking	<u>12,480,000</u>	<u>69,145,000</u>
		<u>\$ 562,218,512</u>

Note 9. **OTHER DEBT**

There are no outstanding Bond Anticipation Notes or no other debt authorization outstanding as of December 31, 2018 or as of the date of this report.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 9. OTHER DEBT (CONTINUED)

On July 30, 2019 the Authority approved the submission of an application to the Local Finance Board ("LFB") for the issuance of up to \$29,000,000 of the Authority revenue bonds for the purpose of financing capital equipment lease ordinances for municipalities and school districts located in Essex County, of the \$29,000,000 of said revenue bonds, not more than up to \$14,500,000 million shall be issued to the public and remaining revenue bonds of up to \$14,500,000 million shall be issued to the trustee for the revenue bonds issued in the future to the public. This matter will be heard on the 11th of September, 2019.

Note 10. PENSION PLAN – PERS

Description of Systems

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after twenty-five (25) years of service or under the disability provisions of PERS. Substantially all of the Authority's employees participate in the PERS.

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) was established January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees and all that qualify of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after eight to ten years of service and twenty-five years for health care coverage. The following represents the membership tiers for PERS:

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

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 10. PENSION PLAN – PERS (CONTINUED)

Public Employees' Retirement System (Continued)

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

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Employee contributions for 2018 were seven and 34/100th percent (7.34%) and effective July 1, 2018, employee contributions increased to seven and 50/100th percent (7.50%) of the employee's base wages.

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 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.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 10. PENSION PLAN – PERS (CONTINUED)

Funding Policy (Continued)

Employer's contributions are actuarially determined annually by the Division of Pensions. The Authority's contributions to the plan for the past three (3) years are as follows:

Fiscal Year	Authority Share			Employees Contribution
	Contribution		Net Cost	
	Normal	Accrued		
2018	\$ 19,434	\$ 129,011	\$ 148,445	\$ 90,996
2017	19,108	118,992	138,100	85,608
2016	17,377	80,050	97,427	75,552

The information for PERS was abstracted from State of New Jersey Public Employees' Retirement System Schedules of Employer Allocations and Schedules of Pension Amounts by Employer as of June 30, 2018 and June 30, 2017 Independent Auditor's Report dated May 15, 2019 and April 27, 2018, respectively.

The Authority reported a liability of \$3,078,419 and \$3,647,981 for its proportionate share of the net pension liability at December 31, 2018 and December 31, 2017, respectively. The net pension liability was measured as of June 30, 2018 and June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

	<u>[Measurement Date]</u>	
	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Local Group Share	\$ 19,689,501,539	\$ 23,278,401,588
Authority Proportionate Percentage	0.0156348300 %	0.0156710995 %
Difference - Increase	(0.0000362695)	

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 10. PENSION PLAN – PERS (CONTINUED)

Funding Policy (Continued)

For the year ended December 31, 2018, the Authority recognized pension expense of \$154,136. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 507,272	\$ 15,873
Net difference between expected and actual experience	58,706	984,315
Net difference between projected and actual investment earnings on pension plan investment		
Changes in proportion	483,406	28,876
Authority contributions subsequent to the measurement date	<u>155,516</u>	<u>\$ 29,046</u>
Total	<u>\$ 1,204,900</u>	<u>\$ 1,058,110</u>

The \$1,204,900 reported as deferred outflows of resources related to pensions resulting from entities contributions subsequent to the measurement date (i.e. for the Authority year ending December 31, 2018, the plan measurement date is June 30, 2018) will be recognized as a reduction of the net pension liability in the Authority year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense based on local share are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 21,860
2020	(29,581)
2021	(212,122)
2022	(183,870)
2023	(58,878)

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 10. PENSION PLAN – PERS (CONTINUED)

Additional Information:

Collective local employers balances are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$ 4,684,852,302	\$ 6,424,455,842
Collective deferred inflows of resources	\$ 7,646,736,226	\$ 5,700,625,981
Collective net pension liability	\$ 19,689,501,539	\$ 23,278,401,588
Collective expense	\$ 1,099,708,157	\$ 1,694,305,613
Authority's proportion	0.0156348300 %	0.0156710995 %

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. The total pension liability for the December 31, 2018 measurement date was determined by an actuarial valuation as of June 30, 2018. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 10. PENSION PLAN – PERS (CONTINUED)

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for one 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 impact on future financial statements.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 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.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 10. PENSION PLAN – PERS (CONTINUED)

Long-Term Rate of Return (Continued)

Best estimates of arithmetic rates of return for each major asset class including PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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
Public High Yield	2.50	6.82
Global Diversified Credit	5.00	7.10
Credit oriented Hedge Funds	1.00	6.60
Debt related Private Equity	2.00	10.63
Debt related Real Estate	1.00	6.61
Private Real Asset	2.50	11.83
Equity related Real Estate	6.25	9.23
U.S. Equity	30.00	8.19
Non-U.S. Developed Markets Equity	11.50	9.00
Emerging Market Equities	6.50	11.64
Buyouts/Venture Capital	8.25	13.08

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the *Bond Buyer* GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rate and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 10. PENSION PLAN – PERS (CONTINUED)

Sensitivity of The Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the Authority 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:

<u>June 30, 2018 [Measurement Date]</u>			
At Current			
	1% Decrease <u>4.66%</u>	Discount Rate <u>5.66%</u>	1% Increase <u>6.66%</u>
Authority's proportionate share of the Local Group pension liability	\$ 3,870,759	\$ 3,078,419	\$ 2,413,699

<u>June 30, 2017 [Measurement Date]</u>			
At Current			
	1% Decrease <u>4.00%</u>	Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
Authority's proportionate share of the Local Group pension liability	\$ 4,525,569	\$ 3,647,981	\$ 2,916,843

Pension Plan Fiduciary Net Position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS) or by visiting their website at www.state.nj.us/treasury/pensions/pers1.shtml.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 11. **POST EMPLOYMENT RETIREMENT BENEFITS**

In addition to the pension benefits described in Note 10, the Authority provides post-retirement healthcare benefits for employees and their dependents who retire with 25 years or more of service, of which the last ten (10) years are with ECIA. Benefits consist of full medical coverage as if the individuals were still employed, until they become eligible for Medicare, at which time Medicare becomes the primary insurer and the Authority plan becomes the secondary insurer. The number of employees covered and approximate cost for the past three years were as follows:

The Authority is a participant in the New Jersey State Health Benefit Program ("NJSHBP") for active and retired employees. The NJSHBP provides medical, prescription drug, mental health/substance abuse and Medicaid Part B reimbursement to retirees and their spouses and dependents.

The Authority provides for the retiree health benefits on a "*Pay as You Go*" basis. The Authority's contributions to NJSHBP for the last three years were as follows:

<u>Year</u>	<u>Number of Employees</u>	<u>Employer's Cost</u>
2018	2	\$ 18,912
2017	2	20,320
2016	2	23,653

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 11. POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Authority Retiree Health Benefits

Plan Description – NJSHBP

The NJSHBP as of July 1, 2017 had statewide for the local employee groups of 61,789 active and 26,277 retired for a total of 88,066 members. The Authority at December 31, 2018 had 24 active and 2 retired employees for a total participation of 26.

The NJSHBP aggregate other post-employment benefit (OPEB) cost (expense) is calculated based on the aggregate required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The OPEB obligation represents the total of cumulative difference between the OPEB cost since the effective date of GASB No. 45 and the employer's contributions and other adjustments to the NJSHBP.

Funding Policy – The contribution requirements of plan members are established and may be amended by the state legislature. Participating local government units are contractually required to contribute at a rate assessed each year by the NJSHBP. The NJSHB Commission sets the employer contribution rate based on the annual required contribution of the employers (ARC) as established in an annual rate recommendation report.

The NJSHBP issues a publicly available financial report that includes financial statements and required supplementary information for the NJSHBP and the actuarial valuation. Those reports may be obtained by writing to the State of New Jersey Department of Treasury, Division of Pension and Benefits, 50 West State Street, Trenton, NJ 08625-0299 or on the State of New Jersey website.

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, refer to the State of New Jersey, Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 11. POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Authority Retiree Health Benefits (Continued)

The Plan provides medical and prescription drug 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 postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits 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 postretirement medical coverage for employees and their dependents who: (1) retired on a disability pension; or (2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or (3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or (4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

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 nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 11. POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Authority Retiree Health Benefits (Continued)

The portion of the OPEB Liability that was associated with the Authority recognized is as follows:

<u>June 30 [Measurement Date]</u>	
<u>2018</u>	<u>2017</u>
\$ 4,538,306	\$ 5,837,691

The proportion of the PERS Net OPEB Liability associated with the District's liability is as follows:

<u>June 30 [Measurement Date]</u>	
<u>2018</u>	<u>2017</u>
0.028968 %	0.028594 %

Total Nonemployer OPEB Liability

The total nonemployer 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
	<u>PERS</u>
	<i>(based on age)</i>
Salary increases:	
through 2026	1.65 - 8.98%
Thereafter	2.65 - 9.98%

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

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 11. POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after eight (8) years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 8.00% and decreases to a 5.0% long-term trend rate after seven (7) years. For prescription drug benefits, the initial trend rate is 8.00% decreasing to a 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the Division. 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.

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate

The following represents the total nonemployer OPEB liability as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the total nonemployer 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:

June 30, 2018 [Measurement Date]		
At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
\$ 5,324,633	\$ 4,538,306	\$ 3,910,208

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate

The following represents the total nonemployer OPEB liability as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the total nonemployer 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:

June 30, 2018 [Measurement Date]		
1% Decrease	Healthcare Cost Trend Rate	1% Increase
\$ 3,785,675	\$ 4,538,306	\$ 5,512,322

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 11. **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 – June 30, 2014.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Authority recognized OPEB on expense (revenue) of (\$33,025) determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

The following table illustrates the Deferred Inflows and Outflows as of June 30, 2018 under GASB 75 prior to any reduction due to the Fiscal Year 2020 amortizations.

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	\$ 2,398	
Difference between Expected and Actual Expenses		\$ 921,438
Changes in Assumptions		1,151,201
Changes in Proportion	<u>74,397</u>	<u>490,269</u>
Sub-total	<u>\$ 76,795</u>	<u>\$ 2,562,908</u>

Amount recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Measurement Period Ending June 30,

2019	\$ (303,979)
2020	(303,979)
2021	(303,979)
2022	(304,241)
2023	(304,050)
Total Thereafter	(549,387)

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 11. **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Additional Information

Collective balances of the PERS Local Retirement Group (Statewide) are as follows:

	<u>June 30, [Measurement Date]</u>	
	<u>2018</u>	<u>2017</u>
Deferred outflows of resources	\$ 1,943,490,463	\$ 953,985,371
Deferred inflows of resources	5,841,224,248	2,448,925,323
Net OPEB liability	9,452,773,649	11,720,375,604
Total expenses - non-employer	421,637,696	773,385,503
Authority proportionate percentage	0.0530870900 %	0.0515240180 %

Shown below are details regarding the Total OPEB Liability for the measurement period for the PERS local retirees group (Statewide):

	<u>[Measurement Date]</u>	
	<u>2018</u>	<u>2017</u>
	<u>Total OPEB Liability</u>	
Balance as of June 30,	\$ 20,629,044,656	\$ 21,867,849,603
Changes Recognized for the Fiscal Year:		
Service Cost	\$ 896,235,148	\$ 1,064,525,862
Interest on the Total OPEB Liability	764,082,232	648,423,508
Changes of Assumptions	(2,314,240,675)	(2,587,850,974)
Difference between Expected and Actual Expenses	(3,626,384,047)	
Gross Benefit Payments	(421,621,253)	(417,488,848)
Contributions from the Member	53,987,166	53,585,505
Net Changes	\$ (4,647,941,429)	\$ (1,238,804,947)
Balance as of June 30	<u>\$ 15,981,103,227</u>	<u>\$ 20,629,044,656</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 11. **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

Additional Information (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.00 percent in 2017 to 3.87 percent in 2018. The component of the Net OPEB Liability Local Retirement Group (statewide) is as follows:

	<i>[Measurement Date]</i>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB Liability	\$ 15,981,103,227	\$ 20,629,044,656
Plan Fiduciary Net Position	<u>314,485,086</u>	<u>213,255,917</u>
Net OPEB Liability	\$ <u>15,666,618,141</u>	\$ <u>20,415,788,739</u>
Net Position		
as a Percentage of OPEB Liability	1.97%	1.03%
OPEB Expense	\$	\$
Special Funding Situation	6,213,844,492	8,695,413,135
Non-special Funding Situation	<u>9,452,773,649</u>	<u>11,720,375,604</u>
	\$ <u>15,666,618,141</u>	\$ <u>20,415,788,739</u>

Note 12. **MAJOR CUSTOMERS**

The airport revenue is comprised of three main components:

- (i) Lease/License Revenues – there are five (5) major aviation leases of hangar and office space. There are ninety-eight (98) T-hangars and two hundred sixty-eight (268) tie-down spaces available.
- (ii) Fuel (avgas/jet) Sales – in 2018 there was one FBO with the contractual right to sell fuel. Because of the fuel sale component, the FBO revenues from this source to the Authority are usually higher than others. However, the contract is not exclusive and the Authority retains the right to offering fueling services on its own or through others.
- (iii) Landing Fees – the Authority charges landing fees to those non-based aircraft owners that land at the airport.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 13. COMMITMENTS AND CONTINGENCIES

A. Litigation

The Authority is party to various legal proceedings. These legal proceedings are not likely to have a material adverse impact on the Authority, based upon inquiry of management with exception of the following:

Celanese Ltd. V. Essex County Improvement Authority

The Authority has been court-ordered to contractually indemnify Celanese, Ltd., a prior owner of Authority owned property located on Doremus Avenue ("Site"), for alleged environmental liabilities relating to the historic release of contaminants into the Lower Passaic River Study Area ("LPRSA") portion of the Diamond Alkali Superfund Site. As the former owner and operator of the Site, Celanese faces joint and several CERCLA liability for these alleged releases.

As the contractual indemnitor for Celanese's alleged environmental liabilities related to its former Site, the Authority has joined the the LPRSA Cooperating Parties Group's ("CPG"), which is implementing several Environmental Protection Agency ("EPA") Administrative Orders on Consent ("ACOs") requiring the performance of a Remedial Investigation/Feasibility Study ("RI/FS") as well as some targeted remediation of contamination at RM 10.9 of the LPRSA. The Authority is actively managing and attempting to mitigate this alleged environmental liability. As a member of the CPG, the ECIA is directly funding the Celanese Site's interim pro-rata share of financial responsibility to the group.

The EPA has approved (subject to an additional party's consent) the ECIA to directly sign on to the ACOs in order to obtain contribution protection for its past expenditures. There are numerous potentially responsible parties (PRPs) with alleged discharges of hazardous substances into the Lower Passaic River ("LPR"). These additional PRPs may further share responsibility for remediating the LPRSA. The ECIA along with members of the CPG are funding and conducting an ongoing targeted removal action at RM 10.9, and an RI/FS of the entire 17 miles of the LPR.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 13. COMMITMENTS AND CONTINGENCIES

A. Litigation (Continued)

Celanese Ltd. V. Essex County Improvement Authority (Continued)

The EPA has completed its Focused Feasibility Study and the agency issued its Record of Decision on March 3, 2016 (ROD). The agency selected a final sediment remedy that includes a bank-to-bank removal of all sediment in the lower 8.3 miles of the LPR followed by capping the river bottom, and an interim remedy requiring additional study of the water column (collectively designated Operable Unit 2 (OU 2) of the Diamond Alkali Superfund Site). The ROD represents one of three remaining remedial actions for the LPRSA. A proposed third operable unit (OU3) will address the full 17 miles of the LPRSA, including the sediments above river mile 8.3, and a river-wide remedy for the surface water. The fourth operable unit (OU4) will address the Newark Bay Study Area. LPRSA PRPs may have additional responsibility for alleged contamination in these additional operable units. Additionally, the Federal Trustees retain independent Natural Resource Damages claims which they intend to prosecute against LPRSA PRPs.

The EPA has estimated the discounted cost of the ROD at \$1.38 billion (\$2.3 billion on an undiscounted basis). The EPA and the Federal Trustees have recently filed proofs of claim in a related Tierra Maxus bankruptcy matter in which they have estimated the range of their respective CERCLA and Natural Resource Damages claims for the entire LPRSA at \$7,139,909,256 to \$11,907,909,256. Tierra Maxus is the defunct indemnitor to Occidental Chemical ("Occidental Chemical") for LPRSA liabilities stemming from alleged discharges of contaminants of concern from Occidental's former facility.

In light of Tierra Maxus's bankruptcy, EPA has further directed PRP Occidental Chemical Corporation ("Occidental Chemical") to perform the entire remedial design (RD) for the lower 8.3 miles of the Passaic River remediation adopted in the ROD. Occidental Chemical has executed a settlement agreement with EPA to perform the RD which includes sampling, evaluating technologies, and doing the engineering work necessary before physical cleanup work can begin. Occidental Chemical will also pay for the EPA's related oversight costs. The EPA will pursue additional agreements with the more than 100 additional PRPs. Following completion of the RD, it is possible that EPA will pursue an agreement among Occidental Chemical and a group of PRP's, selected from the allocation process described below, to fund and perform the OU2 Remedial Action ("RA").

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

A. Litigation (Continued)

Celanese Ltd. V. Essex County Improvement Authority (Continued)

The EPA has proposed and is funding a final allocation process that will allocate percentage shares of responsibility to both participating and certain non-participating PRPs. The allocation process will provide a basis for EPA to (1) enter into early OU2 settlements with a group of appropriate PRPs, and (2) to identify performing parties that are expected to enter into a future consent decree to perform the approved remedial action for OU2. The allocation process is under development however both ECIA and Celanese are expected to participate. It is not known at this time whether ECIA and Celanese will receive an offer to settle with EPA and receive concomitant contribution protection for OU2. Those PRPs that do not receive buyouts or settlements will be required to fund and or perform the final approved bank-to-bank remedial action (RA) for OU2. In the event that Occidental Chemical and the other PRPs do not agree to voluntarily perform the activities required in the ROD, EPA could issue unilateral orders compelling performance. These orders could be judicially challenged.

At this time, it is unknown whether Occidental Chemical or the remaining PRPs will voluntarily agree to perform the RA contemplated in the ROD. Likewise, the PRPs have not undertaken a final allocation process to allocate individual responsibility, if any, for the costs associated with these obligations. Based on the above, we cannot reasonably estimate the ECIA's final proportionate share of response costs or natural resource damages at this time. The amount of the ECIA's final pro-rata share of LPRSA response costs and natural resource damages however could have a material adverse impact on the agency's finances.

Occidental Chemical Corp. v. 21st Century Fox America, Inc., et al.

Occidental Chemical has instituted an environmental cost recovery action under Sections 107 and 113 of CERCLA against numerous defendants including CNA Holdings LLC. As its contractual indemnitor, ECIA is defending CNA Holdings in this matter. CNA Holdings has jointed and ECIA is funding CNA Holdings' proportional share of a common defense mounted by the Small Parties Litigation Group and its selected common counsel. The litigation is proceeding with extensive discovery and additional motion practice is anticipated. The Court has recently granted defendants' Motion to Dismiss as to the majority of the joint and several Section 107(a) claims and one Section 113(f)(1) claim relating to a 2012 Unilateral Order against Occidental Chemical ("2012 UAO"). Various Section 113(f)(3)(B) claims and a Section 107(a) claim relating to the 2012 UAO remain in the litigation.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 13. **COMMITMENTS AND CONTINGENCIES (CONTINUED)**

A. **Litigation (Continued)**

Occidental Chemical Corp. v. 21st Century Fox America, Inc., et al. (Continued)

At this time, ECIA cannot reasonably determine whether CNA Holdings will be liable over to Occidental Chemical for costs incurred and to be incurred in the OU2 RD/RA. Damages, if any, are not reasonably estimable at this time however they could have a material adverse impact on the agency's future finances.

B. **Grants**

The Federal Aviation Authority (FAA) provided 75% of the purchase price of the airport when it was acquired in 1974. In the event of sale or disposal of the airport property, the Authority must reimburse the FAA an amount equal to 75% of the net proceeds of the sale or disposal if the proceeds are not reinvested in an FAA approved property.

The Authority participates in federally and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Authority is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures. Refer to Note 6(a).

C. **Preliminary Expenses**

The ECIA has advanced funds and charged to operations of the Unrestricted – Development and Assistance Fund to the Restricted Fund over the past three (3) years for two (2) county supported projects and one (1) ECIA related project. These projects are accounted for as part of the Restricted Funds. It is uncertain whether the funds will be ultimately refunded to ECIA Unrestricted Funds and as such, no accounts receivable nor interfund payable to the Development and Assistance Fund has been established. The details are as follows:

<u>Project</u>	<u>ECIA Total Contributions</u>	<u>Interest Earned</u>	<u>Expended through Dec 31, 2018</u>	<u>Unexpended Balance at Dec 31, 2018</u>
Newark Riverfront Park	\$ 1,482,000	\$ 1,029	\$ 1,471,449	\$ 11,580
Newark Property Acquisition	195,000	537	140,140	55,397
Airport Obstruction Removal	200,000	736	177,037	23,699

Refer to Supplementary Schedule #2 Restricted Funds (Page 5 of 5) for related Reserve account.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

Note 14. **NET POSITION – NET INVESTMENT IN CAPITAL ASSETS**

The net investment in capital assets of \$20,113,619 is calculated as follows:

	<u>Total</u>	<u>Development & Assistance</u>	<u>Airport</u>
Capital assets, net of depreciation	\$ 25,662,915	\$ 45,455	\$ 25,617,460
Less:	-		
Bonds payable (<i>used to build or acquire capital assets</i>)	(5,505,000)		(5,505,000)
Unamortized deferred premium	<u>(44,296)</u>		<u>(44,296)</u>
	<u>\$ 20,113,619</u>	<u>\$ 45,455</u>	<u>\$ 20,068,164</u>

Note 15. **PRIOR PERIOD RESTATEMENT**

Changes were made to the financial statements – the Statement of Net Position, Comparative Statement of Revenue, Expenses and Comparative Change in Net Position and Comparative Statement of Cash Flow as of December 31, 2016 and December 31, 2017 to give retroactive effect to the accounting for Other Post-Retirement Benefits (“OPEB”). The State of New Jersey Division of Pension and Benefits released the required Other Post-Retirement Benefits (“OPEB”) data in accordance with GASB No. 75 which is required to present the net long-term obligation for retirement benefits other than pensions. In the case of the Authority's health benefits, the impact on the financial statements resulted in a (deficit) in the net position of the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

ESSEX COUNTY IMPROVEMENT AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST FIVE (5) FISCAL YEARS

<u>Year</u>	<u>Authority's Proportion of Net Pension Liability</u>	<u>Authority's Proportionate Share of Net Pension Liability (asset)</u>	<u>Authority's Covered Payroll</u>	<u>Authority's Proportionate Share of Net Pension Liability (asset) as Percentage of Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as Percentage of Total Pension Liability</u>
2018	0.0156348300 %	\$ 3,078,419	\$ 1,180,751	260.72 %	46.40 %
2017	0.0156710995	3,647,981	1,106,479	303.31	48.10
2016	0.0131029120	3,880,237	1,021,212	379.96	40.01
2015	0.0119389558	2,680,056	909,567	294.65	47.92
2014	0.0115745596	2,167,074	821,549	263.78	48.72

Note: Only the last five (5) years of information are presented as GASB 68 was implemented during the year ended December 31, 2015. Eventually a full ten (10) year schedule will be compiled.

Notes to Required Supplementary Information:

Benefit Changes - there were none.

Changes of Assumptions - the discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018.

ESSEX COUNTY IMPROVEMENT AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST FIVE (5) FISCAL YEARS

<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (excess)</u>	<u>Authority's Covered Payroll</u>	<u>Contributions as Percentage of Covered-Payroll</u>
2018	\$ 155,516	\$ 155,516	None	\$ 1,180,751	13.17 %
2017	145,176	145,176	None	1,106,479	13.12
2016	102,643	102,643	None	1,021,212	10.05
2015	89,366	89,366	None	909,567	9.83
2014	99,969	99,969	None	821,549	12.17

Note: Only the last five (5) years of information are presented as GASB 68 was implemented during the year ended December 31, 2015. Eventually a full ten (10) year schedule will be compiled.

Notes to Required Supplementary Information:

Benefit Changes - there were none.

Changes of Assumptions - the discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018.

SUPPLEMENTARY INFORMATION

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2018
UNRESTRICTED FUND BY ACTIVITY

	Development and Financial Assistance	Airport	Juror Parking Lot	Sportsplex Stadium	Sportsplex Garage	Total Unrestricted Fund
ASSETS						
Current assets:						
Cash, cash equivalents and investments	\$ 7,332,021	\$ 4,075,132	\$ 1,705,475		\$ 1,492,055	\$ 14,604,684
Inventory		48,695				48,695
Accounts receivable	12,480	1,796			100	14,376
Other current assets	3,409	19,944	4,053		21,739	49,145
Interfund receivable	87,095					87,095
Intrafund receivable	1,137,830		2,410		1,917	1,142,157
Total current assets	8,572,835	4,145,568	1,711,938		1,515,811	15,946,152
Restricted assets:						
Cash, cash equivalents and investments		91,217				91,217
Total restricted assets		91,217				91,217
Restricted net investment in direct financing leases			2,515,000			2,515,000
Net investment in direct financing leases			2,515,000			2,515,000
Noncurrent assets:						
Capital assets, net	45,455	25,617,460				25,662,915
Total noncurrent assets	45,455	25,617,460				25,662,915
Total assets	\$ 8,618,290	\$ 29,854,245	\$ 4,226,938		\$ 1,515,811	\$ 44,215,285

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2018
UNRESTRICTED FUND BY ACTIVITY

	Development and Financial Assistance	Airport	Juror Parking Lot	Sportsplex Stadium	Sportsplex Garage	Total Unrestricted Fund
<u>LIABILITIES</u>						
Liabilities:						
Current liabilities Payable from Unrestricted Assets:						
Current portion of bonds payable		\$ 640,000	\$ 585,000			\$ 1,225,000
Accrued expenses and other current liabilities	\$ 2,065,708	340,226	865,447		\$ 3,685	3,275,065
Intrafund payable	4,327	2,605	846,492		288,733	1,142,157
Total current liabilities from Unrestricted Assets	2,070,035	982,831	2,296,938		292,418	5,642,221
Noncurrent liabilities:						
Bonds payable, net of current portion		5,505,000	1,930,000			7,435,000
Total noncurrent liabilities		5,505,000	1,930,000			7,435,000
Total liabilities	\$ 2,070,035	\$ 6,487,831	\$ 4,226,938		\$ 292,418	\$ 13,077,221
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unamortized Gain on Refunding of Bonds		\$ 44,296				\$ 44,296
Total deferred inflow of resources		\$ 44,296				\$ 44,296
<u>NET POSITION</u>						
Net Position:						
Invested in capital assets	\$ 45,455	\$ 20,068,164				\$ 20,113,619
Restricted		91,217			\$ 1,223,393	1,314,610
Unrestricted	6,502,800	3,162,738				9,665,538
Net position	\$ 6,548,255	\$ 23,322,119			\$ 1,223,393	\$ 31,093,767
Total liabilities and net position	\$ 8,618,290	\$ 29,854,246	\$ 4,226,938		\$ 1,515,811	\$ 44,215,285

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2018
RESTRICTED FUND BY PROGRAM

	Pooled Government Loan Program <u>1986</u>	Property Improvement Lease Program 1996/1994/ 1993/1990	Property and Equipment Lease Program - 1992	County of Essex General Obligation Lease Revenue Bonds - Series 1996 A (County Jail Proj)	County of Essex General Obligation Guaranteed Lease Revenue Bonds - Series 1997A (County Corr Facil)	County of Essex General Obligation Guaranteed Lease Revenue Bonds - Series 1999 D2 and H2 (Sportsplex Project)	City of Newark General Obligation Guaranteed Lease Revenue Bonds, Series 1999 (Public Safety Center Project) Communications Center Project)
<u>ASSETS</u>							
Current assets:							
Restricted bonds receivable	\$ 1,803,000						\$ 3,865
Other current assets	<u>30,542</u>						
Total current assets	<u>1,833,542</u>						<u>3,865</u>
Restricted cash, cash equivalents and investments	<u>8,193,395</u>	\$ <u>83,690</u>	\$ <u>27,486</u>	\$ <u>11,726</u>	\$ <u>758</u>	\$ <u>2,118</u>	<u>20,787</u>
Restricted bonds receivable	<u>7,290,000</u>						
Restricted net investment in direct financing leases (Costs to be incurred)/Earnings Utilized							<u>3,080,000</u>
Net restricted net investments in direct financing leases							<u>3,080,000</u>
	<u>\$ 17,316,937</u>	<u>\$ 83,690</u>	<u>\$ 27,486</u>	<u>\$ 11,726</u>	<u>\$ 758</u>	<u>\$ 2,118</u>	<u>\$ 3,104,652</u>
<u>LIABILITIES</u>							
Current liabilities:							
Current portion of bonds payable							\$ 215,000
Due to participants		\$ 83,690	\$ 27,486	\$ 11,726	\$ 758	\$ 2,118	20,787
Accrued expenses and other current liabilities	\$ 29,937						3,865
Interfund payable	<u>87,000</u>						
Capital, debt and maintenance reserve							
Total current liabilities	<u>116,937</u>	<u>83,690</u>	<u>27,486</u>	<u>11,726</u>	<u>758</u>	<u>2,118</u>	<u>239,652</u>
Bonds payable, net of current portion	<u>17,200,000</u>						<u>2,865,000</u>
Total liabilities	<u>\$ 17,316,937</u>	<u>\$ 83,690</u>	<u>\$ 27,486</u>	<u>\$ 11,726</u>	<u>\$ 758</u>	<u>\$ 2,118</u>	<u>\$ 3,104,652</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2018
RESTRICTED FUND BY PROGRAM

	County of Essex General Obligation Guaranteed Lease Revenue Bonds - Series 2000 (County Correctional Facility Project)	County of Essex General Obligation Guaranteed Lease Revenue Bonds Series 2002A and 2002 B (County Correctional Facility Project)	County of Essex General Obligation Guaranteed Lease Revenue Bonds - Series 2003 B (County Correctional Facility Project)	Project Consolidation Revenue Bonds Series 2004 (Refunding Project)	Multifamily Housing Revenue Bonds Series 2005 (Marina Bay Project)	Project Consolidation Revenue Bonds Series 2005 (Refunding Project)
<u>ASSETS</u>						
Current assets:						
Restricted bonds receivable					\$ 654,363	\$ 165,000
Other current assets				\$ 98,240	7,577	6,555
Total current assets				98,240	661,940	171,555
Restricted cash, cash equivalents and investments	\$ 2,121	\$ 1,244	\$ 429	3,611	509,436	339
Restricted bonds receivable				93,240,000	6,024,149	1,555,000
Restricted net investment in direct financing leases (Costs to be incurred)/Earnings Utilized						
Net restricted net investments in direct financing leases						
	\$ 2,121	\$ 1,244	\$ 429	\$ 93,341,851	\$ 7,195,526	\$ 1,726,894
<u>LIABILITIES</u>						
Current liabilities:						
Current portion of bonds payable					\$ 654,363	\$ 165,000
Due to participants	\$ 2,121	\$ 1,244	\$ 429	\$ 3,611	509,336	339
Accrued expenses and other current liabilities				98,240	7,677	6,555
Interfund payable						
Capital, debt and maintenance reserve						
Total current liabilities	2,121	1,244	429	101,851	1,171,376	171,894
Bonds payable, net of current portion				93,240,000	6,024,149	1,555,000
Total liabilities	\$ 2,121	\$ 1,244	\$ 429	\$ 93,341,851	\$ 7,195,526	\$ 1,726,894

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2018
RESTRICTED FUND BY PROGRAM

	Guaranteed Lease Revenue Bonds Series 2005 (Sportsplex Refunding Project)	Project Consolidation Revenue Bonds Series 2006 (Refunding Project)	Guaranteed Lease Revenue Bonds Series 2006 (Sportsplex Refunding Project)	Project Consolidation Revenue Bonds Series 2007 (Refunding Project)	Bloomfield Recovery Zone Development Bonds 2010	FERN Senior Housing Project 2010
<u>ASSETS</u>						
Current assets:						
Restricted bonds receivable	\$ 20,000	\$ 2,960,000		\$ 24,235,000	\$ 5,000	
Other current assets	3,405	22,300	\$ 2,070	67,310	25,955	\$ 12,300
Total current assets	23,405	2,982,300	2,070	24,302,310	30,955	12,300
Restricted cash, cash equivalents and investments	102	3,541	344	60,179	501,022	761,727
Restricted bonds receivable	2,405,000	17,300,000	1,070,000	125,165,000	12,475,000	11,300,000
Restricted net investment in direct financing leases (Costs to be incurred)/Earnings Utilized						
Net restricted net investments in direct financing leases						
	<u>\$ 2,428,507</u>	<u>\$ 20,285,841</u>	<u>\$ 1,072,414</u>	<u>\$ 149,527,489</u>	<u>\$ 13,006,977</u>	<u>\$ 12,074,027</u>
<u>LIABILITIES</u>						
Current liabilities:						
Current portion of bonds payable	\$ 20,000	\$ 2,960,000		\$ 24,235,000		
Due to participants	102	3,541	\$ 344	60,179	\$ 501,022	\$ 761,727
Accrued expenses and other current liabilities	3,405	22,300	2,070	67,310	25,955	12,300
Interfund payable						
Capital, debt and maintenance reserve						
Total current liabilities	23,507	2,985,841	2,414	24,362,489	526,977	774,027
Bonds payable, net of current portion	2,405,000	17,300,000	1,070,000	125,165,000	12,480,000	11,300,000
Total liabilities	<u>\$ 2,428,507</u>	<u>\$ 20,285,841</u>	<u>\$ 1,072,414</u>	<u>\$ 149,527,489</u>	<u>\$ 13,006,977</u>	<u>\$ 12,074,027</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2018
RESTRICTED FUND BY PROGRAM

	City of Newark Lease Revenue Bond 2010 A	City of Newark Lease Revenue Bond 2010 B	Refunded County of Essex Guaranteed Lease Revenue Bonds - Series 2011 Social Services	Airport Obstruction Removal (ECIA - \$200,000)	Newark Riverfront Preliminary (ECIA - \$1,482,000)	Newark Property Acquisition (ECIA - \$195,000)	Project Consolidation Revenue Bonds Series 2013 (Refunding Project)
ASSETS							
Current assets:							
Restricted bonds receivable							\$ 4,545,000
Other current assets	\$ 58,680		\$ 2,730				6,590
Total current assets	58,680		2,730				4,551,590
Restricted cash, cash equivalents and investments	61,645	\$ 3,954,638	2,336	\$ 23,699	\$ 11,580	\$ 55,492	16,851
Restricted bonds receivable							4,590,000
Restricted net investment in direct financing leases (Costs to be incurred)/Earnings Utilized	33,360,000	23,305,000 (3,849,202)	2,460,000				
Net restricted net investments in direct financing leases	33,360,000	19,455,798	2,460,000				
	<u>\$ 33,480,325</u>	<u>\$ 23,410,436</u>	<u>\$ 2,465,066</u>	<u>\$ 23,699</u>	<u>\$ 11,580</u>	<u>\$ 55,492</u>	<u>\$ 9,158,441</u>
LIABILITIES							
Current liabilities:							
Current portion of bonds payable	\$ 2,010,000	\$ 1,440,000	\$ 230,000				\$ 4,545,000
Due to participants	11,623	105,436	2,912				16,851
Accrued expenses and other current liabilities	108,703		2,154				6,590
Interfund payable						\$ 95	
Capital, debt and maintenance reserve				\$ 23,699	\$ 11,580	55,397	
Total current liabilities	2,130,325	1,545,436	235,066	23,699	11,580	55,492	4,568,441
Bonds payable, net of current portion	31,350,000	21,865,000	2,230,000				4,590,000
Total liabilities	<u>\$ 33,480,325</u>	<u>\$ 23,410,436</u>	<u>\$ 2,465,066</u>	<u>\$ 23,699</u>	<u>\$ 11,580</u>	<u>\$ 55,492</u>	<u>\$ 9,158,441</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2018
RESTRICTED FUND BY PROGRAM

	Project Consolidation Revenue Bonds Series 2014 (Refunding Project)	Solid Waste Disposal Revenue Bonds (Covanta Project) Series 2015	Park Terrace/ Grove House Apartments Project Revenue Bonds Series 2015	Project Consolidation Revenue Bonds Series 2017 (Refunding Project)	Total Restricted Funds
<u>ASSETS</u>					
Current assets:					
Restricted bonds receivable	\$ 8,890,000		\$ 100,000	\$ 515,000	\$ 43,892,363
Other current assets	31,380	\$ 92,000	13,168	42,475	527,142
Total current assets	8,921,380	92,000	113,168	557,475	44,419,505
Restricted cash, cash equivalents and investments	10,151	830	44,075	29,473	14,394,826
Restricted bonds receivable	29,380,000	90,000,000	8,745,000	37,475,000	448,014,149
Restricted net investment in direct financing leases (Costs to be incurred)/Earnings Utilized					62,205,000 (3,849,202)
Net restricted net investments in direct financing leases					58,355,798
	<u>\$ 38,311,531</u>	<u>\$ 90,092,830</u>	<u>\$ 8,902,243</u>	<u>\$ 38,061,948</u>	<u>\$ 565,184,279</u>
<u>LIABILITIES</u>					
Current liabilities:					
Current portion of bonds payable	\$ 8,890,000		\$ 100,000	\$ 515,000	\$ 45,979,363
Due to participants	10,151	\$ 830	2,901	29,473	2,170,738
Accrued expenses and other current liabilities	31,380	92,000	13,168	42,475	576,083
Interfund payable					87,095
Capital, debt and maintenance reserve			41,174		131,850
Total current liabilities	8,931,531	92,830	157,243	586,948	48,945,129
Bonds payable, net of current portion	29,380,000	90,000,000	8,745,000	37,475,000	516,239,149
Total liabilities	<u>\$ 38,311,531</u>	<u>\$ 90,092,830</u>	<u>\$ 8,902,243</u>	<u>\$ 38,061,948</u>	<u>\$ 565,184,279</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018
UNRESTRICTED FUND BY ACTIVITY

	Development and Financial Assistance	Airport	Juror Parking Lot	Sportsplex Stadium	Sportsplex Garage	Total Unrestricted Fund
Revenues:						
Administrative:						
Miscellaneous	\$ 10,220					\$ 10,220
Administrative	10,220					10,220
Airport:						
Aviation rent		\$ 1,197,196				\$ 1,197,196
Landing fees		32,230				32,230
Tie down rent		406,146				406,146
T-Hangar rent income		994,992				994,992
Commercial rent		60,648				60,648
Fuel sales		1,574,211				1,574,211
Miscellaneous airport income		134,442				134,442
Airport		4,399,865				4,399,865
Development and financial assistance:						
Administrative and management fees:						
2014 Refunding (2004)	93,240					93,240
2017 Refunding (2007)	37,990					37,990
Newark Public Safety 1999	3,080					3,080
Marina Bay	6,679					6,679
Project Consolidation Refunding - 2005	1,720					1,720
Sportsplex Refunding - 2005A	2,425					2,425
Project Consolidation Refunding - 2006	20,260					20,260
Sportsplex Refunding - 2006A	1,070					1,070
Project Consolidation Refunding - 2007	74,700					74,700
Fern - 2010	11,300					11,300
Newark Leaseback - 2010	58,880					58,880
Bloomfield	12,480					12,480
Social Services - 2011	2,460					2,460
Project Consolidation Refunding - 2013	9,135					9,135
Project Consolidation Refunding - 2014	38,270					38,270
Covanta - 2015	90,000					90,000
East Orange - 2015	8,845					8,845
Juror Parking	115,933					115,933
Development and financial assistance	\$ 588,467					\$ 588,467
Parking:						
Administrative fees			\$ 1,746,204			\$ 1,746,204
Jurors			477,956			477,956
Miscellaneous income			5,397			5,397
Parking			\$ 2,229,557			\$ 2,229,557

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018
UNRESTRICTED FUND BY ACTIVITY

	Development and Financial Assistance	Airport	Juror Parking Lot	Sportsplex Stadium	Sportsplex Garage	Total Unrestricted Fund
Sportsplex:						
Rent				\$ 18,441		\$ 18,441
Sportsplex				\$ 18,441		\$ 18,441
Sportsplex Parking:						
Stadium lot parking					\$ 371,100	\$ 371,100
Miscellaneous					177,905	177,905
Sportsplex Parking					\$ 549,005	\$ 549,005
Interest income	\$ 10,920	\$ 57,975	\$ 2,871	19	840	\$ 72,624
Total revenues	\$ 609,606	\$ 4,457,840	\$ 2,232,428	\$ 18,460	\$ 549,845	\$ 7,868,179
Expenses:						
Salaries	\$ 391,517	530,503	213,276		84,126	\$ 1,219,422
Employee Benefits	199,925	371,133	120,714		61,524	753,297
	\$ 591,442	\$ 901,636	\$ 333,990		\$ 145,650	\$ 1,972,719
Other:						
Stationery and office supplies	\$ 13,659	16,672	5,353		2,047	\$ 37,732
Facility and vehicle material and supplies	442	21,214	402			22,058
Uniforms		5,280	1,624			6,904
Tickets			4,440			4,440
Utilities	22,483	68,792	63,774		25,837	180,886
Fuel for resale		1,517,455				1,517,455
Vehicle fuel		29,770				29,770
Fuel Tax		10,835				10,835
Permits		29,510				29,510
Facility and vehicle maintenance and repairs	25,034	226,228	191,601		53,369	496,232
Other equipment services	2,688	4,239	2,336			9,263
Professional services	89,985	104,464	49,394		17,276	261,119
Non Professional services	4,975	5,725	1,926		500	13,126
Insurance	82,565	86,590	88,427		49,709	307,290
Travel	439				52	491
Municipal service fees		110,000				110,000
Miscellaneous		99,882	13,805		1,494	115,182
Depreciation	17,067	800,501				817,568
Total other expenses	\$ 259,336	\$ 3,137,157	\$ 423,083		\$ 150,285	\$ 3,969,861
Total Salaries and Other Expenses	\$ 850,778	\$ 4,038,793	\$ 757,073		\$ 295,936	\$ 5,942,579
Operating Income/(Loss)	\$ (241,172)	\$ 419,047	\$ 1,475,355	\$ 18,460	\$ 253,910	\$ 1,925,599

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018
UNRESTRICTED FUND BY ACTIVITY

	Development and Financial Assistance	Airport	Juror Parking Lot	Sportsplex Stadium	Sportsplex Garage	Total Unrestricted Fund
Nonoperating Revenues/(Expenses):						
Interest expense		\$ (296,396)	\$ (146,250)			\$ (442,646)
Sportsplex Excess				\$ (23,294)	\$ 23,294	
Sportsplex Parking Management Fee	\$ 50,634				(50,634)	
Capital Contributions	(1,265,000)	(1,200,000)				(2,465,000)
Grant Contributions		300,506				300,506
Amounts due under service agreements	846,492		(1,316,550)		(202,535)	(672,593)
Capital Expenditures	(79,550)				(266,553)	(346,103)
Provision for Settlement of Litigation	(731,752)					(731,752)
Miscellaneous	184,412	22,958	(12,555)		126,541	321,356
Total Nonoperating Revenues/(Expenses)	\$ (994,764)	\$ (1,172,932)	\$ (1,475,355)	\$ (23,294)	\$ (369,887)	\$ (4,036,231)
Revenues (under)/over expenses	\$ (1,235,936)	\$ (753,885)		\$ (4,834)	\$ (115,977)	\$ (2,110,632)
Change in Net Position - Increase/(Decrease)	\$ (1,235,936)	\$ (753,885)		\$ (4,834)	\$ (115,977)	\$ (2,110,632)
Net Position, Beginning	7,784,191	24,076,004		4,834	1,339,370	33,204,399
Net Position, Ending	\$ 6,548,255	\$ 23,322,119		\$	\$ 1,223,393	\$ 31,093,767
Detail:						
Invested in Capital Assets	\$ 45,455	\$ 20,068,164				\$ 20,113,619
Restricted		91,217			\$ 1,223,393	1,314,610
Unrestricted	6,502,800	3,162,738				9,665,538
	\$ 6,548,255	\$ 23,322,119			\$ 1,223,393	\$ 31,093,767

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
RESTRICTED FUND BY PROGRAM

	<u>Pooled Government Loan Program 1986</u>	<u>Property Improvement Lease Program 1996/1994/ 1993/1990</u>	<u>Property and Equipment Lease Program - 1992</u>	<u>County of Essex General Obligation Lease Revenue Bonds - Series 1996 A (County Jail Proj)</u>	<u>County of Essex General Obligation Guaranteed Lease Revenue Bonds - Series 1997A (County Corr Facil)</u>	<u>County of Essex General Obligation Guaranteed Lease Revenue Bonds - Series 1999 D2 and H2 (Sportsplex Project)</u>
Revenues:						
Development and financial assistance revenues	\$ 331,380					
Interest	<u>145,945</u>	<u>\$ 3,573</u>	<u>\$ 445</u>	<u>\$ 1,246</u>	<u>\$ 208</u>	<u>\$ 34</u>
Total revenues	<u>\$ 477,325</u>	<u>\$ 3,573</u>	<u>\$ 445</u>	<u>\$ 1,246</u>	<u>\$ 208</u>	<u>\$ 34</u>
Expenses:						
Services by contract:						
Remarketing fees	\$ 17,439					
Administrative fees						
Credit fees	144,297					
Tender agent fees	6,000					
Financial consultant	24,150					
Professional fees	5,000					
Auditing fees	7,500					
Trustee fees	10,000					
Reimbursement	<u>20,000</u>					
Services by contract	234,386					
Interest	242,939					
Interest rebate (expense) income	<u></u>	<u>\$ 3,573</u>	<u>\$ 445</u>	<u>\$ 1,246</u>	<u>\$ 208</u>	<u>\$ 34</u>
Total expenses	<u>\$ 477,325</u>	<u>\$ 3,573</u>	<u>\$ 445</u>	<u>\$ 1,246</u>	<u>\$ 208</u>	<u>\$ 34</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
RESTRICTED FUND BY PROGRAM

	City of Newark General Obligation Guaranteed Lease Revenue Bonds, Series 1999 (Public Safety Communications Center Project)	County of Essex General Obligation Guaranteed Lease Revenue Bonds - Series 2000 (County Correctional Facility Project)	County of Essex General Obligation Guaranteed Lease Revenue Bonds Series 2002A and 2002 B (County Correctional Facility Project)	County of Essex General Obligation Guaranteed Lease Revenue Bonds - Series 2003 B (County Correctional Facility Project)	Project Consolidation Revenue Bonds Series 2004 (Refunding Project)
Revenues:					
Development and financial assistance revenues	\$ 166,968				\$ 5,226,440
Interest	833	\$ 494	\$ 234	\$ 33	6,917
Total revenues	<u>\$ 167,801</u>	<u>\$ 494</u>	<u>\$ 234</u>	<u>\$ 33</u>	<u>\$ 5,233,357</u>
Expenses:					
Services by contract:					
Remarketing fees					
Administrative fees	\$ 2,865				\$ 93,240
Credit fees					
Tender agent fees					
Financial consultant					
Professional fees					
Auditing fees	1,000				5,000
Trustee fees					
Reimbursement					
Services by contract	3,865				98,240
Interest	163,103				5,128,200
Interest rebate (expense) income	833	\$ 494	\$ 234	\$ 33	6,917
Total expenses	<u>\$ 167,801</u>	<u>\$ 494</u>	<u>\$ 234</u>	<u>\$ 33</u>	<u>\$ 5,233,357</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
RESTRICTED FUND BY PROGRAM

	Multifamily Housing Revenue Bonds Series 2005 (Marina Bay Project)	Project Consolidation Revenue Bonds Series 2005 (Refunding Project)	Guaranteed Lease Revenue Bonds Series 2005 (Sportsplex (Refunding Project)	Project Consolidation Revenue Bonds Series 2006 (Refunding Project)	Guaranteed Lease Revenue Bonds Series 2006 (Sportsplex Refunding Project)	Project Consolidation Revenue Bonds Series 2007 (Refunding Project)
Revenues:						
Development and financial assistance revenues	\$ 7,677	\$ 85,961	\$ 106,635	\$ 1,233,737	\$ 47,738	\$ 9,204,410
Interest		339	187	4,513	77	41,931
Total revenues	<u>\$ 7,677</u>	<u>\$ 86,301</u>	<u>\$ 106,822</u>	<u>\$ 1,238,251</u>	<u>\$ 47,814</u>	<u>\$ 9,246,341</u>
Expenses:						
Services by contract:						
Remarketing fees						
Administrative fees	\$ 6,677	\$ 1,555	\$ 2,405	\$ 17,300	\$ 1,070	\$ 62,310
Credit fees						
Tender agent fees						
Financial consultant						
Professional fees						
Auditing fees	1,000	5,000	1,000	5,000	1,000	5,000
Trustee fees						
Reimbursement						
Services by contract	<u>7,677</u>	<u>6,555</u>	<u>3,405</u>	<u>22,300</u>	<u>2,070</u>	<u>67,310</u>
Interest		79,406	103,230	1,211,437	45,668	9,137,100
Interest rebate (expense) income		339	187	4,513	77	41,931
Total expenses	<u>\$ 7,677</u>	<u>\$ 86,301</u>	<u>\$ 106,822</u>	<u>\$ 1,238,251</u>	<u>\$ 47,814</u>	<u>\$ 9,246,341</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
RESTRICTED FUND BY PROGRAM

	Bloomfield Recovery Zone Development Bonds REZ 2010	Fern Senior Housing Project 2010	City of Newark Lease Revenue Bonds 2010 A	City of Newark Lease Revenue Bonds 2010 B	Refunded County of Essex General Obligation Guaranteed Lease Revenue Bonds - Series 2011 NJ PAC	Refunded County of Essex General Obligation Guaranteed Lease Revenue Bonds - Series 2011 Riverbank Park	Refunded County of Essex Guaranteed Lease Revenue Bond - Series 2011 Social Services
Revenues:							
Development and financial assistance revenues	\$ 596,990	\$ 188,379	\$ 2,136,718	\$ 1,343,638	\$ 12,625		\$ 114,955
Interest	7,477	10,249	11,636	63,589	548	\$ 17	494
Total revenues	<u>\$ 604,467</u>	<u>\$ 198,628</u>	<u>\$ 2,148,353</u>	<u>\$ 1,407,227</u>	<u>\$ 13,173</u>	<u>\$ 17</u>	<u>\$ 115,449</u>
Expenses:							
Services by contract:							
Remarketing fees							
Administrative fees	\$ 24,955	\$ 27,213	\$ 55,430		\$ 375		\$ 2,230
Credit fees							
Tender agent fees							
Financial consultant							
Professional fees							
Auditing fees	1,000	1,000	3,250		1,000		500
Trustee fees							
Reimbursement							
Services by contract	25,955	28,213	58,680		1,375		2,730
Interest	571,035	160,166	2,078,038	\$ 1,343,638	11,250		112,225
Interest rebate (expense) income	7,477	10,249	11,636	63,589	548	17	494
Total expenses	<u>\$ 604,467</u>	<u>\$ 198,628</u>	<u>\$ 2,148,353</u>	<u>\$ 1,407,227</u>	<u>\$ 13,173</u>	<u>\$ 17</u>	<u>\$ 115,449</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
RESTRICTED FUND BY PROGRAM

	Project Consolidation Revenue Bonds Series 2013 (Refunding Project)	Project Consolidation Revenue Bonds Series 2014 (Refunding Project)	Solid Waste Disposal Revenue Bonds (Covanta Project) Series 2015	Park Terrace Grove House Bonds (Apartment Project) Series 2015	Project Consolidation Revenue Bonds Series 2017 (Refunding Project)	Total Restricted Funds
Revenues:						
Development and financial assistance revenues	\$ 739,540	\$ 2,026,380	\$ 4,817,000	\$ 480,693	\$ 42,475	\$ 28,910,338
Interest	8,519	6,238	17,816	711		334,305
Total revenues	<u>\$ 748,059</u>	<u>\$ 2,032,618</u>	<u>\$ 4,834,816</u>	<u>\$ 481,404</u>	<u>\$ 42,475</u>	<u>\$ 29,244,643</u>
Expenses:						
Services by contract:						
Remarketing fees						\$ 17,439
Administrative fees	\$ 4,590	\$ 29,380	\$ 90,000	\$ 9,168	\$ 37,475	468,238
Credit fees						144,297
Tender agent fees						6,000
Financial consultant						24,150
Professional fees						5,000
Auditing fees	2,000	2,000	2,000	4,000	5,000	53,250
Trustee fees						10,000
Reimbursement						20,000
Services by contract	6,590	31,380	92,000	13,168	42,475	748,374
Interest	732,950	1,995,000	4,725,000	467,525		28,307,910
Interest rebate (expense) income	8,519	6,238	17,816	711		188,359
Total expenses	<u>\$ 748,059</u>	<u>\$ 2,032,618</u>	<u>\$ 4,834,816</u>	<u>\$ 481,404</u>	<u>\$ 42,475</u>	<u>\$ 29,244,643</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING UNRESTRICTED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Development and Financial Assistance	Airport	Parking Lot	Sportsplex Stadium	Sportsplex Garage	Total Unrestricted Fund
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 806,346	\$ 4,410,073	\$ 2,226,686	\$ 18,441	\$ 587,465	\$ 8,049,011
Cash Paid to Suppliers	(240,019)	(2,326,149)	(465,929)		(150,957)	(3,183,054)
Cash Paid to Employees and Benefits	(591,442)	(901,636)	(333,990)		(145,650)	(1,972,718)
Net Cash Flows from Operating Activities	(25,115)	1,182,288	1,426,767	18,441	290,858	2,893,239
Cash Flows from Noncapital Financing Activities:						
Other Operating Receipts/(Expenses)	184,412	22,238	(12,555)		126,541	320,636
Service Agreements	897,126		(1,316,550)	(23,294)	(229,875)	(672,593)
Litigation Provision	(731,752)					(731,752)
Net Cash Flows from Noncapital Financing Activities	349,786	22,238	(1,329,105)	(23,294)	(103,334)	(1,083,709)
Cash Flows from Capital and Related Financing Activities:						
Acquisition of Capital Assets	(79,550)	(552,174)			(266,553)	(898,277)
Interest Paid		(296,396)	(146,250)			(442,646)
Bonds Paid		(695,000)	(560,000)			(1,255,000)
Grants		300,506				300,506
Finance Lease Receipt			560,000			560,000
Contributed Capital	(1,265,000)	(1,200,000)				(2,465,000)
Net Cash Flows/(Used in) from Capital and Related Financing Activities	(1,344,550)	(2,443,064)	(146,250)		(266,553)	(4,200,417)
Cash Flows from Investing Activities:						
Interest Received on Investments	10,920	57,975	2,871	19	640	72,425
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ (1,008,959)	\$ (1,180,563)	\$ (45,717)	\$ (4,834)	\$ (78,389)	\$ (2,318,462)
Cash and Cash Equivalents at Beginning of Year	8,340,980	5,346,912	1,751,192	4,834	1,570,442	17,014,360
Cash and Cash Equivalents at End of Year	\$ 7,332,021	\$ 4,166,349	\$ 1,705,475		\$ 1,492,053	\$ 14,695,898

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING UNRESTRICTED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Development and Financial <u>Assistance</u>	<u>Airport</u>	<u>Parking Lot</u>	<u>Sportsplex Stadium</u>	<u>Sportsplex Garage</u>	Total Unrestricted <u>Fund</u>
Cash flows from operating activities:						
Revenues over/(under) expenses - net	\$ (241,172)	\$ 419,047	\$ 1,475,355	\$ 18,460	\$ 253,910	\$ 1,925,600
Adjustments to reconcile revenues over/(under) expenses to net cash provided by operating activities:						
Interest on Investments	(10,920)	(57,975)	(2,871)	(19)	(640)	(72,425)
Depreciation and amortization	17,067	792,812				809,879
Changes in assets and liabilities:						
(Increase)/decrease in accounts receivable	(4,471)	39,307			93,140	127,976
Decrease/(increase) in due from participants/county	(90)	(2,249)	\$ 325		(8,160)	(10,174)
(Increase)/decrease in other current assets		18,564				18,564
Decrease/(increase) in inventory	19,905					19,905
(Increase)/decrease in interfund receivable	187,934		(2,410)		(1,882)	183,642
Increase/(decrease) in accrued expense and other current liabilities	2,340	(5,808)	78,058		(674)	73,916
Increase/(decrease) in interfund payable	4,292	(21,410)	(121,690)		(44,834)	(183,642)
Net cash provided/(used in) by operating activities	\$ <u>(25,115)</u>	\$ <u>1,182,288</u>	\$ <u>1,426,767</u>	\$ <u>18,441</u>	\$ <u>290,860</u>	\$ <u>2,893,241</u>

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS
DECEMBER 31, 2018

Unrestricted Funds – Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4 (as Amended)

N.J.S. 40A:11-4 (as Amended) states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$26,000.00 and in this case \$17,500.00 due to the absence of a Qualified Purchasing Agent, except by contract or agreement."

Inasmuch as the system of records did not provide for an accumulation of payments for categories of materials and supplies or related work or labor, the results of such accumulation could not reasonably be ascertained. Disbursements were reviewed however, to determine whether any clear-cut violations existed.

The minutes indicate that bids were requested by public advertising for the following items:

- Aviation Fuel
- Snow and Ice Removal Services

In addition, the following items were purchased under state contract and/or purchasing co-operative:

2018 Purchases from State Contracts:
Replacement of Twin Fuel Gas Pump on the Airport
Security Equipment and Furnitures

Co-Operative:
Trees Removal – Morris County Co-Op
Airport Security System Upgrade

The minutes did indicate that proposals were requested for professional services. The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$17,500.00, "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

The Commissioners of the Essex County Improvement Authority have the responsibility of determining whether any contract or agreement might result in a violation of the statute and when a question arises, the Authority Counsel's opinion should be sought before a commitment is made.

GENERAL COMMENTS
DECEMBER 31, 2018 (CONTINUED)

Unrestricted Funds – Expenditures and Payroll

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

Claims paid during the period under audit were examined on a test basis to determine that they are submitted on Authority vouchers, itemized, signed by the officials as to approval for payment, allocation to the proper accounts and charged to proper fiscal period.

An examination was made of the employees' compensation records for the year ended December 31, 2018 to determine that salaries were paid in conformity to the amounts authorized.

Restricted Funds – Statement of Assets and Liabilities (Supplemental Schedule 2)

Our examination revealed that there are eight (8) projects that have neither outstanding debt nor related bonds or lease receivable which should be considered for closeout.

Budget

The Authority adopted an annual operating budget for the fiscal year ending December 31, 2018. In addition, the annual operating budget for the year ended December 31, 2019 was adopted by the Authority on November 27, 2018.

The Authority operates with a complete encumbrance system for its budget appropriations.

Debt Service

All debt service obligations of the Authority were paid in accordance with the repayments as scheduled in the bond agreement with the exception of the Marina Bay Series A and Series B for principal and interest which has been the subject of potential adjustments proposed by the bondholder representative in conjunction with the Trustee. (Refer to Notes to Financial Statements 7). It should be noted that the obligation to pay the debt service on the Bonds is not that of the Authority.

Interfunds

There is one interfund that is greater than one (1) year old that relates to PGLP cash requirements that is in effect being raised through user fees to reduce on a proportionate basis the liability with final payment to be not later than July 2026.

GENERAL COMMENTS
DECEMBER 31, 2018 (CONTINUED)

Financial Procedures Review

It is suggested that for all financial processes with each revenue generating department and for every Authority function related to finance that a review, updating and documentation of all procedures be done in order to be in compliance with recent accounting and auditing requirements related to internal control. It is essential to the operation of an entity the size of the Authority that compliance with the procedures be emphasized and adhered in order to avoid errors, misunderstandings, assist in periods of employee turnover and present an early warning system for defalcation.

Prior Year Audit Recommendation

None.

Other Comments

An exit conference at the Authority was held on August 21, 2019.

Acknowledgment

We wish to express our appreciation for the cooperation received from the Essex County Improvement Authority officials and employees, and for the courtesies extended to us during the course of the audit.

Filing Audit Report, N.J.S.A. 40A:5A-15

A copy of this report has been filed with the Division of Local Government Services.

RECOMMENDATIONS
DECEMBER 31, 2018

None.

A corrective action plan for 2018 is not required by the Authority since there were no recommendations. Should you desire our assistance in developing or implementing any other matter, please do not hesitate to contact me.

The general comments noted in our audit were not of such magnitude that they precluded us from issuing an unmodified opinion on the financial statements taken as a whole.

Very truly yours,

Joseph J. Faccone

Joseph J. Faccone
Registered Municipal Accountant #100

For the Firm
SAMUEL KLEIN AND COMPANY
Certified Public Accountants