

THE ESSEX COUNTY IMPROVEMENT AUTHORITY

COUNTY OF ESSEX, NEW JERSEY

REPORT OF AUDIT

YEAR ENDED DECEMBER 31, 2017

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**

April 30, 2018

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, 2017 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. Furthermore, the Authority sold the Bears and Eagles Riverfront Stadium, which was under contract for sale. The Authority now leases back the stadium for one more year while the purchaser pursues development opportunities.

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.

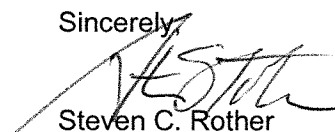
Independent Audit

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 2017 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

ROSTER OF OFFICIALS

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
ROSTER OF OFFICIALS
YEAR ENDED DECEMBER 31, 2017

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, N.J. 07102-9969
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FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303
FREEHOLD, N.J. 07728-2291
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FAX (732) 780-1030

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, 2017 and 2016, 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, 2017 and 2016, 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 and pension information on pages 9-24 and pages 80-81 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 April 30, 2018 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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
April 30, 2018

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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, 2017, and the related notes to the financial statements, which comprise of the Authority's financial statements, and have issued our report thereon dated April 30, 2018.

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
April 30, 2018

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 and 26) combine all five (5) basic financial proprietary fund statements (pages 82-83) and the restricted funds (pages 84-88) and adjust for the long-term pension liability in order to comply with proper financial reporting.

	Years ended December 31,	
	<u>2017</u>	<u>2016</u>
Assets:		
Current Assets	\$ 58,273,129	\$ 50,269,780
Restricted Assets	569,742,871	616,191,087
Noncurrent Assets	<u>25,927,591</u>	<u>26,198,852</u>
Total Assets	<u>\$ 653,943,591</u>	<u>\$ 692,659,719</u>
Deferred Outflows	<u>\$ 1,630,214</u>	<u>\$ 1,375,324</u>
Liabilities:		
Current Liabilities - Unrestricted	\$ 4,601,323	\$ 4,456,832
Current Liabilities - Restricted	45,884,931	42,052,620
Noncurrent Liabilities	<u>573,994,112</u>	<u>617,413,152</u>
Total Liabilities	<u>\$ 624,480,366</u>	<u>\$ 663,922,604</u>
Deferred Inflows	<u>\$ 822,051</u>	<u>\$ 112,992</u>
Net Position:		
Invested in Capital Assets	\$ 19,730,606	\$ 19,299,177
Restricted	1,512,512	1,958,878
Unrestricted	<u>9,028,272</u>	<u>8,741,392</u>
	<u>\$ 30,271,390</u>	<u>\$ 29,999,447</u>

The net position of the Authority increased by \$271,942 during 2017 mainly due to higher operating income.

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>2017</u>	<u>2016</u>
Total Revenues	<u>\$ 39,341,338</u>	<u>\$ 40,969,330</u>
Operating Expenses	36,415,220	38,092,206
Depreciation	<u>806,635</u>	<u>819,751</u>
Total Operating Expenses	<u>37,221,855</u>	<u>38,911,957</u>
Operating Income	2,119,483	2,057,373
Nonoperating Revenues/(Expenses)	<u>(1,847,540)</u>	<u>(4,290,570)</u>
Change in Net Position - Increase	271,943	(2,233,197)
Net Position, Beginning	<u>29,999,447</u>	<u>32,232,644</u>
Net Position, Ending	<u>\$ 30,271,390</u>	<u>\$ 29,999,447</u>

The Authority's operating expenses exclusive of depreciation decreased by \$1,676,986 in 2017 when compared to 2016.

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 (Admin)

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 use to pay for expenses for all the departments. The Authority six (6) administrative employees that include the Executive Director and Counsel oversees work in all departments.

The Development and Finance Assistance's net position of \$7,784,191 is comprised of the following:

- Invested in capital assets of \$62,522
- Restricted funds designated for a special project of \$64,736
- Unrestricted funds of \$7,656,933

	Years ended December 31,		Increased/ (Decreased)	Percent
	2017	2016		
Assets:				
Current Assets	\$ 9,785,072	\$ 9,472,281	\$ 312,791	3.30%
Noncurrent Assets	62,522	79,588	(17,066)	-21.44%
Total Assets	<u>\$ 9,847,594</u>	<u>\$ 9,551,869</u>	<u>\$ 295,725</u>	3.10%
Liabilities:				
Current Liabilities -				
Unrestricted	<u>\$ 2,063,403</u>	<u>\$ 2,065,075</u>	<u>\$ (1,672)</u>	-0.08%
Total Liabilities	<u>\$ 2,063,403</u>	<u>\$ 2,065,075</u>	<u>\$ (1,672)</u>	-0.08%
Net Position:				
Invested in Capital Assets	\$ 62,522	\$ 79,588	\$ (17,066)	-21.44%
Restricted	64,736	64,735	1	0.00%
Unrestricted	<u>7,656,933</u>	<u>7,342,471</u>	<u>314,462</u>	4.28%
	<u>\$ 7,784,191</u>	<u>\$ 7,486,794</u>	<u>\$ 297,397</u>	3.97%

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

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

Development and Finance Assistance (Admin)

	<u>Years Ended December 31,</u>		<u>Increased/</u>	
	<u>2017</u>	<u>2016</u>	<u>(Decreased)</u>	<u>Percent</u>
Total Revenues	<u>\$ 803,837</u>	<u>\$ 643,360</u>	<u>\$ 160,477</u>	24.94%
Operating Expenses:				
Salaries and Benefits	561,478	418,418	143,060	34.19%
Other	187,943	215,066	(27,123)	-12.61%
Depreciation	<u>17,067</u>	<u>17,067</u>	<u>-</u>	0.00%
Total Operating Expenses	<u>766,488</u>	<u>650,551</u>	<u>115,937</u>	17.82%
Operating Income	37,349	(7,191)	44,540	NM
Nonoperating Revenues/ (Expenses)	<u>260,048</u>	<u>(1,936,764)</u>	<u>2,196,812</u>	-113.43%
Change in Net Position - Increased/(Decreased)	297,397	(1,943,955)	2,241,352	-115.30%
Net Position, Beginning	<u>7,486,794</u>	<u>9,430,749</u>	<u>(1,943,955)</u>	-20.61%
Net Position, Ending	<u>\$ 7,784,191</u>	<u>\$ 7,486,794</u>	<u>\$ 297,397</u>	3.97%

Net position, as of December 31, 2017, increased mainly due to the financing fee from the 2017 Refinancing deal, net revenues from the Parking and Sportsplex Garage Funds netted with 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, 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>2017</u>	<u>2016</u>		
Assets:				
Current Assets	\$ 5,364,564	\$ 5,094,503	\$ 270,061	5.30%
Restricted Assets	108,405	555,390	(446,985)	-80.48%
Noncurrent Assets	<u>25,865,069</u>	<u>26,119,264</u>	<u>(254,195)</u>	-0.97%
Total Assets	<u>\$ 31,338,038</u>	<u>\$ 31,769,157</u>	<u>\$ (431,119)</u>	-1.36%
Liabilities:				
Current Liabilities -				
Unrestricted	\$ 1,065,049	\$ 1,026,162	\$ 38,887	3.79%
Noncurrent Liabilities	<u>6,145,000</u>	<u>6,840,000</u>	<u>(695,000)</u>	-10.16%
Total Liabilities	<u>\$ 7,210,049</u>	<u>\$ 7,866,162</u>	<u>\$ (656,113)</u>	-8.34%
Deferred Inflows	<u>\$ 51,985</u>	<u>\$ 59,675</u>	<u>\$ (7,690)</u>	-12.89%
Net Position:				
Invested in Capital Assets	\$ 19,668,084	\$ 19,219,589	\$ 448,495	2.33%
Restricted	108,405	555,390	(446,985)	-80.48%
Unrestricted	<u>4,299,515</u>	<u>4,068,341</u>	<u>231,174</u>	5.68%
	<u>\$ 24,076,004</u>	<u>\$ 23,843,320</u>	<u>\$ 232,684</u>	0.98%

The majority of the Airport's Current Assets include cash, cash equivalents and investments 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>2017</u>	<u>2016</u>	<u>(Decreased)</u>	<u>Percent</u>
Operating Revenue	<u>\$ 4,294,559</u>	<u>\$ 4,055,306</u>	<u>\$ 239,253</u>	5.90%
Operating Expenses:				
Salaries and Benefits	835,209	783,604	51,605	6.59%
Other	2,112,917	1,843,238	269,679	14.63%
Depreciation	<u>789,568</u>	<u>802,684</u>	<u>(13,116)</u>	-1.63%
Total Operating Expenses	<u>3,737,694</u>	<u>3,429,526</u>	<u>308,168</u>	8.99%
Operating Income	556,865	625,780	(68,915)	-11.01%
Nonoperating Revenues/ (Expenses)	<u>(324,181)</u>	<u>(245,091)</u>	<u>(79,090)</u>	32.27%
Change in Net Position - Increased/(Decreased)	232,684	380,689	(148,005)	-38.88%
Net Position, Beginning	<u>23,843,320</u>	<u>23,462,631</u>	<u>380,689</u>	1.62%
Net Position, Ending	<u>\$ 24,076,004</u>	<u>\$ 23,843,320</u>	<u>\$ 232,684</u>	0.98%

Net position, as of December 31, 2017, increased mainly due to the Operating Revenue in excess of Operating Expenses. Nonoperating Revenue/(Expenses) consist mainly of interest on bonded indebtedness.

STATEMENTS OF NET POSITION – INDIVIDUAL FUND BASIC FINANCIAL STATEMENTS

Parking

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 (1,300 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>2017</u>	<u>2016</u>	<u>(Decreased)</u>	<u>Percent</u>
Assets:				
Current Assets	\$ 1,755,570	\$ 1,655,846	\$ 99,724	6.02%
Restricted Assets	<u>3,075,000</u>	<u>3,610,000</u>	<u>(535,000)</u>	-14.82%
Total Assets	<u>\$ 4,830,570</u>	<u>\$ 5,265,846</u>	<u>\$ (435,276)</u>	-8.27%
Liabilities:				
Current Liabilities -				
Unrestricted	\$ 2,315,570	\$ 2,190,846	\$ 124,724	5.69%
Noncurrent Liabilities	<u>2,515,000</u>	<u>3,075,000</u>	<u>(560,000)</u>	-18.21%
Total Liabilities	<u>\$ 4,830,570</u>	<u>\$ 5,265,846</u>	<u>\$ (435,276)</u>	-8.27%

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, cash equivalents and investments.

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

Parking

	Years Ended December 31,		Increased/ (Decreased)	Percent
	<u>2017</u>	<u>2016</u>		
Operating Revenue	<u>\$ 2,246,388</u>	<u>\$ 2,230,424</u>	<u>\$ 15,964</u>	0.72%
Operating Expenses:				
Salaries and Benefits	317,718	355,647	(37,929)	-10.66%
Other	<u>380,234</u>	<u>400,707</u>	<u>(20,473)</u>	-5.11%
Total Operating Expenses	<u>697,952</u>	<u>756,354</u>	<u>(58,402)</u>	-7.72%
Operating Income	1,548,436	1,474,070	74,366	5.04%
Nonoperating Revenues/ (Expenses)	<u>\$ (1,548,436)</u>	<u>\$ (1,474,070)</u>	<u>\$ (74,366)</u>	5.04%

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

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>2017</u>	<u>2016</u>	<u>(Decreased)</u>	<u>Percent</u>
Assets:				
Current Assets	<u>\$ 1,677,294</u>	<u>\$ 1,626,401</u>	<u>\$ 50,893</u>	3.13%
Total Assets	<u>\$ 1,677,294</u>	<u>\$ 1,626,401</u>	<u>\$ 50,893</u>	3.13%
Liabilities:				
Current Liabilities - Unrestricted	<u>\$ 337,924</u>	<u>\$ 287,648</u>	<u>\$ 50,276</u>	17.48%
Total Liabilities	<u>\$ 337,924</u>	<u>\$ 287,648</u>	<u>\$ 50,276</u>	17.48%
Net Position:				
Unrestricted	<u>\$ 1,339,370</u>	<u>\$ 1,338,753</u>	<u>\$ 617</u>	0.05%
	<u>\$ 1,339,370</u>	<u>\$ 1,338,753</u>	<u>\$ 617</u>	0.05%

The majority of the Sportsplex Parking Garage Current Assets include cash, cash equivalents and investments and interfund and intrafund receivables.

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

	<u>Years Ended December 31,</u>		<u>Increased/</u>	
	<u>2017</u>	<u>2016</u>	<u>(Decreased)</u>	<u>Percent</u>
Operating Revenue	<u>\$ 447,126</u>	<u>\$ 545,436</u>	<u>\$ (98,310)</u>	-18.02%
Operating Expenses:				
Salaries and Benefits	107,754	188,466	(80,712)	-42.83%
Other	<u>161,525</u>	<u>160,984</u>	<u>541</u>	0.34%
Total Operating Expenses	<u>269,279</u>	<u>349,450</u>	<u>(80,171)</u>	-22.94%
Operating Income	177,847	195,986	(18,139)	-9.26%
Nonoperating Revenues/ (Expenses)	<u>(177,230)</u>	<u>(385,836)</u>	<u>208,606</u>	-54.07%
Change in Net Position - Increased/(Decreased)	617	(189,850)	190,467	-100.32%
Net Position, Beginning	<u>1,338,753</u>	<u>1,528,603</u>	<u>(189,850)</u>	-12.42%
Net Position, Ending	<u><u>\$ 1,339,370</u></u>	<u><u>\$ 1,338,753</u></u>	<u><u>\$ 617</u></u>	0.05%

Net position, as of December 31, 2017, increased slightly in spite of a decrease in revenue and decrease of expenditures; any excess is allocated to the Authority's Development and Finance Assistance and to operate Sportsplex Stadium.

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 is only responsible for maintaining the building and property for one more year. The only realized revenue currently generated is that from the adjacent parking garage.

	<u>Years ended December 31,</u>		<u>Increased/</u>	
	<u>2017</u>	<u>2016</u>	<u>(Decreased)</u>	<u>Percent</u>
Assets:				
Current Assets	<u>\$ 4,834</u>	<u>\$ 23,449</u>	<u>\$ (18,615)</u>	-79.39%
Total Assets	<u><u>\$ 4,834</u></u>	<u><u>\$ 23,449</u></u>	<u><u>\$ (18,615)</u></u>	-79.39%
Liabilities:				
Current Liabilities - Unrestricted	<u> </u>	<u>\$ 18,260</u>	<u>\$ (18,260)</u>	-100.00%
Total Liabilities	<u><u>\$ -</u></u>	<u><u>\$ 18,260</u></u>	<u><u>\$ (18,260)</u></u>	-100.00%
Net Position:				
Unrestricted	<u>\$ 4,834</u>	<u>\$ 5,189</u>	<u>\$ (355)</u>	-6.84%
	<u><u>\$ 4,834</u></u>	<u><u>\$ 5,189</u></u>	<u><u>\$ (355)</u></u>	-6.84%

The fund is being phased out as the baseball stadium was sold in 2016.

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/</u>	
	<u>2017</u>	<u>2016</u>	<u>(Decreased)</u>	<u>Percent</u>
Operating Revenue	<u>\$ 57,385</u>	<u>\$ 61,012</u>	<u>\$ (3,627)</u>	-5.94%
Operating Income	57,385	61,012	(3,627)	-5.94%
Nonoperating Revenues/ (Expenses)	<u>(57,740)</u>	<u>(248,809)</u>	<u>191,069</u>	-76.79%
Change in Net Position - Increased/(Decreased)	(355)	(187,797)	187,442	-99.81%
Net Position, Beginning	<u>5,189</u>	<u>192,986</u>	<u>(187,797)</u>	-97.31%
Net Position, Ending	<u><u>\$ 4,834</u></u>	<u><u>\$ 5,189</u></u>	<u><u>\$ (355)</u></u>	-6.84%

The net position as of December 31, 2017 decreased mainly due to the Stadium being sold in 2016 and not being rented any longer. The only revenue currently generated for the Sportsplex Complex is from the Sportsplex Parking Garage.

CAPITAL ASSETS

As of December 31, 2017, the Authority had \$59,423,761 invested in land, buildings, furniture, equipment and vehicles.

	Balance December 31, 2017	Balance December 31, 2016
Land	\$ 9,085,551	\$ 8,930,878
Construction in Progress:		
Airport	<u>1,589,406</u>	<u>1,678,519</u>
Total Capital Assets Not being Depreciated	<u>10,674,957</u>	<u>10,609,397</u>
Airport Improvements	36,257,144	36,229,239
Buildings	11,137,999	10,706,835
Equipment and Vehicles	1,264,580	1,248,121
Furniture and Fixtures	<u>89,081</u>	<u>89,081</u>
	48,748,804	48,273,276
Total Accumulated Depreciation	<u>(33,496,170)</u>	<u>(32,683,821)</u>
Total Capital Assets being Depreciated - Net of Accumulated Depreciation	<u>15,252,634</u>	<u>15,589,455</u>
Capital Assets, Net	<u>\$ 25,927,591</u>	<u>\$ 26,198,852</u>

Authority Debt Proprietary Funds (Only)

As of December 31, 2017 the Authority had \$9,915,000 of bonded indebtedness attributed to its parking and airport operations.

	Balance December 31, 2017	Balance December 31, 2016
Airport Bonds	\$ 6,840,000	\$ 7,515,000
Parking Bonds	<u>3,075,000</u>	<u>3,710,000</u>
	<u>\$ 9,915,000</u>	<u>\$ 11,225,000</u>

RESTRICTED FUNDS

The Restricted Fund of the Authority provides the accounting and custodianship for the various participant based financings that the Authority has issued. 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>2017</u>	<u>2016</u>
Current Assets	\$ 41,118,595	\$ 33,779,848
Restricted Assets	<u>566,559,466</u>	<u>612,025,697</u>
	<u>\$ 607,678,061</u>	<u>\$ 645,805,545</u>
Current Liabilities	\$ 45,991,930	\$ 42,187,620
Noncurrent Liabilities	<u>561,686,131</u>	<u>603,617,925</u>
	<u>\$ 607,678,061</u>	<u>\$ 645,805,545</u>
Revenues:		
Development and Financial Assistance	\$ 31,264,691	\$ 33,253,689
Interest	<u>227,351</u>	<u>180,103</u>
	<u>\$ 31,492,042</u>	<u>\$ 33,433,792</u>
Expenses		
Services by Contract	\$ 784,699	\$ 806,091
Interest and Related Charges	<u>30,707,343</u>	<u>32,627,701</u>
	<u>\$ 31,492,042</u>	<u>\$ 33,433,792</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 'SC Rother', is positioned above the printed name.

Steven C. Rother
Executive Director

FINANCIAL STATEMENTS

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted Fund	Restricted Fund	Eliminations	Unrestricted Fund	Restricted Fund	Eliminations
ASSETS						
Current assets:						
Cash, cash equivalent and investments	\$ 16,905,954		\$ 16,905,954	\$ 16,230,865		\$ 16,230,865
Inventory	67,259		67,259	58,344		58,344
Accounts receivable	142,353		142,353	165,807		165,807
Restricted bonds receivable		\$ 40,515,382	40,515,382		\$ 33,143,587	33,143,587
Due from participants/county		75,007	75,007		104,876	104,876
Other current assets	38,969			34,916		
Interfunds Receivable	107,000			135,000		
Intrafunds Receivable	1,325,799		\$ (107,000)	1,247,548		\$ (135,000)
			(1,325,799)			(1,247,548)
Total current assets	18,587,334	41,118,595	(1,432,799)	17,872,480	33,779,848	(1,382,548)
						50,269,780
Restricted assets:						
Restricted cash, cash equivalent and investments	108,405	14,386,722	14,495,127	531,930	25,424,239	25,956,169
Restricted grants receivable				23,460		23,460
Restricted bonds receivable		491,374,131	491,374,131		530,553,925	530,553,925
Restricted net investment in direct financing leases, less construction costs to be incurred of \$5,961,387 and \$18,687,967 in 2017 and 2016 respectively	3,075,000	60,798,613		3,610,000	56,047,533	59,657,533
Total restricted assets	3,183,405	566,559,466		4,165,390	612,025,697	616,191,087
Noncurrent assets:						
Capital assets, net	25,927,591		25,927,591	26,198,852		26,198,852
Total noncurrent assets	25,927,591		25,927,591	26,198,852		26,198,852
Total assets	\$ 47,698,330	\$ 607,678,061	\$ (1,432,799)	\$ 48,236,722	\$ 645,805,545	\$ (1,382,548)
						\$ 692,659,719
DEFERRED OUTFLOW OF RESOURCES						
Pension Obligation	\$ 1,630,214		\$ 1,630,214	\$ 1,375,324		\$ 1,375,324
Total deferred outflow of resources	\$ 1,630,214		\$ 1,630,214	\$ 1,375,324		\$ 1,375,324

See Notes to Financial Statements.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted Fund	Restricted Fund	Eliminations	Unrestricted Fund	Restricted Fund	Eliminations
LIABILITIES						
Current liabilities:						
Current portion of bonds payable	\$ 1,255,000	\$ 43,267,382	\$ 44,522,382	\$ 1,210,000	\$ 39,515,587	\$ 40,725,587
Due to participants/counties		1,513,923	1,513,923		1,270,997	1,270,997
Various Reserves		461,546	461,546		216,592	216,592
Accrued expenses and other current liabilities	3,346,323	642,080	3,988,403	3,246,832	1,049,444	4,296,276
Interfund payable		107,000	(107,000)		135,000	(135,000)
Intrafund payable	1,325,799	(1,325,799)		1,247,548	(1,247,548)	
Total current liabilities	5,927,122	45,991,931	(1,432,799)	5,704,380	42,187,520	(1,382,548)
Noncurrent Liabilities:						
Bonds payable	8,660,000	561,686,131	570,346,131	9,915,000	603,617,925	613,532,925
Net Pension Obligation	3,647,981		3,647,981	3,880,227		3,880,227
Total noncurrent liabilities	12,307,981	561,686,131	573,994,112	13,795,227	603,617,925	617,413,152
Total Liabilities	\$ 18,235,103	\$ 607,678,062	\$ (1,432,799)	\$ 19,499,607	\$ 645,805,545	\$ (1,382,548)
DEFERRED INFLOW OF RESOURCES						
Unamortized Gain on Refunding of Bonds	\$ 51,985		\$ 51,985	\$ 59,675		\$ 59,675
Pension Obligation	770,066		770,066	53,317		53,317
Total deferred inflow of resources	\$ 822,051		\$ 822,051	\$ 112,992		\$ 112,992
NET POSITION						
Invested in Capital Assets	\$ 19,730,606		\$ 19,730,606	\$ 19,299,177		\$ 19,299,177
Restricted	1,512,512		1,512,512	1,958,878		1,958,878
Unrestricted	9,028,272		9,028,272	8,741,391		8,741,391
Net Position	\$ 30,271,390		\$ 30,271,390	\$ 29,999,446		\$ 29,999,446

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, 2017 AND 2016

	2017		2016	
	Unrestricted Fund	Restricted Fund	Unrestricted Fund	Restricted Fund
				Total
Revenues:				
Airport	\$ 4,273,369	\$ 4,273,369	\$ 4,049,426	\$ 4,049,426
Development and financial assistance	799,637	32,064,328	525,526	33,779,215
Parking	2,245,731	2,245,731	2,346,988	2,346,988
Sportsplex	57,323	57,323	60,893	60,893
Sportsplex Parking	447,000	447,000	545,270	545,270
Interest	26,236	227,351	7,434	187,537
Total revenues	7,849,296	31,492,042	7,535,537	33,433,792
				40,969,329
Expenses:				
Salaries	1,122,690	1,122,690	1,126,526	1,126,526
Fringe benefits	957,870	957,870	911,895	911,895
Services by contract	2,842,618	784,699	2,619,993	3,426,084
Interest and related charges		30,707,343		32,627,701
Depreciation	806,635	806,635	819,751	819,751
Total expenses	5,729,813	31,492,042	5,478,165	38,911,957
Operating income	2,119,483	2,119,483	2,057,372	2,057,372
Nonoperating Revenues/(Expenses)				
Capital Expenditures	(181,871)	(181,871)	(1,131,134)	(1,131,134)
Capital Contributions	(87,939)	(87,939)	(290,580)	(290,580)
Grant Contributions	4,138	4,138	142,331	142,331
Interest Expense	(503,692)	(503,692)	(561,058)	(561,058)
Amounts due under Service Agreements	(399,164)	(399,164)	(278,642)	(278,642)
Provision for Settlement of Litigation	(670,362)	(670,362)	(2,199,728)	(2,199,728)
Miscellaneous	(8,649)	(8,649)	28,241	28,241
Total Nonoperating Revenues/(Expenses)	(1,847,539)	(1,847,539)	(4,290,570)	(4,290,570)
Change in Net Position - Increase/(Decrease)	271,944	271,944	(2,233,198)	(2,233,198)
Net Position, Beginning (as adjusted)	29,999,446	29,999,446	32,232,644	32,232,644
Net Position, Ending	\$ 30,271,390	\$ 30,271,390	\$ 29,999,446	\$ 29,999,446

See Notes to Financial Statements.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
Cash flows from operating activities:						
Revenues over/(under) expenses - net	\$ 528,281		\$ 528,281	\$ (1,940,913)		\$ (1,940,913)
Adjustments to reconcile revenues over/(under) expenses to net cash provided by operating activities:						
Depreciation and amortization	806,635		806,635	819,751		819,751
Changes in assets and liabilities:						
Decrease/(increase) in accounts receivable, net	31,464		31,464	(24,013)		(24,013)
Decrease/(increase) in due from participants/county		\$ 29,869	29,869		\$ 22,189	22,189
(Increase)/(decrease) in other current assets	(4,089)	3,179	(910)	(5,950)	39,467	33,517
Decrease/(increase) in inventory	(8,915)		(8,915)	(3,220)		(3,220)
(Increase)/(decrease) in interfund receivable/payable	28,000	(28,000)		10,000	(10,000)	
(Increase)/(decrease) in intrafund receivable	(86,225)		(86,225)			
Decrease/(increase) in restricted bonds receivable		31,807,999	31,807,999		(18,185,501)	(18,185,501)
Increase/(decrease) in various reserves		244,954	244,954		94,195	94,195
Increase/(decrease) in accrued expenses	70,704	(407,365)	(336,661)	(71,459)	(607,800)	(679,259)
Increase/(decrease) in intrafund payable	78,252		78,252		135,000	135,000
Increase/(decrease) in due to participants/county		242,926	242,926		204,794	204,794
Net cash provided/(used in) by operating activities	1,444,107	31,893,562	33,337,669	(1,215,804)	(18,307,656)	(19,523,460)
Cash flows provided by/(used in) used in investing activities:						
Variance in restricted net investment in direct financing leases		(4,751,080)	(4,751,080)		19,578,119	19,578,119
Net payments on restricted net investment in direct financing leases	535,000		535,000	510,000		510,000
(Increase)/(decrease) in grant receivable	23,460		23,460	71,058		71,058
Increase/(decrease) in restricted accounts payable				(43,160)		(43,160)
Purchases of property improvements	(541,002)		(541,002)	(928,056)		(928,056)
Decrease/(Increase) in restricted cash and investments		11,037,517	11,037,517		37,179,774	37,179,774
Net cash provided by investing activities	\$ 17,458	\$ 6,286,437	\$ 6,303,895	\$ (390,158)	\$ 56,757,893	\$ 56,367,735

See Notes to Financial Statements.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
Cash flows provided by/(used in) financing activities:						
Proceeds from issuance of bonds payable, net		\$ 38,688,006	38,688,006			
Payment of bonds payable	\$ (1,210,000)	(38,179,999)	\$ (39,389,999)	\$ (1,155,000)	(20,495,237)	\$ (21,650,237)
Transfer to refunding escrow		(39,582,473)	(39,582,473)		(18,309,814)	(18,309,814)
Bonds payable, refunded					(17,955,000)	(17,955,000)
Transfer to county/city					(5,190,186)	(5,190,186)
Proceeds from other sources for refunding of bonds		894,467	894,467		23,500,000	23,500,000
Net cash/(used in) financing activities	\$ (1,210,000)	\$ (38,179,999)	\$ (39,389,999)	\$ (1,155,000)	\$ (38,450,237)	\$ (39,605,237)
Net increase/(decrease) in cash and short-term cash investments	251,565		251,565	(2,760,962)		(2,760,962)
Cash, cash equivalents and investments, beginning of year	16,762,795		16,762,795	19,523,757		19,523,757
Cash, cash equivalents and investments, end of year	\$ 17,014,360		\$ 17,014,360	\$ 16,762,795		\$ 16,762,795

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 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, 2017

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, 2017

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.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

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

The Authority has also implemented GASB Statement 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.

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 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. At transition to Statement 68, 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 related to pensions, paragraph 137 of Statement 68 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 pensions, contributions made after the measurement date of the beginning net pension 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.

- L. **Subsequent Events** – Management has reviewed and evaluated all events and transactions from December 31, 2017 through April 30, 2018, 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.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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. 75. *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The Authority has yet to determine the impact of this Statement on its financial statements.

- GASB Statement No. 82. *Pension Issues – an amendment of GASB Statements No. 67, No. 38 and No. 73*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal yearend. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Authority does not expect this Statement to impact its 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.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

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

- **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. 85. *Omnibus 2017.*** This objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 27, 2017. The Authority does not expect this Statement to impact its financial statements.

- **GASB Statement No. 86. *Certain Debt Extinguishment Issues.*** The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 27, 2017. The Authority does not expect this Statement to impact its financial statements.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

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

- *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. Earlier application is encouraged.

- *GASB Statement No. 88. Certain Disclosures Related to Debt, including Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information and 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.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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, 2017, 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.

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.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

B. Investments (Continued)

- 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, 2017, the Authority's total cash, cash equivalents and investments on deposit are as follows:

Unrestricted	\$ 17,116,980
Restricted	<u>14,541,278</u>
	<u>\$ 31,658,258</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

Note 4. **RESTRICTED BONDS RECEIVABLE**

The bonds receivable at December 31 consist of following:

	<u>2017</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 0.8397% per annum in 2017. (a)	\$ 10,896,000
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)	6,678,513
2005 Series Bonds receivable (2005 Project Consolidation Revenue Refunding Bonds) ranging in annual installments from \$155,000 to \$440,000 through 2027 with interest rates ranging from 4.125% to 4.375%. (d)	1,875,000
2005 Series A and B 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%. The Series B Bonds carry interest rates ranging from 4.88% to 5.10%. (e)	2,445,000
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)	23,075,000
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)	174,760,000

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

Bonds receivable at December 31: (Continued)

	<u>2017</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
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 \$6,905,000 through 2022 with interest rates ranging from 4.0% to 5.0%. (k)	16,040,000
2014 Series Bonds receivable (2014 Project Consolidation Revenue Refunding Bonds) ranging in annual installations from \$2,455,000 to \$10,270,000 through 2022 with interest rates from 4.0% to 5.0%. (l)	40,725,000
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 in 2018 to \$34,020,000 in 2027 with interest rates ranging from 2.0% to 2.125%. (o)	<u>38,460,000</u>
	<u>\$ 531,889,513</u>
Current	\$ 40,515,382
Non-Current	<u>491,374,131</u>
Noncurrent Portion	<u>\$ 531,889,513</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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))
- (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(q))
- (l) In connection with the 2014 Project Consolidation Revenue Refunding Bonds. (See Note 8(r))
- (m) In connection with the 2015 Solid Waste Disposal (Covanta Project) Revenue Bonds. (See Note 8(s))
- (n) In connection with the 2015 Project Revenue Bonds (Park Terrace/Grove House Apartments Projects), Series 2015 A-C. (See Note 8(t))
- (o) In connection with the 2017 Project Consolidation Revenue Refunding Bonds. (See Note 8(u))

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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:

2018	\$ 38,712,382
2019	41,556,982
2020	53,572,395
2021	57,538,044
2022	61,563,940
	<u>252,943,743</u>

Every five (5) years thereafter:

2023	50,630,092
2024	18,066,513
2025	13,558,214
2026	13,055,208
2027	13,837,509
	<u>109,147,536</u>

2028	11,380,129
2029	12,043,083
2030	12,741,383
2031	950,054
2032	1,039,104
	<u>38,153,753</u>

2033	1,143,551
2034	1,248,414
2035	1,363,713
2036	1,489,465
2037	1,625,693
	<u>6,870,836</u>

2038	1,767,417
2039	1,914,660
2040	13,377,444
2041	605,796
2042	634,740
	<u>18,300,057</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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)

2043	\$ 664,303
2044	694,514
2045	90,633,771
2046	370,000
2047	390,000
	<u>92,752,588</u>
2048	410,000
2049	435,000
2050	455,000
2051	485,000
2052	505,000
	<u>2,290,000</u>
2053	535,000
	<u>535,000</u>
	<u>\$ 520,993,513</u>

Reconciliation to Statement of Net Position:

Current Portion	\$ 40,515,382
Noncurrent Portion	<u>491,374,131</u>
	\$ 531,889,513
Less: PGLP Bonds Receivable	<u>10,896,000</u>
	<u>\$ 520,993,513</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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, 2017.

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, 2017. 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, 2017

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</u>
Next five (5) years:		
2018	\$ 560,000	\$ 4,555,000
2019	585,000	3,895,000
2020	615,000	4,080,000
2021	645,000	4,275,000
2022	670,000	4,520,000
	<u>3,075,000</u>	<u>21,325,000</u>
Every five (5) years thereafter:		
2023		4,780,000
2024		5,045,000
2025		5,335,000
2026		5,640,000
2027		5,975,000
		<u>26,775,000</u>
2028		5,985,000
2029		6,335,000
2030		6,340,000
		<u>18,660,000</u>
Total Minimum Obligation	\$ 3,075,000	\$ 66,760,000
Less: Construction Costs to be Incurred		<u>5,961,387</u>
	<u>\$ 3,075,000</u>	<u>\$ 60,798,613</u>

Note: All principal and interest for direct financing leases for 2017 have been received.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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**

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 lease agreement the Authority will operate for the next two (2) years subsequent to 2016 the stadium as a baseball facility. There will be no professional team involved.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

Note 6. **CAPITAL ASSETS, NET**

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

a. **Unrestricted Fund**

	December 31, 2016	Additions	Transfer/ (Retirements)	December 31, 2017
Land	\$ 8,930,878	\$ 154,673		\$ 9,085,551
Construction in Progress:				
Airport	1,678,519	459,051	\$ (548,164)	1,589,406
 Total Capital Assets Not being Depreciated	 10,609,397	 613,724	 (548,164)	 10,674,957
 Airport Improvements	 36,229,239	 132,132	 (104,227)	 36,257,144
Buildings	10,706,835	431,164		11,137,999
Equipment and Vehicles	1,248,121	16,459		1,264,580
Furniture and Fixtures	89,081			89,081
 Total	 48,273,276	 579,755	 (104,227)	 48,748,804
 Total Accumulated Depreciation	 (32,683,821)	 (812,349)		 (33,496,170)
 Total Capital Assets being Depreciated - Net of Accumulated Depreciation	 15,589,455	 (232,594)	 (104,227)	 15,252,634
 Capital Assets, Net	 \$ 26,198,852	 \$ 381,130	 \$ (652,391)	 \$ 25,927,591

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

Depreciation expense for the years 2017 and 2016 were \$812,349 and \$819,751 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, 2017

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

The debt service obligations from the Authority's unrestricted fund for 2017 have been satisfied. The details are as follows:

	<u>2017</u>
\$1,000,000 Airport Revenue Bonds, Series 1998 (a)	\$ 75,000
\$8,590,000 County of Essex Airport Revenue and Refunding Bonds Series 2007 (b)	5,640,000
\$1,880,000 County of Essex Airport Refunding Bonds, Series 2014 (c)	<u>1,125,000</u>
Subtotal for Airport	6,840,000
\$7,040,000 Parking Facility Revenue Refunding Bonds, Series 2009 (d)	<u>3,075,000</u>
Total	\$ 9,915,000
Less: Current Portion	<u>1,255,000</u>
Noncurrent Portion	<u><u>\$ 8,660,000</u></u>

- (a) The \$1,000,000 Airport Revenue Bonds, Series 1998 were issued to provide financing for the completion of the prior Airport Project and for improvements to airport facilities and acquisition of computer equipment and maintenance vehicles. The bonds are term bonds; the final annual installment of \$375,000 is due on November 1, 2018. The remaining bond bears an interest rate of 5.1%.

The Series 1998 Bonds due November 1, 2018 are subject to mandatory sinking fund redemption prior to maturity, through selection by lot by the Trustee and upon the giving of notice as provided in the General Bond Resolution. To date there has been no call nor Notice of Redemption authorized by the Authority.

- (b) 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 4.375% to 5.0%.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

- (b) (Continued) 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.
- (c) 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 \$270,000 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 1998, 2007 and 2014 (Note 7a, 7b, 7c) 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 1998, 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, 2017

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

- (d) 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 \$560,000 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, 2017

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

(d) (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, 2017

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

Analysis of Bonds Paid

		2017 Activity			
	Original Issued <u>Amount</u>	Balance December 31, <u>2016</u>	Paid During <u>Year</u>	Balance December 31, <u>2017</u>	Cumulative Amount <u>Paid</u>
Airport Revenue Bonds Series 1998	\$ 1,000,000	\$ 150,000	\$ 75,000	\$ 75,000	\$ 925,000
County of Essex Airport Revenue & Refunding Bonds Series 2007	8,590,000	5,980,000	340,000	5,640,000	2,950,000
County of Essex Airport Refunding Bonds Series 2014	1,880,000	1,385,000	260,000	1,125,000	755,000
Parking Facility Revenue Bonds, Series 2009	<u>7,040,000</u>	<u>3,610,000</u>	<u>535,000</u>	<u>3,075,000</u>	<u>3,965,000</u>
	\$ 18,510,000	\$ 11,125,000	\$ 1,210,000	\$ 9,915,000	\$ 8,595,000

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, 2017 was \$51,986. During 2016 the Authority amortized \$7,689 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, 2016	During 2017		Book Value Dec 31, 2017
Airport 2007	\$ 49,371	\$ 31,103	\$ 1,975	\$ 18,267	\$ 29,128
Airport 2014	40,000	<u>28,572</u>	<u>5,714</u>	<u>11,429</u>	<u>22,858</u>
		<u>\$ 59,675</u>	<u>\$ 7,689</u>	<u>\$ 29,696</u>	<u>\$ 51,986</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

Debt Service Obligation

All debt service obligations due during the year 2017 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, 2017 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
Next five (5) years:			
2018	\$ 1,255,000	\$ 462,550	\$ 1,717,550
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
	<u>6,200,000</u>	<u>1,753,325</u>	<u>7,953,325</u>
Every five (5) years thereafter:			
2023	445,000	179,488	624,488
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
	<u>1,845,000</u>	<u>693,713</u>	<u>2,538,713</u>
2028	340,000	88,825	428,825
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>1,870,000</u>	<u>274,787</u>	<u>2,144,787</u>
	<u>\$ 9,915,000</u>	<u>\$ 2,721,825</u>	<u>\$ 12,636,825</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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>2017</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)	3,285,000
\$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)	6,678,513
\$11,515,000 County of Essex Project Consolidation Revenue Bonds, Series 2005 (2005 Refunding Project) (e)	1,875,000
\$14,420,000 Essex County Improvement Authority General Obligation Lease Revenue Refunding Bonds, Series 2005 A & B (Sportsplex Refunding Project) (f)	2,445,000
\$41,865,000 County of Essex Project Consolidation Revenue Bonds, Series 2006 (2006 Refunding Project) (g)	23,075,000
\$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)	174,760,000
\$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
\$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

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

	<u>2017</u>
\$42,185,000 Lease Revenue Bonds, City of Newark Series 2010A Working Capital, Leased Premises (l)	\$ 35,275,000
\$30,255,000 Lease Revenue Bonds, City of Newark Series 2010B Capital Improvements and Environmental Remediation Leased Premises (m)	24,685,000
\$2,570,000 County of Essex General Obligation Guaranteed Lease Revenue Refunding Bonds (NJPAC) Series 2011 (n)	375,000
\$2,695,000 County of Essex General Obligation Guaranteed Lease Revenue Refunding Bonds (Riverbank) Series 2011 (o)	460,000
\$3,825,000 County of Essex General Obligation Guaranteed Lease Revenue Refunding Bonds (Social Services) Series 2011 (p)	2,680,000
\$52,540,000 County of Essex Project Consolidation Revenue Bonds, Series 2013 (2013 Refunding Project) (q)	16,040,000
\$58,255,000 County of Essex Project Consolidation Revenue Bonds, Series 2014 (2014 Refunding Project) (r)	40,725,000
\$90,000,000 Essex County Improvement Authority Solid Waste Disposal Revenue Bonds (Covanta Project), Series 2015 (s)	90,000,000
\$8,855,000 Essex County Improvement Authority Project Revenue Bonds (Park Terrace/Grove House Apartments Project), Series 2015 A-C (t)	8,845,000
\$38,460,000 County of Essex Project Consolidation Revenue Bonds, Series 2017 (2017 Refunding Project) (u)	<u>38,460,000</u>
Total	<u>\$ 604,953,513</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

	<u>2017</u>
Total Bonds Payable	\$ 604,953,513
Less: Current Portion	<u>(43,267,382)</u>
Noncurrent Portion	<u>\$ 561,686,131</u>
Reconciliation to Offsetting Receivable:	
Restricted Bonds Receivable (Note 4)	\$ 533,492,513
Investment in Direct Financing Leases (Note 5)	<u>66,760,000</u>
	.
	\$ 600,252,513
Add: PGLP Bonds Payable	\$ 17,200,000
Less: PGLP Bonds Receivable	<u>12,499,000</u>
	<u>4,701,000</u>
	<u>\$ 604,953,513</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 0.7775% per annum in 2016. 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 \$205,000 in 2018 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, 2017

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 with 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 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 \$155,000 to \$440,000 between 2018 and 2027 at rates ranging from 4.125% to 4.375%.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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 2018 to \$380,000 in 2027. Interest rates range from 3.90% 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 2018 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, 2017

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 \$25,270,000 to \$46,175,000 between 2018 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))
- (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 2018 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.
- (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.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

- (n) The \$2,570,000 Lease Revenue Refunding Bonds, Series 2011 for NJPAC were issued to provide funds for the advance refunding of \$2,520,000 of the Authority's Bonds, Series 1998. The bonds are term bonds; final annual installment on October 1 is \$375,000 in 2018. The remaining bonds bear interest at 3.0%. The bonds are secured by an unconditional and irrevocable guarantee by the County of Essex and certain revenues.
- (o) The \$2,695,000 Lease Revenue Refunding Bonds, Series 2011 for Riverbank were issued to provide funds for the advance refunding of all \$2,685,000 of the Authority's Bonds, Series 1998. The bonds are term bonds and the final annual installment of \$460,000 is due on October 1, 2018. The remaining bond bears interest rate at 3.0%. The bonds are secured by an unconditional and irrevocable guarantee by the County of Essex and certain revenues.
- (p) 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 \$220,000 in 2018 to \$325,000 in 2027. The remaining bonds bear interest at rates ranging from 3.0% to 5.0%. The bonds are secured by an unconditional and irrevocable guarantee by the County of Essex and certain revenues.
- (q) 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 2018 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))

- (r) 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, 2017

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

- (s) 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))

- (t) 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 2018 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))
- (u) 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 2018 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, 2017

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

Debt Service Obligation

All debt service obligations due during the year 2017 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, 2017 are as follows:

	<u>Restricted Fund</u> <u>Principal Only</u>
Next five (5) years:	
2018	\$ 43,267,382
2019	45,451,982
2020	57,652,395
2021	61,813,044
2022	66,083,940
	<u>274,268,743</u>
Every five (5) years thereafter:	
2023	55,410,092
2024	23,111,513
2025	18,893,214
2026	35,895,208 *
2027	19,812,509
	<u>153,122,536</u>
2028	17,365,129
2029	18,378,083
2030	19,081,383
2031	950,054
2032	1,039,104
	<u>56,813,753</u>
2033	1,143,551
2034	1,248,414
2035	1,363,713
2036	1,489,465
2037	1,625,693
	<u>6,870,836</u>
2038	1,767,417
2039	1,914,660
2040	13,377,444 **
2041	605,796
2042	634,740
	<u>18,300,057</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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):	
2043	\$ 664,303
2044	694,514
2045	90,633,771 ***
2046	370,000
2047	390,000
	<u>92,752,588</u>
2048	410,000
2049	435,000
2050	455,000
2051	485,000
2052	505,000
	<u>2,290,000</u>
2053	535,000
	<u>535,000</u>
	\$ 604,953,513
Less: Current Portion	<u>43,267,382</u>
Noncurrent Portion	<u>\$ 561,686,131</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(s))

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

Summary of Debt – Restricted As of December 31, 2017

	Original	Balance	County Debt	Other Debt		Cumulative
	Amount	December 31,	Direct &	Not County	County	Paid
<u>Note 8</u>	<u>Issued</u>	<u>2017</u>	<u>Guaranteed</u>	<u>Guaranteed</u>	<u>Guaranteed</u>	<u>Down</u>
a	\$ 250,000,000	\$ 17,200,000	\$ 8,629,500	\$ 8,570,500		\$ 232,800,000
b	5,500,000	3,285,000		3,285,000 (N)		2,215,000
c	188,565,000	93,240,000	93,240,000			95,325,000
d	7,400,000	6,678,513		6,678,513 (H)		721,487
e	11,515,000	1,875,000	1,875,000			9,640,000
f	14,420,000	2,445,000	2,445,000			11,975,000
g	41,865,000	23,075,000	23,075,000			18,790,000
h	13,215,000	1,070,000		1,070,000 (N)		12,145,000
i	235,845,000	174,760,000	174,760,000			61,085,000
j	12,480,000	12,480,000		12,480,000 (B)		-
k	11,300,000	11,300,000		11,300,000 (H)		-
l	42,185,000	35,275,000		35,275,000 (N)		6,910,000
m	30,255,000	24,685,000		24,685,000 (N)		5,570,000
n	2,570,000	375,000			\$ 375,000	2,195,000
o	2,695,000	460,000	460,000			2,235,000
p	3,825,000	2,680,000	2,680,000			1,145,000
q	52,540,000	16,040,000	16,040,000			36,500,000
r	58,255,000	40,725,000	40,725,000			17,530,000
s	90,000,000	90,000,000		90,000,000 (C)		-
t	8,855,000	8,845,000		8,845,000 (H)		10,000
u	38,460,000	38,460,000	38,460,000			-
	<u>\$ 1,121,745,000</u>	<u>\$ 604,953,513</u>	<u>\$ 402,389,500</u>	<u>\$ 202,189,013</u>	<u>\$ 375,000</u>	<u>\$ 516,791,487</u>

Guarantor:

(N) = City of Newark
(B) = Township of Bloomfield
(H) = Housing
(C) = Covanta

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

Note 9. OTHER DEBT

There are no outstanding Bond Anticipation Notes or no other debt authorization outstanding as of December 31, 2017 or as of the date of this report.

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, 2017

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 2017 were seven and 20/100th percent (7.20%) and effective July 1, 2017, employee contributions increased to seven and 34/100th percent (7.34%) 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.

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THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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:

<u>Fiscal Year</u>	<u>Authority Share</u>			<u>Employees Contribution</u>
	<u>Contribution</u>		<u>Net Cost</u>	
	<u>Normal</u>	<u>Accrued</u>		
2017	\$ 19,108	\$ 118,992	\$ 138,100	\$ 85,608
2016	17,377	80,050	97,427	75,552
2015	15,885	73,481	89,366	68,577

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, 2017 and June 30, 2016 Independent Auditor's Report dated April 27, 2018 and April 20, 2017, respectively.

The Authority reported a liability of \$3,647,981 and \$3,880,237 for its proportionate share of the net pension liability at December 31, 2017 and December 31, 2016, respectively. The net pension liability was measured as of June 30, 2017 and June 30, 2016 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>2017</u>	<u>2016</u>
Local Group Share	\$ 23,278,401,588	\$ 29,617,131,759
Authority Proportionate Percentage	0.0156710995 %	0.0131012912 %
Difference - Increase	0.0025698083	

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

Note 10. PENSION PLAN – PERS (CONTINUED)

Funding Policy (Continued)

For the year ended December 31, 2017, the Authority recognized pension expense of \$403,574. At December 31, 2017, 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	\$ 734,943	732,248
Net difference between expected and actual experience	85,897	
Net difference between projected and actual investment earnings on pension plan investment	24,840	
Changes in proportion	639,358	37,818
Authority contributions subsequent to the measurement date	<u>145,176</u>	
Total	<u>\$ 1,630,214</u>	<u>\$ 770,066</u>

The \$1,630,214 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, 2017, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the Authority year ended December 31, 2017. 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>
2018	\$ 85,872
2019	129,591
2020	78,525
2021	(104,439)
2022	(76,122)

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

Note 10. PENSION PLAN – PERS (CONTINUED)

Additional Information:

Collective local employers balances at June 30, 2017 and June 30, 2016 are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Collective deferred outflows of resources	\$ 6,424,455,842	\$ 8,685,338,380
Collective deferred inflows of resources	\$ 5,700,625,981	\$ 2,830,763,540
Collective net pension liability	\$ 23,278,401,588	\$ 29,617,131,759
Authority's proportion	0.0156710995 %	0.0131012912 %

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. The total pension liability for the December 31, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016. 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 actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2015 and rolled forward to June 30, 2016.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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 plan 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 improvements in mortality from the base year of 2013 using a generational approach based on the plan 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, 2016 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, 2017) 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, 2017

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00 %	5.51 %
Casjh 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 5.00% as of June 30, 2017. 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 2040, 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, 2017

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 as of June 30, 2017 and June 30, 2016, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

		<u>June 30, 2017</u>		
		<u>1% Decrease</u>	<u>At Current</u>	<u>1% Increase</u>
		<u>4.00%</u>	<u>Discount Rate</u>	<u>6.00%</u>
			<u>5.00%</u>	
Authority's proportionate share of				
the Local Group pension liability	\$	4,525,569	\$ 3,647,981	\$ 2,916,843
		<u>June 30, 2016</u>		
		<u>1% Decrease</u>	<u>At Current</u>	<u>1% Increase</u>
		<u>2.98%</u>	<u>Discount Rate</u>	<u>4.98%</u>
			<u>3.98%</u>	
Authority's proportionate share of				
the Local Group pension liability	\$	4,754,764	\$ 3,880,237	\$ 3,158,219

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, 2017

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>Fiscal Year</u>	<u>Number of Employees</u>	<u>Employer's Cost</u>
2017	2	\$ 20,320
2016	2	23,653
2015	2	26,604

The NJSHBP as of July 1, 2016 had statewide for all groups of employees of 355,534 active and 229,020 retired for a total of 584,554 members. The Authority had 20 active and 2 retired employees for a total of 22.

An actuarial valuation as of July 1, 2016 (issued June of 2017) was performed for the NJSHBP for all local active and retired employees plan-wide for the projected benefits obligation.

In accordance with GASB's 43 and 45, the NJSHBP has been determined to be a cost-sharing multiple-employer plan. Under GASB 45, the Authority is not required nor allowed to accrue reserves to fund the ultimate payment of the retirees health benefit obligation that is being earned.

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 ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

Plan Description – NJSHBP (Continued)

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.

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 2017 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.

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:

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.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

Note 13. **COMMITMENTS AND CONTINGENCIES**

A. **Litigation (Continued)**

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 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 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.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

Note 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

A. Litigation (Continued)

The 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.

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.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

Note 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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. Internal Revenue Service Arbitrage Rebate Liability

On the fifth (5th) anniversary date of the issuance of any bond, a review shall be conducted to determine if the bond proceeds have been expended in accordance with IRS regulations. If said bond proceeds have not been expended in accordance with said regulation, an arbitrage rebate calculation must be performed. If the arbitrage rebate calculation results in an amount due and is filed late, penalties and interest could be added to the obligation. In 2017, the ECIA had four (4) bond issues reviewed for rebate and no liability exists. The following deals were reviewed:

- \$8,590,000 Airport Revenue and Refunding Bonds, Series 2007
- \$12,480,000 Series 2010 Recovery Zone Economic Development Bonds (Bloomfield Parking Authority Project)
- \$235,485,000 Project Consolidation Revenue Bonds, Series 2007
- \$10,510,000 County of Essex General Obligation Guaranteed Lease Revenue Refunding Bonds, Series 2012 (County Correctional Facility Project)

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

D. **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, 2017</u>	<u>Unexpended Balance at Dec 31, 2017</u>
Newark Riverfront Park	\$ 1,482,000	\$ 971	\$ 1,467,768	\$ 15,203
Newark Property Acquisition	195,000	320	126,938	68,382
Airport Obstruction Removal	200,000	501	104,853	95,648

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

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

The net investment in capital assets of \$19,730,606 is calculated as follows:

	<u>Total</u>	<u>Development & Assistance</u>	<u>Airport</u>
Capital assets, net of depreciation	\$ 25,927,591	\$ 62,522	\$ 25,865,069
Less:	-		
Bonds payable (<i>used to build or acquire capital assets</i>)	(6,145,000)		(6,145,000)
	-		
Unamortized deferred premium	(51,985)		(51,985)
	<u>\$ 19,730,606</u>	<u>\$ 62,522</u>	<u>\$ 19,668,084</u>

REQUIRED SUPPLEMENTARY INFORMATION

ESSEX COUNTY IMPROVEMENT AUTHORITY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST FOUR (4) FISCAL YEARS *

	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset)	0.0156710995	0.0131029120	0.0119389558 %	0.0115745596 %
Authority's proportionate share of the net pension liability (asset)	\$ 3,647,981	\$ 3,880,237	\$ 2,680,056	\$ 2,167,074
Authority's covered payroll	\$ 1,106,479	\$ 1,021,212	\$ 909,567	\$ 821,549
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	303.31 %	379.96 %	294.65 %	263.78 %
Plan fiduciary net position as a percentage of the total pension liability	48.10	40.01 %	47.92 %	48.72 %

Note: Only the last four (4) 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 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

ESSEX COUNTY IMPROVEMENT AUTHORITY
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST FOUR (4) FISCAL YEARS *

	2017	2016	2015	2014
Contractually required contribution	\$ 145,176	\$ 102,643	\$ 89,366	\$ 99,969
Contributions in relation to the contractually required contribution	\$ 145,176	\$ 102,643	\$ 89,366	\$ 99,969
Contribution deficiency (excess)	None	None	None	None
Authority's covered payroll	\$ 1,106,479	\$ 1,021,212	\$ 909,567	\$ 821,549
Contributions as a percentage of covered-employee payroll	13.12 %	10.05 %	9.83 %	12.17 %

Note: Only the last four (4) years of information are presented as GASB 68 was implemented during the year ended December 31, 2015. Eventually a full ten (10) years schedule will be compiled.

Notes to Required Supplementary Information:

Benefit Changes - there were none.

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

SUPPLEMENTARY INFORMATION

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2017
UNRESTRICTED FUND BY ACTIVITY

	Development and Financial Assistance	Airport	Parking Lot	Sportsplex	Sportsplex Parking Lot	Total Unrestricted Fund
ASSETS						
Current assets:						
Cash, cash equivalents and investments	\$ 8,340,980	\$ 5,238,507	\$ 1,751,192	\$ 4,834	\$ 1,570,442	\$ 16,905,954
Inventory		67,259				67,259
Accounts receivable	8,009	41,103			93,240	142,352
Other current assets	3,319	17,695	4,378		13,578	38,969
Interfund receivable	107,000					107,000
Intrafund receivable	1,325,764				35	1,325,799
Total current assets	9,785,072	5,364,564	1,755,570	4,834	1,677,294	18,587,334
Restricted assets:						
Cash, cash equivalents and investments		108,405				108,405
Total restricted assets		108,405				108,405
Restricted net investment in direct financing leases			3,075,000			3,075,000
Net investment in direct financing leases			3,075,000			3,075,000
Noncurrent assets:						
Capital assets, net	62,522	25,865,069				25,927,591
Total noncurrent assets	62,522	25,865,069				25,927,591
Total assets	\$ 9,847,594	\$ 31,338,038	\$ 4,830,570	\$ 4,834	\$ 1,677,294	\$ 47,698,330

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2017
UNRESTRICTED FUND BY ACTIVITY

	Development and Financial Assistance	Airport	Parking Lot	Sportsplex	Sportsplex Parking Lot	Total Unrestricted Fund
<u>LIABILITIES</u>						
Liabilities:						
Current liabilities Payable from Unrestricted Assets:						
Current portion of bonds payable	\$ 2,063,368	\$ 695,000	\$ 560,000			\$ 1,255,000
Accrued expenses and other current liabilities		346,034	787,388		4,357	3,201,147
Intrafund payable	35	24,015	968,182		333,567	1,325,799
Total current liabilities from Unrestricted Assets	2,063,403	1,065,049	2,315,570		337,924	5,781,946
Noncurrent liabilities:						
Bonds payable, net of current portion		6,145,000	2,515,000			8,660,000
Total noncurrent liabilities		6,145,000	2,515,000			8,660,000
Total liabilities	\$ 2,063,403	\$ 7,210,049	\$ 4,830,570		\$ 337,924	\$ 14,441,946
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unamortized Gain on Refunding of Bonds		\$ 51,985				\$ 51,985
Total deferred inflow of resources		\$ 51,985				\$ 51,985
<u>NET POSITION</u>						
Net Position:						
Invested in capital assets	\$ 62,522	\$ 19,668,084				\$ 19,730,606
Restricted	64,736	108,405			1,339,370	1,512,511
Unrestricted	7,656,933	4,299,515		4,834		11,961,282
Net position	\$ 7,784,191	\$ 24,076,004		\$ 4,834	\$ 1,339,370	\$ 33,204,399

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2017
RESTRICTED FUND BY PROGRAM

		County of Essex General Obligation Lease Revenue Bonds - Series 1997A (County Corr Facil)	County of Essex General Obligation Lease Revenue Bonds - Series 1996 A (County Jail Proj)	County of Essex General Obligation Lease Revenue Bonds - Series 1997A (County Corr Facil)	County of Essex General Obligation 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
ASSETS						
Current assets:						
Restricted bonds receivable	\$ 1,803,000					\$ 4,080
Due from participants	75,007					
Other current assets	7,656					
Total current assets	1,885,663					4,080
Restricted cash, cash equivalents and investments	6,391,668	\$ 80,117	\$ 10,480	\$ 550	\$ 2,083	20,397
Restricted bonds receivable	9,093,000					
Restricted net investment in direct financing leases (Costs to be incurred)/Earnings Utilized						3,285,000
Net restricted net investments in direct financing leases						3,285,000
	\$ 17,370,331	\$ 80,117	\$ 10,480	\$ 550	\$ 2,083	\$ 3,309,477
LIABILITIES						
Current liabilities:						
Current portion of bonds payable						\$ 205,000
Due to participants	\$ 63,331	\$ 80,117	\$ 27,041	\$ 550	\$ 2,083	20,397
Accrued expenses and other current liabilities	107,000					4,080
Interfund payable						
Capital, debt and maintenance reserve						
Total current liabilities	170,331	80,117	27,041	550	2,083	229,477
Bonds payable, net of current portion	17,200,000					3,080,000
Total liabilities	\$ 17,370,331	\$ 80,117	\$ 27,041	\$ 550	\$ 2,083	\$ 3,309,477

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2017
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)
ASSETS						
Current assets:						
Restricted bonds receivable					\$ 527,382	\$ 155,000
Due from participants				\$ 98,240	7,661	6,720
Other current assets						
Total current assets						
Restricted cash, cash equivalents and investments	\$ 1,628	\$ 1,010	\$ 395	98,240	535,043	161,720
Restricted bonds receivable				1,759	861	26
Restricted net investment in direct financing leases (Costs to be Incurred)/Earnings Utilized				93,240,000	6,151,131	1,720,000
Net restricted net investments in direct financing leases						
	\$ 1,628	\$ 1,010	\$ 395	\$ 93,339,999	\$ 6,687,035	\$ 1,881,746
LIABILITIES						
Current liabilities:						
Current portion of bonds payable	\$ 1,628	\$ 1,010	\$ 395	\$ 1,759	\$ 527,382	\$ 155,000
Due to participants				98,240	761	26
Accrued expenses and other current liabilities					7,761	6,720
Interfund payable						
Capital, debt and maintenance reserve						
Total current liabilities	1,628	1,010	395	99,999	535,903	161,746
Bonds payable, net of current portion				93,240,000	6,151,131	1,720,000
Total liabilities	\$ 1,628	\$ 1,010	\$ 395	\$ 93,339,999	\$ 6,687,035	\$ 1,881,746

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THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2017

RESTRICTED FUND BY PROGRAM

ASSETS

Current assets:

Restricted bonds receivable
Due from participants
Other current assets

Total current assets

Restricted cash, cash equivalents and investments

Restricted bonds receivable

Restricted net investment in direct financing leases
(Costs to be incurred)/Earnings Utilized

Net restricted net investments in direct financing leases

LIABILITIES

Current liabilities:

Current portion of bonds payable
Due to participants
Accrued expenses and other current liabilities
Interfund payable
Capital, debt and maintenance reserve

Total current liabilities

Bonds payable, net of current portion

Total liabilities

	City of Newark Lease Revenue Bond 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 Bonds - Series 2011 Social Services	Airport Obstruction Removal (ECIA - \$200,000)	Newark Riverfront Preliminary (ECIA - \$1,482,000)
	\$ 3,891,049	\$ 1,000	\$ 1,000	\$ 2,960		
		1,000	1,000	2,960		
	\$ 3,891,049	\$ 2,434	\$ 5,391	\$ 3,744	\$ 100,092	\$ 18,459
	24,685,000	375,000	460,000	2,680,000		
	(3,849,202)					
	20,835,798	375,000	460,000	2,680,000		
	\$ 24,726,847	\$ 378,434	\$ 466,391	\$ 2,686,704	\$ 100,092	\$ 18,459
	\$ 1,380,000	\$ 375,000	\$ 460,000	\$ 220,000		
	41,847	2,434	5,391	3,744		
		1,000	1,000	2,960	\$ 4,445	\$ 3,255
					95,648	15,203
	1,421,847	378,434	466,391	226,704	100,092	18,459
	23,305,000			2,460,000		
	\$ 24,726,847	\$ 378,434	\$ 466,391	\$ 2,686,704	\$ 100,092	\$ 18,459

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2017
RESTRICTED FUND BY PROGRAM

ASSETS

Current assets:

Restricted bonds receivable
Due from participants
Other current assets

Total current assets

Restricted cash, cash equivalents and investments

Restricted bonds receivable

Restricted net investment in direct financing leases
(Costs to be incurred)/Earnings Utilized

Net restricted net investments in direct financing leases

LIABILITIES

Current liabilities:

Current portion of bonds payable
Due to participants
Accrued expenses and other current liabilities
Interfund payable
Capital, debt and maintenance reserve

Total current liabilities

Bonds payable, net of current portion

Total liabilities

		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 Apartments Project Revenue Bonds Series 2015	Project Consolidation Revenue Bonds Series 2017 (Refunding Project)	Total Restricted Funds
	\$	6,905,000	\$ 2,455,000	\$	5,000	470,000	\$ 40,515,382
		11,135	40,270	\$ 92,000	13,129	42,990	75,007
		6,916,135	2,495,270	92,000	18,129	512,990	528,206
		8,332	7,600	2,217,309	282,849	36,473	41,118,595
		9,135,000	38,270,000	90,000,000	8,840,000	37,990,000	14,386,722
							491,374,131
				(2,112,185)			66,760,000
				(2,112,185)			(5,961,387)
							60,798,613
	\$	16,059,467	\$ 40,772,870	\$ 90,197,124	\$ 9,140,978	\$ 38,539,463	\$ 607,678,061
	\$	6,905,000	\$ 2,455,000	\$	5,000	470,000	\$ 43,267,382
		8,332	7,600	\$ 105,124	1,084	36,473	1,513,923
	\$ 309	11,135	40,270	92,000	12,581	42,990	642,080
							107,000
		68,382			282,313		461,546
		68,691	2,502,870	197,124	300,978	549,463	45,991,929
		9,135,000	38,270,000	90,000,000	8,840,000	37,990,000	561,686,131
	\$	16,059,467	\$ 40,772,870	\$ 90,197,124	\$ 9,140,978	\$ 38,539,463	\$ 607,678,061

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017
UNRESTRICTED FUND BY ACTIVITY

	Development and Financial Assistance	Airport	Parking Lot	Sportsplex	Sportsplex Parking	Total Unrestricted Fund
Revenues:						
Airport:						
Aviation rent		\$ 1,174,111				\$ 1,174,111
Landing fees		39,448				39,448
Tie down rent		414,529				414,529
T-Hangar rent income		976,358				976,358
Commercial rent		60,648				60,648
Fuel sales		1,592,717				1,592,717
Miscellaneous airport income		15,558				15,558
Airport		4,273,369				4,273,369
Development and financial assistance:						
Administrative and management fees:						
Newark Public Safety 1999	3,285					3,285
Project Consolidation Refunding - 2004	93,240					93,240
Marina Bay	6,679					6,679
Project Consolidation Refunding - 2005	6,670					6,670
Sportsplex Refunding - 2005A	2,445					2,445
Project Consolidation Refunding - 2006	23,075					23,075
Sportsplex Refunding - 2006A	1,070					1,070
Project Consolidation Refunding - 2007	104,168					104,168
Fern - 2010	11,300					11,300
Newark Leaseback - 2010	62,175					62,175
Bloomfield	12,480					12,480
Riverbank - 2011	460					460
Social Services - 2011	2,680					2,680
NJ PAC - 2011	375					375
Project Consolidation Refunding - 2013	16,040					16,040
Project Consolidation Refunding - 2014	40,725					40,725
Covanta - 2015	90,000					90,000
East Orange - 2015	8,532					8,532
Development and financial assistance	\$ 485,398					\$ 485,398
Parking:						
Administrative fees		\$ 1,747,464				\$ 1,747,464
Jurors		496,963				496,963
Miscellaneous income	\$ 314,239		1,304			315,543
Parking	\$ 314,239	\$ 2,245,731				\$ 2,559,970

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017
UNRESTRICTED FUND BY ACTIVITY

	Development and Financial Assistance	Airport	Parking Lot	Sportsplex	Sportsplex Parking	Total Unrestricted Fund
Sportsplex: Rent				\$ 57,323		\$ 57,323
Sportsplex				\$ 57,323		\$ 57,323
Sportsplex Parking: Stadium lot parking					\$ 447,000	\$ 447,000
Sportsplex Parking					\$ 447,000	\$ 447,000
Interest income	\$ 4,200	\$ 21,190	\$ 657	\$ 62	\$ 126	\$ 26,236
Total revenues	\$ 803,837	\$ 4,294,559	\$ 2,246,388	\$ 57,385	\$ 447,126	\$ 7,849,295
Expenses:						
Salaries	\$ 378,144	\$ 499,679	\$ 200,998		\$ 43,869	\$ 1,122,690
Employee Benefits	183,334	335,530	116,720		63,885	699,470
	\$ 561,478	\$ 835,209	\$ 317,718		\$ 107,754	\$ 1,822,160
Other:						
Stationery and office supplies	\$ 16,456	\$ 20,204	\$ 4,068		\$ 2,738	\$ 43,466
Facility and vehicle material and supplies	962	22,427	791			24,181
Uniforms		5,024				5,024
Tickets			5,532			5,532
Utilities	24,505	66,664	68,481		27,218	186,869
Fuel for resale		1,402,982				1,402,982
Vehicle fuel		25,171				25,171
Fuel Tax		11,195				11,195
Permits		36,039	1,104		476	37,619
Facility and vehicle maintenance and repairs	28,794	143,020	142,648		64,301	378,763
Other equipment services	3,765	3,080	3,080			9,924
Professional services	64,576	83,797	74,993		45,020	268,386
Non Professional services	3,850	10,439	1,097		500	15,887
Insurance	41,976	141,897	62,440		20,054	266,366
Trustee Fee		29,795				29,795
Municipal service fees		110,000				110,000
Miscellaneous	17,067	789,568	15,992		1,218	17,210
Depreciation	3,058	1,185	7			806,635
Travel & Other						4,250
Total other expenses	\$ 205,010	\$ 2,902,485	\$ 380,234		\$ 161,524	\$ 3,649,253
Total Salaries and Other Expenses	\$ 766,488	\$ 3,737,695	\$ 697,952		\$ 269,279	\$ 5,471,414
Operating Income/(Loss)	\$ 37,349	\$ 556,864	\$ 1,548,436	\$ 57,385	\$ 177,847	\$ 2,377,882

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017
UNRESTRICTED FUND BY ACTIVITY

	Development and Financial Assistance	Airport	Parking Lot	Sportsplex	Sportsplex Parking	Total Unrestricted Fund
Nonoperating Revenues/(Expenses):						
Interest expense		\$ (330,379)	\$ (173,313)	\$ (57,740)	\$ 57,740	\$ (503,692)
Sportsplex Excess	\$ 53,099				(53,099)	(87,939)
Sportsplex Parking Management Fee	(90,000)	2,061				4,138
Capital Contributions		4,138				(399,164)
Grant Contributions			(1,366,475)		(181,871)	(181,871)
Amounts due under service agreements	967,311					(670,362)
Capital Expenditures	(670,362)					(8,649)
Provision for Settlement of Litigation						
Miscellaneous			(8,649)			
Total Nonoperating Revenues/(Expenses)	\$ 280,048	\$ (324,180)	\$ (1,548,436)	\$ (57,740)	\$ (177,230)	\$ (1,847,539)
Revenues (under)/over expenses	\$ 297,397	\$ 232,684		\$ (355)	\$ 617	\$ 530,343
Change in Net Position - Increase/(Decrease)	\$ 297,397	\$ 232,684		\$ (355)	\$ 617	\$ 530,343
Net Position, Beginning	7,486,794	23,843,320		5,189	1,338,753	32,674,056
Net Position, Ending	\$ 7,784,191	\$ 24,076,004		\$ 4,834	\$ 1,339,370	\$ 33,204,399
Detail:						
Invested in Capital Assets	\$ 62,522	\$ 19,668,084				\$ 19,730,606
Restricted	64,735	108,405			\$ 1,339,370	1,512,510
Unrestricted	7,656,934	4,299,515		\$ 4,834		11,961,283
	\$ 7,784,191	\$ 24,076,004		\$ 4,834	\$ 1,339,370	\$ 33,204,399

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
RESTRICTED FUND BY PROGRAM

	Pooled Government Loan Program 1986	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 Lease Revenue Bonds - Series 1997A (County Corr Facil)	County of Essex General Obligation Lease Revenue Bonds - Series 1999 D2 and H2 (Sportsplex Project)
Revenues:						
Development and financial assistance revenues	\$ 289,320			\$ 1,387	\$ 180	\$ 14
Interest	90,680	\$ 3,461	\$ 186			
Total revenues	\$ 380,000	\$ 3,461	\$ 186	\$ 1,387	\$ 180	\$ 14
Expenses:						
Services by contract:						
Remarketing fees	\$ 17,341					
Administrative fees						
Credit fees	139,442					
Tender agent fees	6,000					
Financial consultant	12,000					
Professional fees	14,167					
Auditing fees	7,500					
Trustee fees	10,000					
Legal fees	4,500					
Reimbursement	28,000					
Services by contract	238,950					
Interest	141,049					
Interest rebate (expense) income		\$ 3,461	\$ 186	\$ 1,387	\$ 180	\$ 14
Total expenses	\$ 380,000	\$ 3,461	\$ 186	\$ 1,387	\$ 180	\$ 14

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
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 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)
Revenues:						
Development and financial assistance revenues	\$ 180,933				\$ 5,226,440	\$ 7,679
Interest	357	\$ 995	\$ 217	62	2,924	
Total revenues	\$ 181,290	\$ 995	\$ 217	\$ 62	\$ 5,229,364	\$ 7,679
Expenses:						
Services by contract:						
Remarketing fees	\$ 3,080				\$ 93,240	\$ 6,679
Administrative fees						
Credit fees						
Tender agent fees						
Financial consultant						
Professional fees	1,000				5,000	1,000
Auditing fees	3,500					
Trustee fees						
Legal fees						
Reimbursement						
Services by contract	7,580				98,240	7,679
Interest	173,353				5,128,200	
Interest rebate (expense) income	357	\$ 995	\$ 217	\$ 62	2,924	
Total expenses	\$ 181,290	\$ 995	\$ 217	\$ 62	\$ 5,229,364	\$ 7,679

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
RESTRICTED FUND BY PROGRAM

	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)	Bloomfield Recovery Zone Development Bonds REZ 2010
Revenues:						
Development and financial assistance revenues	\$ 201,686	\$ 107,435	\$ 1,376,610	\$ 48,738	\$ 10,859,575	\$ 1,000,064
Interest	242	14	693	33	13,440	2,287
Total revenues	\$ 201,928	\$ 107,449	\$ 1,377,303	\$ 48,770	\$ 10,873,015	\$ 1,002,351
Expenses:						
Services by contract:						
Remarketing fees	\$ 1,720	\$ 2,425	\$ 20,260	\$ 1,070	\$ 74,700	\$ 12,480
Administrative fees						
Credit fees						
Tender agent fees						
Financial consultant						
Professional fees	5,000	1,000	5,000	2,000	5,000	1,000
Auditing fees						
Trustee fees						
Legal fees						
Reimbursement						
Services by contract	6,720	3,425	25,260	3,070	79,700	13,480
Interest	194,966	104,010	1,351,350	45,668	10,779,875	986,584
Interest rebate (expense) income	242	14	693	33	13,440	2,287
Total expenses	\$ 201,928	\$ 107,449	\$ 1,377,303	\$ 48,770	\$ 10,873,015	\$ 1,002,351

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
RESTRICTED FUND BY PROGRAM

	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	Hilltop 1996 Funds
Revenues:							
Development and financial assistance revenues	\$ 119,239	\$ 2,217,063	\$ 704,694	\$ 23,375	\$ 32,400	\$ 121,635	
Interest	3,205	5,164	27,953	308	317	286	212
Total revenues	<u>\$ 122,443</u>	<u>\$ 2,222,227</u>	<u>\$ 732,647</u>	<u>\$ 23,683</u>	<u>\$ 32,717</u>	<u>\$ 121,921</u>	<u>\$ 212</u>
Expenses:							
Services by contract:							
Remarketing fees	\$ 22,954	\$ 62,175		\$ 375		\$ 2,460	
Administrative fees							
Credit fees							
Tender agent fees							
Financial consultant							
Professional fees	1,000	3,250		1,000	1,000	500	
Auditing fees							
Trustee fees							
Legal fees							
Reimbursement							
Services by contract	23,954	65,425		1,375	1,000	2,960	
Interest	95,285	2,151,638	704,694	22,000	31,400	118,675	212
Interest rebate (expense) income	3,205	5,164	27,953	308	317	286	
Total expenses	<u>\$ 122,443</u>	<u>\$ 2,222,227</u>	<u>\$ 732,647</u>	<u>\$ 23,683</u>	<u>\$ 32,717</u>	<u>\$ 121,921</u>	<u>\$ 212</u>

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
RESTRICTED FUND BY PROGRAM

	Guaranteed Lease Revenue Bonds Series 2012 (Correctional Facility Refunding)	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	\$ 144,200	\$ 1,156,190	\$ 2,106,970	\$ 4,817,000	\$ 480,456	\$ 42,990	\$ 31,264,891
Interest	3,000	1,748	1,110	66,165	711		227,351
Total revenues	\$ 147,200	\$ 1,157,938	\$ 2,108,080	\$ 4,883,165	\$ 481,168	\$ 42,990	\$ 31,492,042
Expenses:							
Services by contract:							
Remarketing fees		\$ 16,040	\$ 38,270	\$ 90,000	\$ 9,178	\$ 37,990	\$ 17,341
Administrative fees							495,095
Credit fees							139,442
Tender agent fees							6,000
Financial consultant							12,000
Professional fees							14,167
Auditing fees		2,000	2,000	2,000	3,404	5,000	54,654
Trustee fees							13,500
Legal fees							4,500
Reimbursement							28,000
Services by contract		18,040	40,270	92,000	12,581	42,990	784,599
Interest	144,200	1,138,150	2,066,700	4,725,000	467,875		30,570,671
Interest rebate (expense) income	3,000	1,748	1,110	66,165	711		136,672
Total expenses	\$ 147,200	\$ 1,157,938	\$ 2,108,080	\$ 4,883,165	\$ 481,168	\$ 42,990	\$ 31,492,042

THE ESSEX COUNTY IMPROVEMENT AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNRESTRICTED FUNDS

	Development and Financial Assistance	Airport	Parking Lot	Sportsplex	Sportsplex Parking Lot	Total Unrestricted Fund
Cash flows from operating activities:						
Revenues over/(under) expenses - net	\$ 297,396	\$ 230,623	\$	\$ (355)	\$ 617	\$ 528,281
Adjustments to reconcile revenues over/(under) expenses to net cash provided by operating activities:						
Depreciation and amortization	17,067	789,568				806,635
Changes in assets and liabilities:						
Decrease/(increase) in accounts receivable, net	6,305	23,350			1,809	31,464
(Increase)/decrease in other current assets	(194)	(944)	(1,779)		(1,172)	(4,089)
Decrease/(increase) in inventory		(8,915)				(8,915)
(Increase)/decrease in interfund receivable	28,000					28,000
(Increase)/decrease in interfund receivable	(86,225)					(86,225)
Increase/(decrease) in accrued expenses	(1,707)	(4,772)	94,861	(18,260)	582	70,704
Increase/(decrease) in intrafund payable	35	23,659	4,863		49,695	78,252
Net cash provided/(used in) by operating activities	260,677	1,052,569	97,945	(18,615)	51,531	1,444,107
Cash flows provided by/(used in) used in investing activities:						
Net payments on restricted net investment in direct financing leases			535,000			535,000
(Increase)/decrease in grant receivable		23,460				23,460
Purchases of property improvements		(541,002)				(541,002)
Net cash provided by investing activities		(517,542)	535,000			17,458
Cash flows provided by/(used in) financing activities:						
Payment of bonds payable		(675,000)	(535,000)			(1,210,000)
Net cash (used in) financing activities		(675,000)	(535,000)			(1,210,000)
Net increase in cash and short-term cash investments	\$ 260,677	\$ (139,973)	\$ 97,945	\$ (18,615)	\$ 51,531	\$ 251,565
Cash, cash equivalents and investments, beginning of year	8,080,303	5,486,885	1,653,247	23,449	1,518,911	16,762,795
Cash, cash equivalents and investments, end of year	\$ 8,340,980	\$ 5,346,912	\$ 1,751,192	\$ 4,834	\$ 1,570,442	\$ 17,014,360

See Notes to Financial Statements.

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS
DECEMBER 31, 2017

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:

Construction of Runway 10-28 Crack Repair & Sealcoat Project

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

2017 Purchases from State Contracts:
Snow Plow
Security Equipment and Furnitures

Co-Operative:
Trees Removal – Morris County Co-Op

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, 2017 (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, 2017 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, 2017. In addition, the annual operating budget for the year ended December 31, 2018 was adopted by the Authority on November 28, 2017.

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 2026.

GENERAL COMMENTS
DECEMBER 31, 2017 (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 May 8, 2018.

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, 2017

None.

A corrective action plan for 2017 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