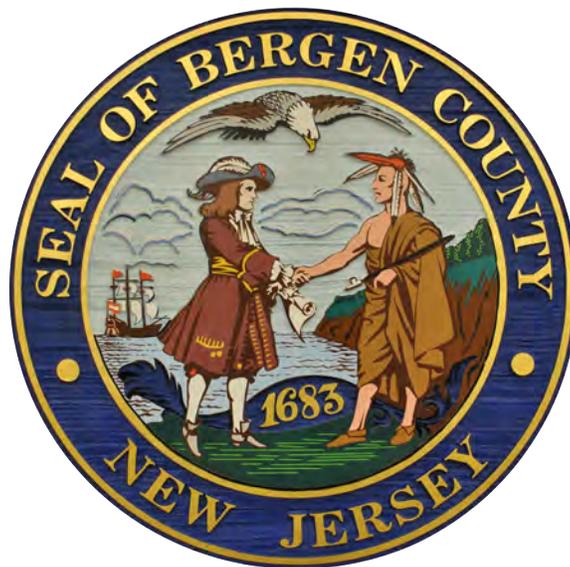


**Healthcare Advisory Committee Report**  
*Summary of Findings and Conclusions on  
Bergen Regional Medical Center (BRMC)*

**Approved April 27<sup>th</sup>, 2016**



## Introductory Letter

To County Executive James Tedesco and the Board of Chosen Freeholders,

We are pleased to report our findings and recommendations regarding the future of Bergen Regional Medical Center (“BRMC” or “the Medical Center”) following the expiration of the current lease and operating agreement in March of 2017. This document is a culmination of a significant amount of effort by the Healthcare Advisory Committee, stakeholders, advisors, healthcare providers and planners, and government officials to understand the unique issues and opportunities afforded to the County as it considers the alternatives available for BRMC. We believe that the report provides the platform for informed decision-making regarding the future of BRMC, in addition to important insight into the state of healthcare services and needs within the County.

Bergen Regional Medical Center plays a critical role in the healthcare system of both the County and the region. Its success is vital to promoting the health and well-being of our residents, particularly the elderly, indigent and those suffering behavioral health and substance abuse issues. We recognize the significance of the opportunity to shape the delivery of healthcare services in Bergen County and the region and have invested significant effort into understanding the current services provided, the broader system of healthcare services in the region, trends in mental and physical health and the Medical Center’s unique role in the care continuum. Our report highlights the areas of the greatest need and the opportunities presented for Bergen Regional Medical Center to better serve its community. The information contained in this report is designed to provide a fact base for consideration and present alternatives to support the County’s path forward.

As Chairman of the Healthcare Advisory Committee, I thank the Committee members for all of their hard work and dedication to this very important and challenging undertaking.

Sincerely,

Dr. Dominic Novelli

Chairman of the Healthcare Advisory Committee

County Administrator

## Acknowledgements

### Healthcare Advisory Board Members

Dr. Dominic Novelli (Chair)

Hon. Michael Dressler (Vice-Chair)

Karen Ann Alelis

John Bang, Esq.

Kimberly Birdsall

Malcolm Borg

Rabbi Neal Borovitz

Hon. John Felice

Hetal Gor, M.D.

A.J. Luna

Hon. Lizette Parker

Barbara Rosen

Steven Tully

Mary Ann Uzzi

Hon. Tracy Zur

### Acting Executive Director of the Bergen County Improvement Authority

Mauro Raguseo

### Advisors

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KPMG

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## Executive Summary

In October 2015, Bergen County Executive James Tedesco established a Healthcare Advisory Committee (the “Committee”) to examine options for the future of the Bergen Regional Medical Center (“BRMC” or the “Medical Center”), taking into consideration the overall changes and competition in the healthcare industry, uncertainty over future federal reimbursement and charity care rates, and the potential for declining revenues and increasing operating costs. This examination is being conducted in preparation for the expiration in March 2017 of the Bergen County Improvement Authority (“BCIA”) Lease with the County and the BCIA’s Lease and Operating Agreement (the “LOA”) with Bergen Regional Medical Center, L.P. (formerly Solomon Health Group, LLC). This committee brought together a diversity of community perspective and experience to ensure Bergen Regional Medical Center remains an important community resource to Bergen County and Northern New Jersey.

The Healthcare Advisory Committee was tasked to explore how BRMC can (1) provide quality healthcare to the residents of Bergen County, (2) provide a healthcare safety net for the elderly, indigent and those in need of emergency services, (3) improve access for Veteran’s Affairs services, (4) adapt to the changes in the healthcare market; and (5) provide quality healthcare services in a cost efficient manner. The committee held monthly meetings to review data and information (including insight gained from stakeholder interviews), identify the key considerations for the future of Bergen Regional Medical Center, and identify the key characteristics of potential go-forward partners. Included in the stakeholder interviews were community healthcare providers, public health officials, business leaders, labor representatives, elected officials and community residents. In addition, a comprehensive facility assessment was conducted and guided tours were provided for Committee members.

### Key Assessment Findings

<b>Market Assessment</b>	<ol style="list-style-type: none"><li>1. Inpatient and outpatient behavioral health services are underprovided and poorly coordinated in the region—not unlike in the rest of the country.</li><li>2. The growing need for both behavioral health and substance abuse services, coupled with the growing focus on population health management, has served to increase BRMC’s role and value to the community and other providers.</li><li>3. Many local hospitals have reduced or eliminated inpatient behavioral health services over time, limiting access for the community.</li><li>4. By 2050, the Bergen County population over 65 years of age will double and the population over 85 years of age will triple, significantly increasing demand for long-term care services</li></ol>
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	<p>5. There are a significant number of long-term care residential services in the state; however, most of these are serving a different population and payer mix than BRMC with less Medicaid and indigent care.</p>
<p>Organizational Assessment</p>	<ol style="list-style-type: none"> <li>1. BRMC is one of the largest healthcare facilities in the region by bed size (1,000 beds) and the fourth largest publically-owned hospital in the country. Occupancy for the behavioral health and long-term care beds is very high, indicating the importance of these services to the community.</li> <li>2. Its primary services are inpatient behavioral health, inpatient substance abuse, and inpatient long-term care. In addition, there is a limited inpatient acute care operation largely focused on detoxification and servicing the general medical needs of its behavioral health and long-term care patient populations.</li> <li>3. BRMC plays a vital role in the healthcare ecosystem—particularly for vulnerable and at-risk populations. In the areas of behavioral health and substance abuse in particular, the access to services that BRMC provides could not be fulfilled by other hospitals in the County.</li> <li>4. Based on first-hand qualitative and supplemental quantitative data, the quality of care provided at BRMC is appropriate and similar to other providers in the region.</li> <li>5. The hospital receives significant financial subsidy and incentive payments from state and federal programs that support continuing operations. These subsidies exceeded \$79 million in 2014. Any future decrease in these funding sources poses a potential risk.</li> <li>6. BRMC’s campus is roughly 62.5 acres and offers ample space for redevelopment, the addition of new services, or expansion of existing services. BRMC’s campus is a significant asset for the Medical Center, the County, and the community, and should be used for strategic and financial advantage as appropriate.</li> <li>7. The majority of BRMC facilities are past their useful life with 75 percent of the space older than 60 years, contributing to functional limitations that pose challenges for current care models. These limitations, coupled with costs and the difficulties in meeting current building code requirements, strongly support the need to investigate options to replace significant portions of the buildings.</li> <li>8. BRMC is hindered by a long-standing community perception that it is the hospital of last resort.</li> </ol>

## Recommendations for the Future of BRMC

- Given its important role in providing vital behavioral health, substance abuse, and long-term care services to the residents of Bergen County and the region, the County should retain ownership of BRMC facilities, its services should remain in operation, and its clinical and financial performance should be strengthened to ensure its sustainability going forward.
- BRMC should look to expand and strengthen those services that are underserved in the community or in which BRMC has exceptional experience and capabilities—notably behavioral medicine, substance abuse, and long-term care.
- To continue to provide these community benefits and services, the County should begin to look for a potential partner(s) for the facility into the future. The structure of this partnership should not be pre-determined, but rather the County/BCIA should explore all options and determine the optimal solution based on the alternatives identified through a formal request process and dialogue with the potential partner(s). As the County considers a new partner, several key characteristics identified by the steering committee should be considered as part of the process. These include:
  1. Strong experience in behavioral health and long-term care with a positive brand/image to strengthen BRMC’s position for the future
  2. Continuance of existing behavioral health, substance abuse, and long-term care services (at a minimum)
  3. Commitment to transparency and partnership
  4. Priority to meeting safety-net needs of Medicaid and charity care patients and expanding access to all Bergen County residents regardless of source of payment
  5. Assurance to protect the commitments to, workplace rights, and safety of BRMC employees
  6. Dedication to enhancing the sustainability of BRMC operations
- The County should further explore the tremendous opportunity to expand access to veteran’s healthcare services in partnership with the Veteran’s Administration and the potential to provide these services on the BRMC campus.
- The County should consider the expansion of services to all County residents, including those covered by private insurance, while prioritizing those most in need.
- The County should consider all options available with regard to the future BRMC partner(s), including engaging a service-specific (i.e. behavioral health, long-term care, acute care) partner vs. a single partner if it improves the quality and performance of BRMC.
- This very important decision for the County and its residents should not be rushed due to contract expirations or outside pressure. An effective partnership could significantly increase BRMC’s role and value to the community. The choice of an operating partner(s) will be one of the most important factors influencing the Medical Center’s future.

## Executive Order No. 2015-03

James Tedesco, County Executive, by way of Executive Order No. 2015-03 dated April 10, 2015, directed:

*“The establishment of a fifteen (15) member Healthcare Advisory Committee to explore how the Hospital can: (1) provide quality healthcare to residents of Bergen County and northern New Jersey; (2) provide a healthcare safety net for the elderly, indigent, and those in need of emergency services; (3) provide for Veteran services; (4) adapt to changes in the healthcare market; and (5) provide quality healthcare services in a cost efficient manner.*

*The Healthcare Advisory Committee shall prepare a report summarizing its findings and conclusions (“the Report”). The Report shall analyze any and all options or alternatives that, if implemented, will be consistent with the purposes and objectives outlined in the Executive Order and listed above. The options and alternatives shall include without limitations at the following: (1) a third-party operating the Hospital through a new lease and operating agreement; (2) the creation of a new joint operating company involving the BCIA and/or the County along with a third-party partner; (3) the creation by the County and/or the BCIA of an independent 501(c)(3) Not-For-Profit corporation to operate the Hospital; (4) expanding the veterans’ services provided by the Hospital by partnering with the Department of Veteran’s Affairs; (5) and any other options or alternative considered by the Healthcare Advisory Committee.”*

### Process to Achieve Goals

In order to achieve the goals set forth by the County Executive and the BCIA, the following primary tasks were undertaken by the Healthcare Advisory Committee:

- **Collect and analyze current and historical financial and operational data** associated with the performance of BRMC and its three primary services (behavioral health, long-term care, and acute care) to sufficiently inform the planning process.
- **Engage key stakeholders** in understanding the specific needs, objectives, and risks associated with the go-forward strategy.
- **Identify strategic options for the future** with sufficient insight to allow for a determination of a go-forward strategy.
- **Identify risks and other key considerations** throughout the process to be integrated into the BRMC transition plan.

## Committee Meetings and Membership

The Healthcare Advisory Committee included the following members. Each member also participated on at least two sub-committees as indicated below.

Advisory Committee Members	Sub-Committee Participation			
	Executive	Clinical	Financial	Facilities
Dr. Dominic Novelli	X	X	X	X
Michael Dressler	X	X	X	X
Tracy Zur	X	X	X	X
John Felice	X	X	X	X
Kimberly Birdsall	X	X		
Mary Ann Uzzi	X	X		
John Bang, Esq.	X		X	
Karen Ann Alelis		X		X
Malcolm Borg		X	X	
Barbara Rosen		X		X
Hetal Gor, M.D.		X		X
A.J. Luna			X	X
Steven Tully			X	X
Lizette Parker			X	X
Rabbi Neal Borovitz			X	X

### Executive Sub-Committee Key Questions to Answer

- What is the desired role of BRMC going forward?
- What role should the County have in the operations/oversight of BRMC?
- What partnerships and/or structures could support BRMC in the desired role? What are the pros/cons of the alternatives?
- What areas of analysis and insight will be critical to discussion and decision-making?

The committees held monthly meetings to review data and information (including insight gained from key stakeholder interviews), identify the key considerations for the future of BRMC, and determine the key characteristics and qualifications of potential go-forward operating partners. Included in the stakeholder interviews were community healthcare providers, public health officials, business leaders, labor representatives, elected officials, and community residents. A comprehensive facility assessment was conducted and committee members toured the facilities.

## Site Visits & Tours

As part of the data collection and situational assessment, Kaufman Hall and the Committee members toured the current facilities at BRMC. The tours occurred on January 28 and April 14, 2016 and were led by Michael Formanek of RSC Architects. Current building conditions and uses were reviewed, and major building systems were discussed. The purpose of the tours was illustrative and not meant to be a detailed review of every room, system, or use of space. No detailed testing of building system capabilities or structural components was conducted.

## Stakeholder Interviews and Findings

Many one-on-one stakeholder interviews were conducted over the past six months. These interviews helped to better inform the process, create a deeper understanding of BRMC and the market, identify areas for further exploration, and identify key issues and opportunities for the County to consider while planning. The insight gained from these interviews was invaluable given the importance and complexity of the planning decisions at hand.

### Individuals Interviewed

Interviewee	Title
AJ Luna	Director of Veterans Services
Audrey Meyers	CEO, The Valley Hospital
Barbara Rosen	HPAE Secretary/Treasurer
Bill Berenbroick	Fiscal Officer, County of Bergen
Bill Oster	Current BCIA Compliance Auditor
Bob Salvini	Commander, Bergen County American Legion
Charlene Gungil,	Health Officer, Passaic County
Clark LaMendola	Community Oversight Board, Former Director of United Way
David Griffith	VP & COO, Vantage Health Systems
Douglas Struyk	CEO, Christian Health Care Centers
Dr. Dominic Novelli	Bergen County Administrator
Dr. Lucille Joel	Chair Long-term Care Subcommittee of Community Oversight Board
Dr. Scott Lippe	Gastroenterologist at BRMC
Harvey Silberstein	Bergen County Healthcare Center, Rockleigh, NJ
Irene Maury	Director, Dept. of Health & Human Services, Borough of Paramus
Jeanne Otersen	Chief of Staff, HPAE
Joan Voss	Bergen County Freeholder
Joe Luppino	County of Bergen Treasurer
Joe Masciandaro	CEO, CarePlus New Jersey

<b>Interviewee</b>	<b>Title</b>
John Bang, Esq.	Attorney
John Cosgrove	Chairman, The Foundation at BRMC
John Felice	Bergen County Freeholder
Joseph Devine	CEO- Kennedy University Hospital South Jersey Behavioral Health Collaborative
Judy Banas	Self-help Center Coordinator- Collaborative Support Programs of NJ
Karen Alelis	County of Bergen
Kimberly Birdsall	Bergen County Improvement Authority Commissioner
Lizette Parker	Mayor of Teaneck, NJ
Luis Guerrero, MD	Bergen County Physician
Malcolm Borg	Chairman of the North Jersey Media Group
Mary Ann Uzzi	Mental Health advocate and Board Member Care Plus New Jersey
Mary Rossettini	President/COO- Advance Housing
Michael Azzara	Senior Consultant, Foley, Proctor, Yoskowitz & Former President and CEO, Valley Health Systems
Michael Dressler	Bergen County Surrogate
Michael Maron	CEO, Holy Name Medical Center
Michael Tozzoli	CEO, West Bergen Mental Healthcare
Peter Breyer	Deputy Director, Urban Health Institute
Peter Scerbo	Executive Director, Comprehensive Behavioral Healthcare, Inc.
Philip Wilson	Former BCIA Chairperson
Rabbi Neal Borovitz	Local spiritual leader
Robert Garrett	CEO, Hackensack University Medical Center
Robert Ragona	Former BRMC Employee
Scott Lippe, MD	BRMC Physician
Senator Loretta Weinberg	New Jersey State Senator
Steven Tully	Associate Director of AFSCME Council 52
Steven Wielkotz	Current BCIA auditor
Sue Debiak	Coordinator of the Office of Alcohol and Drug Dependency/Spring House
Tom Toronto	President, Bergen County's United Way
Tracy Zur	Bergen County Freeholder
Victoria Sidrow	CEO, Vantage Health System
Warren Gellar	CEO, Englewood Hospital and Medical Center

## Interview Findings

- Strong consensus that BRMC plays a vital role in the healthcare ecosystem – particularly for those patients in most need
- Understanding and appreciation of the growing need for behavioral and substance abuse services in the County
- Many community members lack a detailed understanding of the scope of services, level of quality, and patient populations served
- Employees and physicians are dedicated but are often challenged by the operating realities at BRMC
- There is a need to improve the physical plant at BRMC (long-term care mentioned specifically)
- Many would like to focus on meeting the clinical care needs of Bergen County residents vs. emphasizing care for out-of-County residents
- Opinions on the quality of care vary greatly; however, those closest to actual care delivery feel quality is good
- Opinions varied in regard to the characteristics of the new partner, but most would prefer a not-for-profit organization with local ties or, at a minimum, an organization that has a strong understanding of community needs
- Strong support for expanding Veteran’s Administration services

## Background Information

### History of Bergen Regional Medical Center

Bergen Regional Medical Center (BRMC) is an acute and long-term care hospital located in Paramus, New Jersey. BRMC is one of the largest medical resources for behavioral health patients and is a safety-net provider for the mentally impaired, elderly, and uninsured or underinsured for the state of New Jersey.

BRMC traces its roots back to 1916 and the Bergen County Isolation Hospital, which was founded to address the need for a hospital for tuberculosis and other communicable diseases. The site was later expanded and in 1924 was renamed Bergen Pines, the Bergen County Hospital<sup>1</sup>.

The Bergen Pines County Hospital was owned and operated by the County of Bergen, New Jersey, until 1998, when the County determined that it was becoming increasingly difficult to effectively and efficiently operate Bergen Pines due to legal and regulatory changes, budgetary constraints, and organizational shifts occurring in the healthcare industry. The Bergen County Improvement Authority (“BCIA”) moved to establish a contractual relationship for the management, administration, operation, and maintenance of Bergen Pines with Solomon Health Group, LLC, to strengthen and enhance the “safety net” of healthcare services provided at Bergen Pines (now BRMC).

In March of 1998, a lease and agreement was entered into between the County of Bergen and the Bergen County Improvement Authority for the utilization of the Bergen Pines Real Property and the Bergen Pines Business Assets. The BCIA entered into a lease and operating agreement with Solomon Health Group, LLC, now known as Bergen Regional Medical Center, L.P. (BRMCLP). This lease and operating agreement is set to expire on March 15, 2017.

### Key Clinical Care Questions to Answer

As Bergen Regional Medical Center is an important provider of clinical services to the community, the clinical sub-committee was tasked with addressing several questions which would help ensure that Bergen Regional Medical Center will continue to provide critical benefits and services.

- What are the current and future clinical needs of the community?
- What role should the Medical Center play (or not play) in providing these clinical services?

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<sup>1</sup> Bergen Pines: A Remembrance of Things Past

## Organizational Summary

BRMC is one of the largest healthcare facilities in the region by bed size (1,000 beds) and the fourth largest publically-owned hospital in the country. BRMC allocates beds among three primary services as shown in the following table.

Service	Inpatient Licensed Beds
Long-Term Care (LTC)	574
Psychiatric/ Behavioral Health	319
Acute Care	107
<b>Total</b>	<b>1,000</b>

Table 1. BRMC Licensed beds breakout<sup>2</sup>

Behavioral health and long-term care (LTC) are BRMC's core businesses and account for the majority of its patient days. Occupancy of the behavioral health and long-term care beds is very high, indicating the importance of these services to the community. Acute care make up the majority of BRMC's admissions, but a small portion of its patient days; 76 percent of acute care admissions are related to medical detoxification, while the remaining acute care beds are focused on general medicine. BRMC has limited surgical volumes.

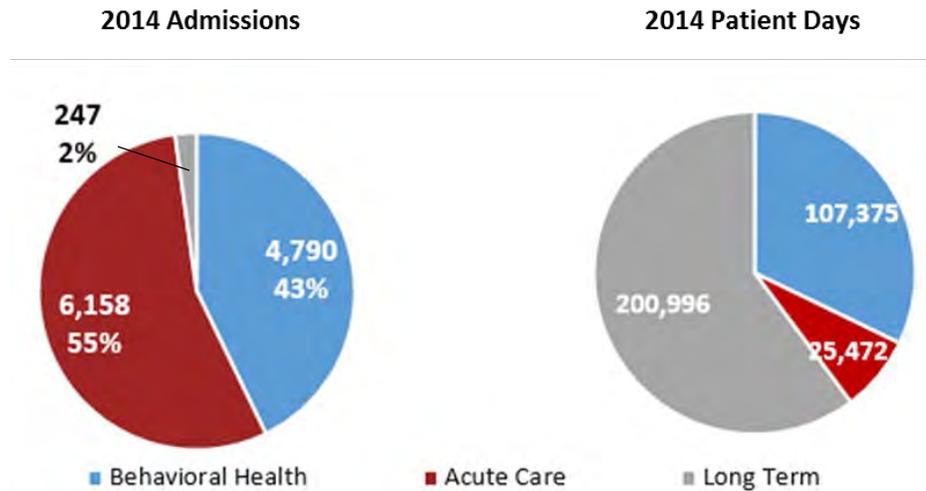


Figure 1. 2014 Admissions and Patient Days<sup>3</sup>

BRMC's combination of behavioral health, long-term care, and acute care services is unique in the region, and providing services across the care continuum has several benefits. LTC services provide a regular referral source for general acute care services. The access to behavioral health beds for acute care patients reduces the length of hospital stays, and the access to acute services is convenient and provides a smoother transition than would otherwise be available for LTC patients.

<sup>2</sup> American Hospital Directory website. Bed count differs among sources based on methodology used

<sup>3</sup> Urban Health Institute 2014 Year-End Oversight Report

BRMC provides a variety of behavioral health services to patients including:

- Mental health and substance abuse assessments
- Acute psychiatric hospital care
- Sub-acute/Intermediate psychiatric hospital care
- Psychiatric intensive outpatient and partial hospital programming
- Substance abuse intensive outpatient and partial hospital programming

Additionally, BRMC offers a number of ambulatory specialty clinics for the following services:

- Allergy
- Breast
- Cardiology
- Ear, Nose and Throat
- Endocrinology
- Dermatology
- Gastroenterology
- Genitourinary
- Gynecology
- Hematology
- Infectious Disease
- Medical
- Nephrology
- Neurology
- Ophthalmology
- Optometry
- Orthopedic
- Pain Management
- Psychiatry
- Podiatry
- Pulmonary
- Rheumatology
- Surgical
- Vascular

Beyond clinical care, BRMC's campus also provides Residential housing for targeted populations in three Houses noted below. These three facilities and the services provided are currently independent from the current operator.

*Spring House:* The Spring House is a residential treatment facility for women that provides a confidential and structured environment for recovery from alcohol and drug abuse. The program is staffed 24/7 by certified addiction and mental health specialists. The treatment plan provides:

- Traditional 12-Step approach with individualized treatment
- Group and one-on-one counseling, family counseling, and self-help meetings
- Client opportunities to receive professional educational and vocational assessment and training

*Summer House:* The Summer House is a 15-bed group home for individuals suffering from behavioral health/psychiatric conditions.

*Harrison House:* This facility is a home for individuals living with HIV/AIDS that fosters an environment of hope, ambition, and responsibility. The focus involves restoring dignity to the lives of its residents.

#### *BRMC Foundation*

In addition to the separately operated clinical services noted above, there is a community foundation, independent of the County and the operator, organized as a 501(c)3 with the charitable purpose to support the Medical Center. In recent years the Foundation has funded the renovations of BRMC's multi-denominational chapel, a community meeting room, and portions of the long-term care units. The Foundation is an example of the community's support and

dedication to the Medical Center and is expected to carry forward beyond any potential operator transition.

### Market Assessment

The access BRMC provides in the area of behavioral health and substance abuse could not be filled by other organizations currently. The growing need for both of these services, coupled with the growing focus on population health management, has served to increase BRMC’s role and value to the community and other providers.

### Acute Care

Approximately 40 percent of New Jersey’s acute care hospitals are within the northern New Jersey region,<sup>4</sup> with 7 percent located in Bergen County. This translates to 45 percent of licensed beds for the entire state being concentrated in the northern region, with 13 percent in Bergen County, which parallels the population distribution within the state. BRMC provides 6 percent of the acute care beds for the County and runs at an occupancy of 65 percent.

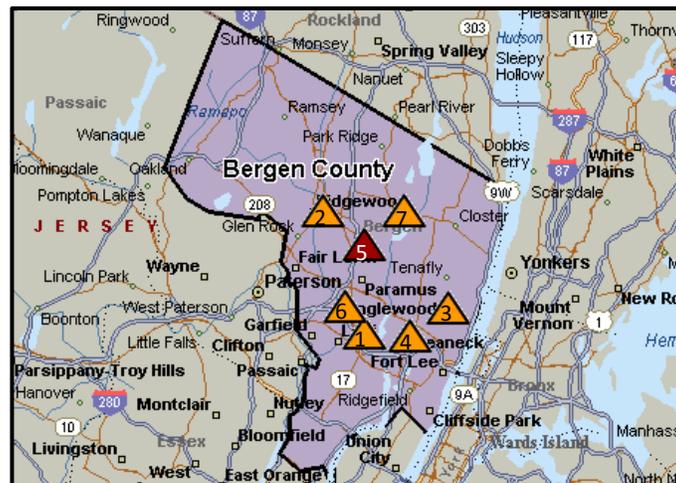


Figure 2. Acute Facilities in Bergen County<sup>5</sup>

#	Hospital Name	Acute Beds	Avg. Daily Census	Occupancy Rate
1	Hackensack University Medical Center	662	588	88.9%
2	The Valley Hospital	426	299	70.1%
3	Englewood Hospital and Medical Center	301	177	58.9%
4	Holy Name Medical Center	284	181	63.6%
<b>5</b>	<b>Bergen Regional Medical Center (BRMC)</b>	<b>107</b>	<b>69</b>	<b>64.6%</b>
6	Select Specialty Hospital - Northeast New Jersey	62	39	62.3%
7	Hackensack UMC at Pascack Valley	58	33	57.3%
<b>TOTALS</b>		<b>1,900</b>	<b>1,386</b>	<b>72.9%</b>

Table 2. Bergen County Acute Care Facilities<sup>6</sup>

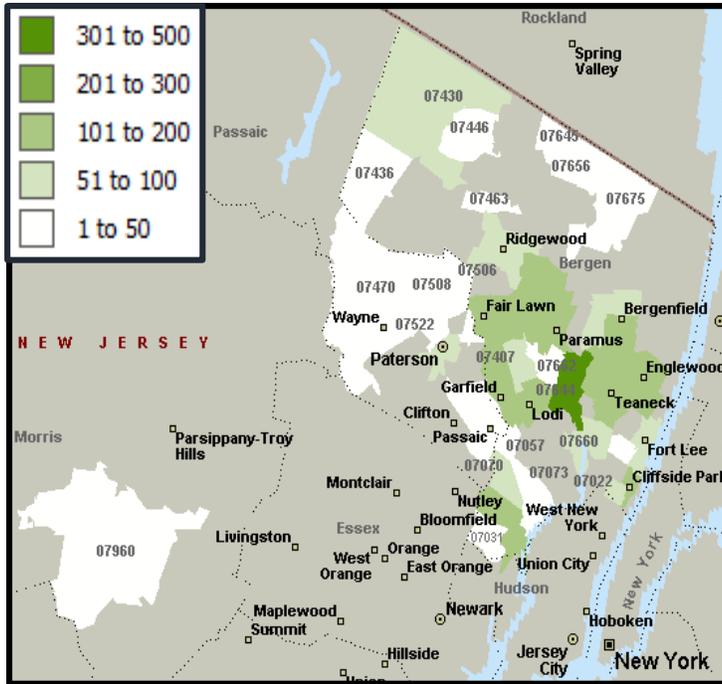
<sup>4</sup> Northern New Jersey includes Bergen, Essex, Hudson, Morris, Passaic, Sussex, and Warren Counties

<sup>5</sup> Definitive Health Care database

<sup>6</sup> American Hospital Directory website

### Behavioral Health/ Psychiatric Inpatient Care

BRMC draws most of its behavioral health patients from Bergen County but also attracts from other areas of the state. The behavioral healthcare provided by BRMC primarily consists of inpatient psychiatric care.



Region	Admissions	Percent of Total
Bergen County	3,398	65%
Rest of New Jersey	1,707	32%
Out of State	162	3%
<b>Total</b>	<b>5,267</b>	<b>100%</b>

Table 3. BRMC Behavioral Health Admissions<sup>6</sup>

Figure 3. BRMC Behavioral Health Patient Origin<sup>7</sup>

Approximately 14 percent of New Jersey hospitals providing some level of psychiatric inpatient services are in Bergen County. However, many local hospitals have reduced or eliminated their inpatient psychiatric services over time, limiting access for the community. BRMC has the highest number of inpatient psychiatric admissions among both private and County-owned psychiatric hospitals in New Jersey.

#	Hospitals with Psychiatric Beds	# Psych Beds	Occupancy Rate
<b>1</b>	<b>Bergen Regional Medical Center</b>	<b>319</b>	<b>92%</b>
2	Christian Health Care Center	58	89%
3	Hackensack University Medical Center	24	81%
4	Holy Name Medical Center	23	52%
5	Englewood Hospital and Medical Center	14	75%
<b>Subtotal - Bergen County (n=5)</b>		<b>438</b>	<b>89%</b>
<b>Subtotal - Other NJ Hospitals (n=40)</b>		<b>3,568</b>	<b>82%</b>
<b>Grand Total – All NJ Hospitals (n=45)</b>		<b>4,006</b>	<b>83%</b>

Table 4. Psychiatric inpatient hospitals in New Jersey<sup>7</sup>

<sup>7</sup> Urban Health Institute 2014 Year-End Oversight Report

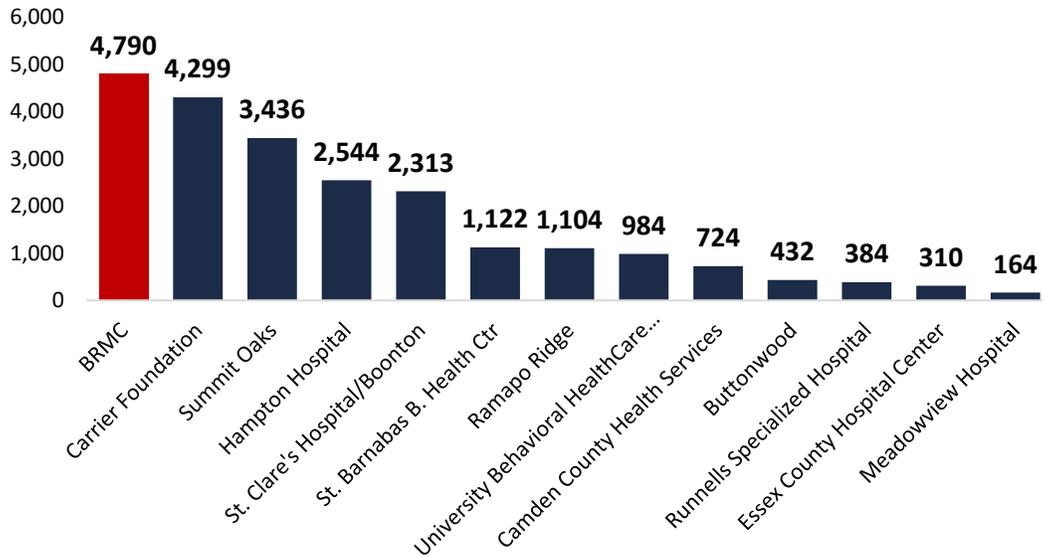


Figure 4. 2014 Total Admissions for Psychiatric Hospitals in New Jersey<sup>8</sup>

### Substance Abuse

There is a lack of alternatives for inpatient and outpatient detoxification and drug rehabilitation services available in the region served by BRMC. The lack of access exists in an environment where the need has been increasing dramatically due to rising rates of drug abuse, particularly with Heroin. Most patients of means have to leave the county for services and those patients without means are often faced with lengthy wait times to access services.

BRMC's role and relative focus is emphasized in the chart below which shows the distribution of inpatient acute care admissions by major hospital—inpatient detox is 80 percent of BRMC's total acute care admissions, while it is below 1 percent of admissions at all other hospitals.<sup>9</sup>

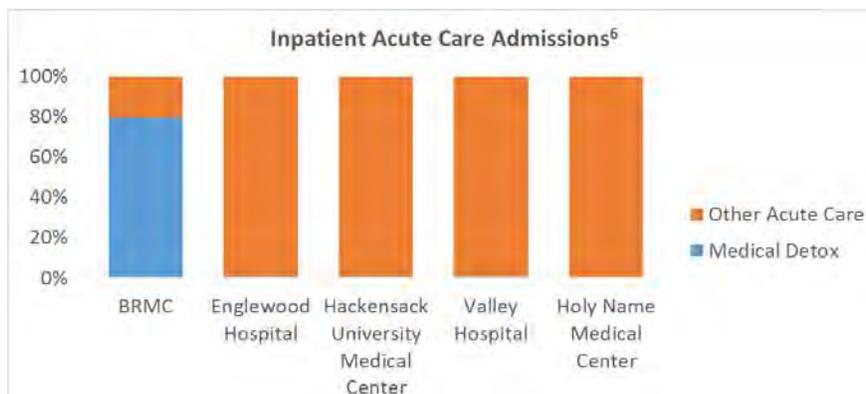


Figure 5. 2014 Total Acute Care Admissions by Type for Hospitals in Bergen County<sup>10</sup>

<sup>8</sup>Urban Health Institute 2014 Year-End Oversight Report; number of LTC beds differs by 12 from licensed number per American Hospital Directory website due to treatment of 12 Ventilator Care beds.

<sup>9</sup> Urban Health Institute Acute Care Division Analysis November 2015.

<sup>10</sup>Urban Health Institute 2014 Year-End Oversight Report.

### Long-Term Care

BRMC’s long-term care facility maintains a high occupancy rate despite numerous large competitors in the County. Most of these competitive facilities, however, are serving a different population and payer mix than BRMC. BRMC serves as a safety net provider with a relatively higher proportion of Medicaid patients. By 2050 the Bergen County population 65 years and older will double while the population 85 years and older will triple, significantly increasing the need for long-term care services

Facility	Licensed Beds	Total Occupancy	Medicaid Occupancy
Jewish Home at Rockleigh	180	98.6%	43.4%
<b>Bergen Regional Medical Center</b>	<b>562</b>	<b>97.5%</b>	<b>88.5%</b>
Christian Health Care Center	254	94.2%	34.7%
Teaneck Nursing Center	107	94.2%	90.5%
Care One at Wellington	128	93.9%	26.8%
Buckingham at Norwood	240	92.5%	68.4%
Alaris at Rochelle Park	240	92.4%	85.6%
Bergen County Health Care Center	110	92.2%	68.3%
Maywood Center for Health and Rehab	120	91.6%	47.2%

Table 5. Long-Term Care Facilities in Bergen County<sup>8</sup>

### Veterans Affairs (“VA”)

The State of New Jersey is currently home to approximately 428,000 veterans, with more than half 65 years or older<sup>9</sup>. Serving this population are two VA Medical Centers and 15 community-based outpatient clinics (“CBOCs”). Approximately 36,000 veterans reside within Bergen County specifically, with one facility within the County in Hackensack<sup>9</sup>.



#	Facility Name	Facility Type
1	East Orange Campus	Medical Center
2	Lyons Campus	Medical Center
3	Atlantic County	CBOC
4	Cape May County	CBOC
5	Cumberland County	CBOC
6	Elizabeth	CBOC
7	Ft Dix OPC	CBOC
8	Hackensack	CBOC
9	Hamilton	CBOC
10	James J. Howard	CBOC
11	Jersey City	CBOC
12	Morristown	CBOC
13	Paterson	CBOC
14	Piscataway	CBOC
15	Tinton Falls	CBOC
16	Memorial Home	CBOC
17	Gloucester County	CBOC

Figure 6. VA Facilities in New Jersey<sup>9</sup>

Nationally, VA patient expenditures surged in 2009 and have continued to steadily increase. Outpatient utilization in particular has nearly doubled over the past decade<sup>9</sup>. It is estimated that nearly 137,000 of NJ veterans have commercial and/or Medicaid coverage, while 30,000 are covered by New Jersey Medicaid.<sup>9</sup> There is a growing need for VA mental health and other healthcare services which could potentially be assisted by BRMC.

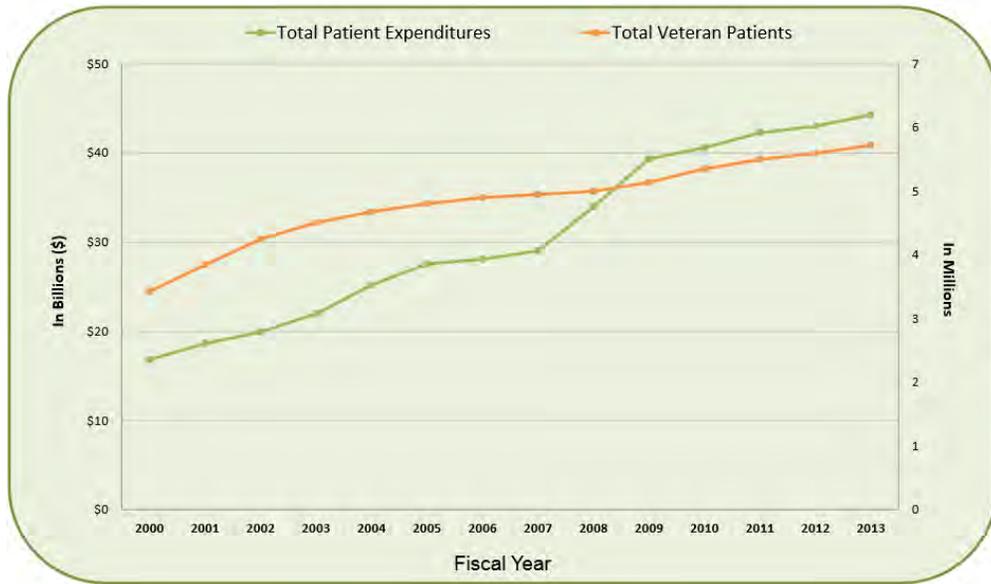


Figure 7. Trends in VA Patient Growth and Expenditures<sup>11</sup>

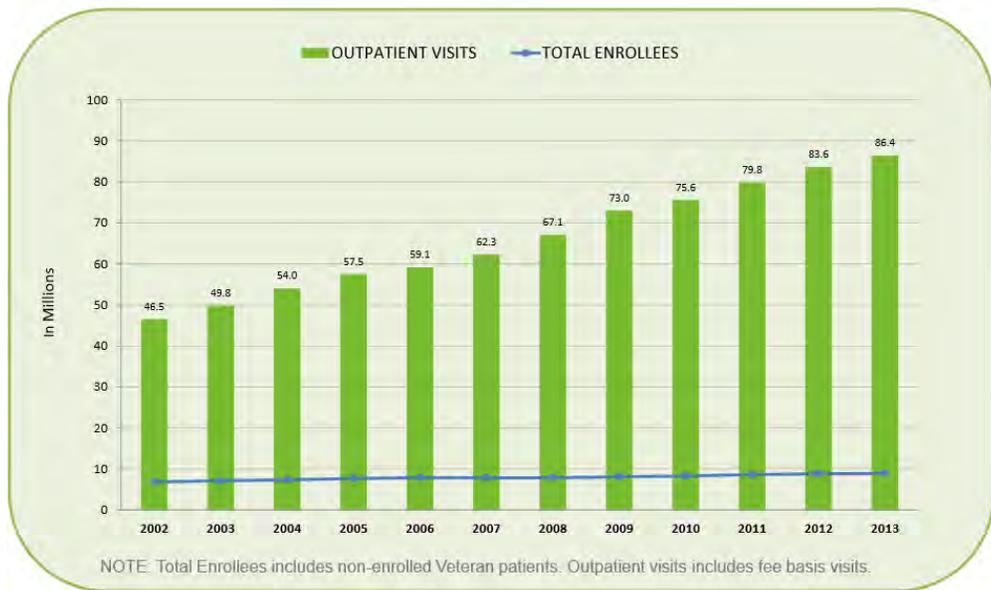


Figure 8. Trends in VA Patients and Outpatient Utilization<sup>12</sup>

<sup>11</sup> Department of Veterans Affairs Website

<sup>12</sup> Department of Veterans Affairs Website

## Facility Assessment

The facilities sub-committee focused on evaluating the physical assets and understanding future needs. Key activities included:

- Review issues related to BRMC's physical assets and develop preliminary facility investment scenarios used to test financial investment requirements
- Factors reviewed and discussed include:
  - Current condition of the buildings: age of facilities, remaining useful life, functionality, necessary renovations
  - Adaptability of facilities: ability of the facilities to meet the desired strategic program of services
  - Investment requirements: how much money will be required to develop the facilities needed to meet strategic goals

## Site Characteristics

The BRMC campus is roughly 62.5 acres. A portion of the south side of the campus was recently provided to the County's Department of Public Works (DPW) for its service yard expansion. The exact size of the remaining campus has not been determined with precision, but is estimated to be around 60 acres. Roughly seven acres of the southeastern portion of the campus are wetlands and are not buildable without extensive wetland remediation.

The facility stock on campus is made up of 15 buildings constructed between 1923 and 1987, and ranging in size from 1,600 square feet (SF) to 215,000 SF. The buildings are of differing construction types and materials.

Roadways and parking cover the majority of the campus not occupied by buildings or wetlands. In addition to use for BRMC functions, the DPW trucks also began utilizing the roadway between the main hospital buildings and the buildings on the western edge of the campus (Spring and Summer houses, Building 5, and the grounds garage).



Figure 9. Current Site Configuration

## Building Characteristics

The buildings on the campus are of differing vintages and condition. The majority of the buildings have not undergone any significant functional or system renovations since their original construction, and their use has largely been unchanged. However, care delivery models and patient, staff, physician, and visitor needs have changed significantly since their construction. These conditions create operational challenges the organization has had to manage in providing high quality care to its patients.

- Building 14, a 192,000-square-foot, low-rise facility built in the 1980s, is the youngest building on campus; the next youngest was built in the 1960s
- 75 percent (656,000 SF) of the building space on campus is older than 60 years
- The buildings were all designed in eras when care was vastly different than it is today; for example:
  - Focus was centered on inpatient services
  - Semi-private and ward patient rooms
  - No information technology (IT) needs
  - Smaller support and staff work areas
  - Minimal requirements for air quality, handicapped access, and energy efficiency

Building	Use	Total BGSF	Age
3	Engineering, vacated laundry	32,854	53
5	LTAC (Korean)	43,308	86
6	LTAC administration, LTAC bed, support	56,057	91
7 (Spring House)	Women's recovery house	16,000	92
8	LTAC beds, clinics/physicians, admin	215,272	67
11	ED, OR, LTAC beds, support services	184,490	60
12	Behavioral Health beds	35,932	48
14	Behavioral Health beds	192,106	32
Summer House	Behavioral Health beds	12,000	
Harrison House	HIV Patient Home	1,600	
Grounds	storage, and partially condemned	3,000	
Central Heating	Boilers, chillers, mechanical systems	93,000	
Tunnels		32,000	
<b>Total</b>		<b>917,619</b>	

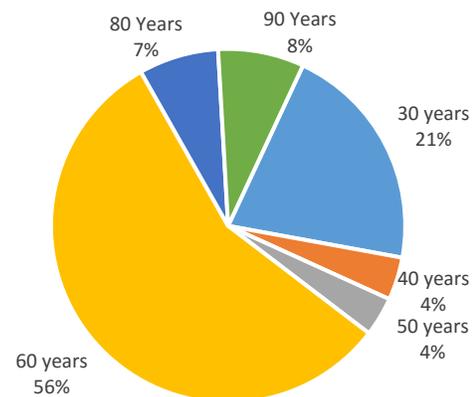


Table 6. Current Building Stock Ages and Sizes (BGSF= Bldg. square feet)<sup>13</sup> Figure 10. % of Existing Buildings by Age

The general condition of the buildings is such that many areas are in need of significant capital investment to maintain current operations and correct building system deficiencies. Many buildings lack the functional and structural configurations to allow for renovations that could result in contemporarily sized and configured services.

- Space benchmarks for inpatient care have increased as the care models have evolved and patient conditions have become more complex. BRMC units are unable to meet space needs per current code requirements

<sup>13</sup> BCIA Facility Assessment Report of BRMC- Preliminary Assessment Report, February 2015

- Renovation of the existing units to meet current space benchmarks would reduce the number of beds in the units and create challenges in staffing and operating the units in an efficient manner
- The units in the newest building (#14) are 30 years behind in design and capabilities compared to other facilities in the market

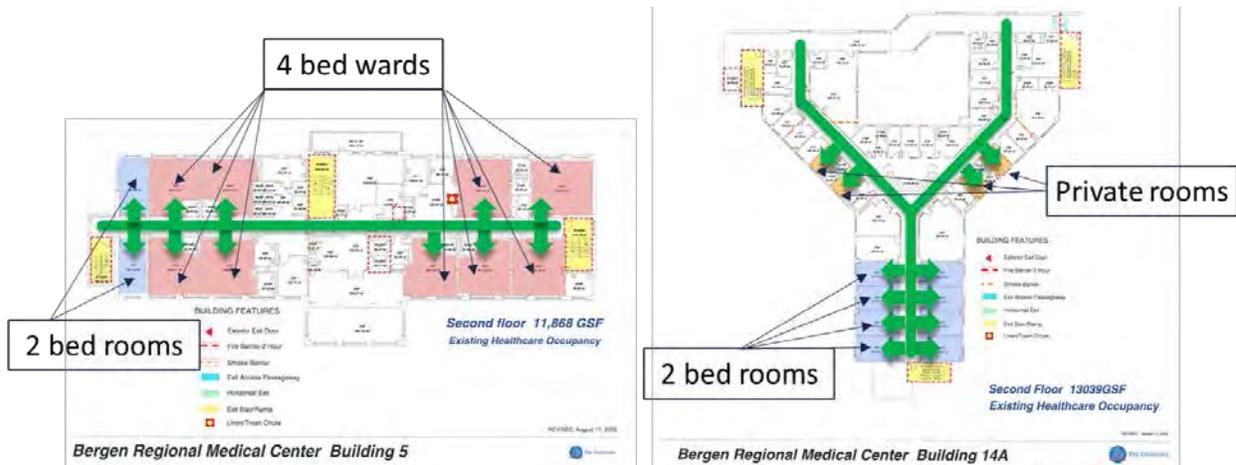


Figure 11. BRMC Building 5 and 14A Layout<sup>14</sup>

Detailed assessments of the current buildings have been completed in recent years by Neglia Engineering Associates, RSC Architects, and other professional service firms. Kaufman Hall reviewed their reports and investment need estimates. Based on these assessments, BRMC's capital investment needs over the next three to five years are significant and the items identified (and the associated dollars) do not address any of the functional issues or alleviate operational challenges of the existing buildings, but rather are investments required just to keep the buildings operational.

Capital investments to date have focused on keeping the buildings operational, rather than making operational or function improvements. Recent capital investments have included:

- Operating Room HVAC replacement
- Boiler #1 replaced in 2011
- Building 14 automation system is being replaced
- Sprinklers upgraded within the last five years
- Fire alarm panel replaced in 2015

For many years, strategic facility investments have been minimal. They include new medical imaging equipment and reconfiguration of portions of the Emergency Department, café, front lobby, and inpatient units. The historic rate of capital investment in BRMC's facilities<sup>15</sup> has

<sup>14</sup> Floor plans sourced from T SIG Consulting plans, August 2005

<sup>15</sup> 2000-2014 Capital Expenses of BCIA to BRMC per BCIA records

averaged \$2.71 per square foot (GSF) per year, which is substantially below benchmarks of \$5 to \$7 per square foot per year seen at other not-for-profit hospital facilities.

Investing in the existing buildings would allow BRMC to maintain the current operational conditions for the near future. However, long-term investment into the existing facilities will not allow for structural changes necessary to meet contemporary competitive standards of patient care and would provide minimal utility. Additionally, the size and value of the property is a tremendous asset that can be leveraged in program and partnership planning.

### Summary of Financial Performance and Reimbursement

The objective of the financial assessment was to assist the Committee in understanding the key elements of current financial performance at BRMC.

The financial assessment centered on discussing and analyzing six key questions:

1. What is the flow of funds among the parties in the current partnership? Who is financially responsible for what components of the operation?
2. What level of cash flow is generated by BRMC? Is the level of cash flow sufficient to support capital investment requirements?
3. What has been the financial impact of the existing arrangement to the County and BCIA over the last several years?
4. What are the major sources of BRMC revenue and how have they changed over the last several years?
5. What is the revenue risk from special funding programs related to charity care, graduate medical education (GME), Delivery System Reform Incentive Payment (DSRIP), Medicaid, and Behavioral Health programs?
6. How might cash flow performance at BRMC change in the future?

In advising the Committee and the County on these questions Kaufman Hall utilized several pieces of information found through discovery, including BRMC cash receipts files maintained by County Treasurer, BCIA and BRMC LP financial statement audits, capital expenditures records, publically available data from state sources, and other financial documentation. Analyses of these documents provided insight into the six key questions, as follows.

1. What is the flow of funds among the parties in the current partnership? Who is financially responsible for which components of the operation?

The cash flows of the current arrangements are dictated by several streams of payment in which BRMC LP, BCIA, and the County all participate in a “flow of funds.” The diagram in Figure 12 outlines the major flow of funds:

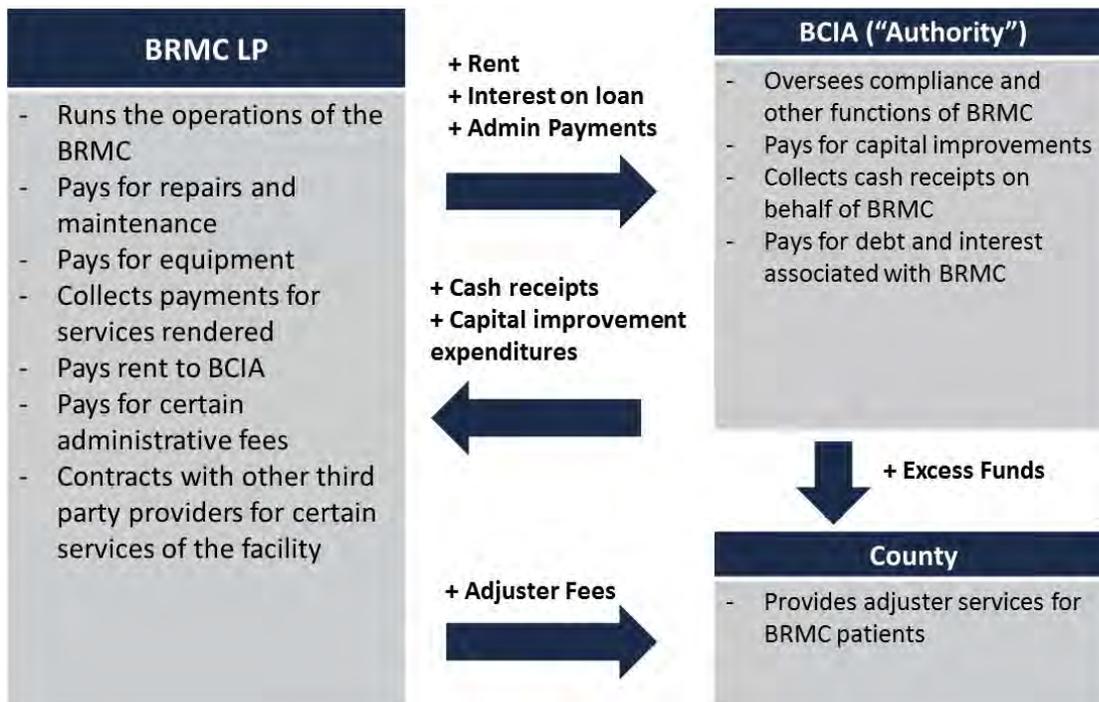


Figure 12. Based on BCIA 2014 Audit Footnotes

BRMC LP makes rent and administrative payments to the BCIA and is financially responsible for the risks associated with running the Medical Center’s operations and for capital expenditures classified as maintenance. The BCIA collects receipts from patient care, rent, plus certain other interest and administrative payments. The BCIA passes back to BRMC LP the cash received on a monthly basis. All excess funds at the BCIA are passed on to the County in addition to adjuster fees paid directly by BRMC LP.

In its simplest form, the arrangements puts the operator, BRMC LP, at financial risk for the operations of BRMC. The BCIA is responsible for capital improvements which are meant to be partially paid for out of rent payments from BRMC LP.

2. & 3. What level of cash flow is generated by BRMC? What has been the financial impact of the existing arrangement to the County and BCIA over the last several years?

In order to assess the cash flows of BRMC as an operating unit as well as cash flows from the arrangement to the BCIA and the County, Kaufman Hall utilized cash receipts from patient care as maintained by the County Treasurer, the BRMC LP audit, capital detail, and other expenditure files. The limitations of the data have resulted in an analysis of the performance of BRMC LP (the operator) and not of the Medical Center itself.

BRMC LP's operating profitability has been near break-even in recent history. Prior to rent payments, interest costs and depreciation, BRMC LP generated operating excess of revenue over expenses between 5 and 6 percent<sup>16</sup>. Because the audited profitability is of BRMC LP, and not the Medical Center, and operating expenses include third-party contracts with parties related to BRMC LP, it is difficult to assess how the profitability of running the Medical Center may change under a different structure.

An additional consideration is how the operations of BRMC have financially impacted the BCIA and County. Over the last several years, overall cash flow to the BCIA/County have been close to break-even after considering capital investments made by the BCIA/County. Rent payments, administrator fees, and other cash flows received by the BCIA and the County have been similar to outflows for capital expenditures, financing costs, and other administrative costs.

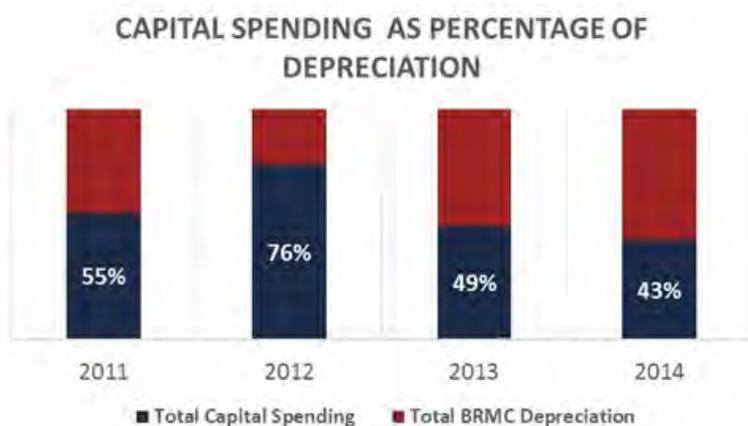


Figure 13. BRMC LP, BCIA Audits FY2012 – FY2014

One major risk element identified in the cash flow analysis is the level of capital spending at BRMC. Capital improvement expenditures are a key component of the cash outflows at the County/BCIA. As shown in Figure 13, capital expenditures have been below depreciation to a significant degree.<sup>17</sup> A normalized level of spending for a viable healthcare organization averages between 110-140 percent of depreciation over a period of years. The levels observed at BRMC signal potential pent-up capital demands at the facility that may contribute to a need for increased investment in the future. [See Facilities Assessment Section]

<sup>16</sup> Bergen Regional Medical Center L.P. Audited Financial Statements

<sup>17</sup> Bergen Regional Medical Center L.P. Audited Financial Statements, BCIA Audited Financial Statements

4. & 5. What are the major sources of BRMC revenue and how have they changed over the last several years? What is the revenue risk from special funding programs related to charity care, graduate medical education (GME), Delivery System Reform Incentive Payment (“DSRIP”), Medicaid, and Behavioral Health programs?

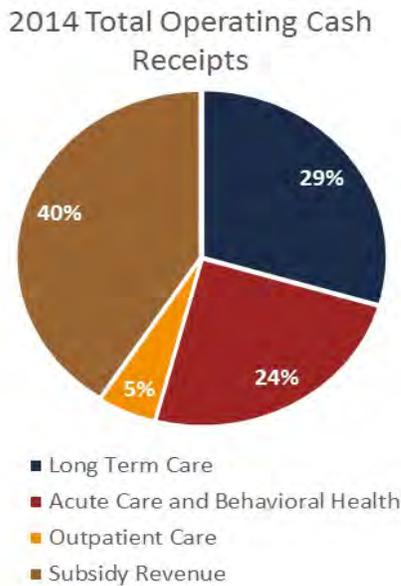


Figure 14. BRMC 2014 Total Operating Cash Receipts<sup>15</sup>

A review of BRMC’s revenue streams based on internal County treasury BRMC cash receipts was conducted to analyze trends in patient care revenues and overall revenue dispersion. BRMC’s operations can be split into four main revenue streams (shown as percent of Total Operating Cash Receipts); Long-Term Care (29 percent), Acute Care and Behavioral Health Care (24 percent), Outpatient Care (5 percent), and Subsidy Revenue (40 percent).<sup>18</sup> Unidentified “other operating revenues” represent a small portion of operating revenues and have remained fairly steady.

Subsidy Revenue, the largest overall share of revenue sources, is comprised of charity care funding, DSRIP funding, and Psych Cost sharing. GME funding is limited.

Charity care funding is provided by the state for services to patients who are uninsured and cannot afford to pay for the care. For 2014, BRMC is among the top 10 recipients of funding for charity care<sup>19</sup> in New Jersey at \$36 million.<sup>20</sup> The latest estimate of charity care payments to BRMC in 2017 is \$19.9 million, which is \$16.7 million lower than the \$36.5 million for 2016 and well below the historic average.<sup>21</sup>

The Delivery System Reform Incentive Payment (DSRIP) program is part of New Jersey’s Comprehensive Medicaid Waiver as approved by the Centers for Medicare & Medicaid Services (CMS) to help support improvements in care costs, quality, and access. In 2014, BRMC received \$11.8 million, making it one of the state’s largest recipients of DSRIP funding.<sup>22</sup>

The last component of subsidy funding relates to psychiatric cost sharing. At \$33 million,<sup>14</sup> it makes up a significant amount of the organization’s total subsidy revenue. Subsidy payments are offset by an assessment cost of approximately \$2 million.

<sup>18</sup> BRMC Analysis of Cash Receipts For the Period of January – December 2014 Received from the County Treasurer

<sup>19</sup> State of New Jersey Department of Health Website; Hospital Charity Care Subsidies; SFY2017 Charity Care Subsidy Allocation

<sup>20</sup> BRMC Analysis of Cash Receipts For the Period of January – December 2014 Received from the County Treasurer

<sup>21</sup> State of New Jersey Department of Health Website; SFY2017 Hospital Funding Pool Summary

<sup>22</sup> 2014 Cash Receipts and State of New Jersey Department of Health Website

BRMC's dependence on subsidy funding makes its operations vulnerable to governmental budget constraints in New Jersey and nationwide. The hospital's financial performance would be greatly influenced by changes in the levels of subsidy funding.

A detailed breakout of revenue trends, as represented by the BRMC's cash receipts file as maintained by the County Treasurer, is shown in Figures 15 and 16.



Figure 15. BRMC Analysis of Cash Receipts Files 2010 - 2014

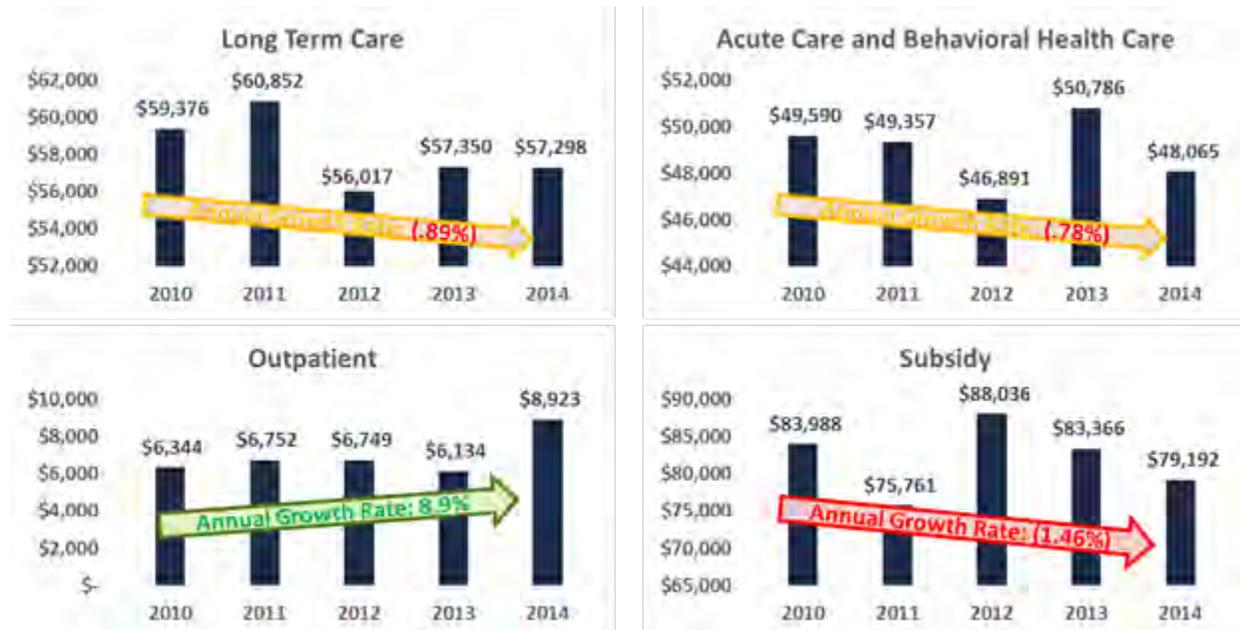


Figure 16. BRMC Analysis of Cash Receipts Files 2010 – 2014. Subsidy includes provider tax assessment.

6. *How might cash flow performance at BRMC change in the future?*

Many factors can influence the cash flow performance of BRMC, including:

- Given its large reliance on subsidy funding, changes in cash flows from state and federal sources can have a substantial impact on BRMC's operations.
- Due to historic facility underinvestment, the total capital requirements on an ongoing basis may be larger than recent levels. As highlighted in the facility assessment portion of this report, a large capital infusion is required to rebuild/replace portions of the campus.

## Recommendations and Next Steps for Bergen Regional Medical Center

Bergen Regional Medical Center seeks to strengthen its role and its performance as a provider of vital behavioral health, long-term care, and substance abuse services to its community. Through the investigation and study completed of the services provided, market position, financial results, and facility conditions of the Bergen Regional Medical Center, the Healthcare Advisory Committee has determined that the continued provision of healthcare services to the vulnerable population served by BRMC, including the elderly, indigent, and those struggling with mental health and addiction illnesses, is critical to the community. To better ensure the continuing operations and mission of the BRMC, the BCIA/County should seek a partner(s) for the Medical Center into the future. The initial solicitation should be open and transparent, and the entire process should be guided by the vision and principles established by the Committee as outlined below without a preconceived definition of desired structure or form of the relationship. This openness in the process will provide access to all alternatives that potential partners are willing and able to present and, through careful negotiations, would likely result in the most optimal outcome for BRMC and the communities it serves.

Guiding Principles	Related Goals and Objectives
<p>1. Strong Capabilities in Key Services of BRMC</p>	<p><u>Required</u></p> <ul style="list-style-type: none"> <li>• Proven experience of financially viable, high-quality operations in Behavioral Health, Medical Detox, Alcohol and Drug Rehabilitation, Long-Term Care and Acute Care</li> <li>• Capability to enhance quality of care, increase patient safety and/or increase efficiency of operations</li> </ul> <p><u>Other Ideal Operating Partner Characteristics</u></p> <ul style="list-style-type: none"> <li>• Expertise in multiple service lines</li> <li>• Strong brand recognition and positive community image</li> <li>• Established local presence and/or base of experience</li> </ul>
<p>2. Patient Services</p>	<ul style="list-style-type: none"> <li>• Commitments to maintain and strengthen key core services including Behavioral Health, Long-Term Care, Medical Detox, Alcohol and Drug Rehabilitation</li> <li>• Strengthen the care continuum and access for all patient programs; Services should complement those offered by providers across the County</li> <li>• The County should consider the expansion of services to all County residents, including those covered by private insurance, while prioritizing those most in need</li> </ul>
<p>3. Governance/ Control</p>	<ul style="list-style-type: none"> <li>• Governance structure and control commensurate with overall financial and other key commitments proposed</li> </ul>
<p>4. Transparency &amp; Collaboration</p>	<ul style="list-style-type: none"> <li>• Compatible culture that enhances community benefit through partnership and collaboration</li> </ul>

	<ul style="list-style-type: none"> <li>• Commitment to transparency is required, including reporting requirements, exception notifications, etc.</li> </ul>
5. Partnership/ Alignment of Interests	<ul style="list-style-type: none"> <li>• Interests should be aligned to help achieve a common set of goals and objectives and maintain the mission of BRMC</li> <li>• Openness to collaboration with community partners, including but not limited to, the Veteran’s Administration, outpatient behavioral health centers, and the BRMC Foundation</li> <li>• Collaborates and engages key stakeholders and constituents that make up the County’s diverse community as a whole</li> </ul>
6. Ensure Access to Bergen County Residents and the Underserved	<ul style="list-style-type: none"> <li>• Commitments to providing access to all Bergen County residents</li> <li>• Commitments to maintaining services to Medicaid and charity care patients and the diverse populations within the community</li> </ul>
7. Capital Commitments/ Financial	<ul style="list-style-type: none"> <li>• Financial consideration including capital commitments for facilities/services</li> <li>• Appropriate mechanisms to address capital investment needs</li> </ul>
8. Employees	<ul style="list-style-type: none"> <li>• Continuance of existing employment structures, including seniority, tenure, years of service, and compensation and benefits for BRMC employees</li> <li>• Culture and practices that promote employee engagement, and protect the workplace rights and safety of BRMC employees</li> </ul>
9. Enhances Sustainability and Viability of Operations	<ul style="list-style-type: none"> <li>• Partnership structure/proposal with a high likelihood of completion</li> <li>• Partnership that allows for efficient, effective, and appropriate County oversight</li> <li>• Strong financial and operating resources to ensure commitments are fulfilled</li> </ul>

Utilizing these guiding principles and considering the original objectives outlined in the Executive Order, the County should explore all options for the next partner(s). For example, consider engaging a service-specific (i.e. behavioral health, long-term care, acute care) partner vs. a single partner if it improves the quality and performance of BRMC. This is a very important decision for the County and its residents that should not be unreasonably expedited due to contract expirations or outside pressure.

In addition, there is a tremendous opportunity to expand access to veteran’s healthcare services for veterans in Bergen County and surrounding counties, in partnership with the Veteran’s Administration. These services could potentially be offered on the BRMC campus and this opportunity should be explored further. The process of selecting the next partner(s) will be one of the most important factors influencing BRMC’s future and offers the potential to significantly enhance its role and value in the community.

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## APPENDIX

- a. Executive Order
- b. BCIA Audited Financial Statements 2012
- c. BCIA Audited Financial Statements 2014
- d. Bergen Regional Medical Center L.P. Audited Financial Statements 2012
- e. Bergen Regional Medical Center L.P. Audited Financial Statements 2014
- f. BRMC Analysis of Cash Receipts For the Period of January – December 2010  
Received from Country Treasurer
- g. BRMC Analysis of Cash Receipts For the Period of January – December 2011  
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- h. BRMC Analysis of Cash Receipts For the Period of January – December 2012  
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- i. BRMC Analysis of Cash Receipts For the Period of January – December 2013  
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- j. BRMC Analysis of Cash Receipts For the Period of January – December 2014  
Received from Country Treasurer
- k. Hospital Charity Care Subsidies; SFY2017 Charity Care Subsidy Allocation
- l. DSRIP Dec DY4 Payment Worksheets
- m. Urban Health Institute 2014 Year-End Oversight Report
- n. HPAE Agreement Standards
- o. Historical Site Plan
- p. Topography Plan
- q. Area Plan
- r. Tour Photos
- s. RSC Architects Capital Needs Assessment

Appendix Item a. Executive Order

# BERGEN NEW JERSEY *County*



## County of Bergen Executive Order No. 2015-03

**WHEREAS**, in January 1997, Bergen County established a blue ribbon panel to study the future of Bergen Pines County Hospital, now known as Bergen Regional Medical Center (the "Hospital"), which concluded that Bergen County (the "County") should discontinue its direct involvement in the delivery of patient services, and recommended a process pursuant to which the County would lease the Hospital to the Bergen County Improvement Authority ("BCIA") and, in turn, the BCIA would enter into an agreement with a third-party manager to operate the Hospital; and

**WHEREAS**, in 1997, the Hospital and its licensed bed capacity were transferred to the BCIA pursuant to a nineteen-year lease (the "BCIA Lease"); and

**WHEREAS**, on July 3, 1997, the BCIA issued a Request for Proposals for the Provision of Management, Administration, Operation and Maintenance Services for the Hospital (the "RFP"); and

**WHEREAS**, based upon responses to the RFP, the BCIA entered into a nineteen-year Lease and Operating Agreement (the "LOA") with Bergen Regional Medical Center L.P. (formerly Solomon Health Group, LLC), to operate the Hospital; and

**WHEREAS**, the BCIA Lease and the LOA will expire on March 1, 2017; and

**WHEREAS**, in preparation for the expiration of the LOA, the County must examine options for the Hospital taking into consideration the overall changes in healthcare, competition in the healthcare industry, uncertainty over future federal reimbursement rates and rates for charity care, and the potential for declining revenues and increasing operating costs; and

**WHEREAS**, the Hospital remains an important community resource to Bergen County and Northern New Jersey; and

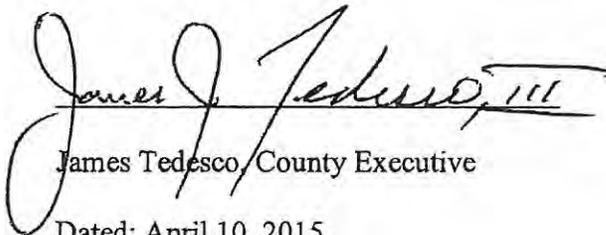
**WHEREAS**, the sale of the Hospital may remove a crucial safety net for the residents of the County including the poor, underinsured and uninsured; and

**WHEREAS**, the County must explore all options available to maintain this important community resource including expanding the veterans services provided by the Hospital through a partnership with the United States Department of Veterans Affairs (“VA”) and any other viable alternatives to the sale of the Hospital.

**NOW THEREFORE**, I, JAMES TEDESCO, County Executive of Bergen County, by virtue of the authority vested in me pursuant to N.J.S.A. 40:41A- 36, do hereby order and direct:

- A. Executive Order **2014-21** dated September 10, 2014 is hereby superseded by this Executive Order.
- B. The establishment of a fifteen (15) member Healthcare Advisory Committee to explore how the Hospital can: (1) provide quality healthcare to residents of Bergen County and northern New Jersey; (2) provide a healthcare safety net for the elderly, indigent and those in need of emergency services; (3) provide for Veteran services; (4) adapt to changes in the healthcare market; and (5) provide quality healthcare services in a cost efficient manner.
- C. The Healthcare Advisory Committee shall prepare a report summarizing its findings and conclusions (the “Report”). The Report shall analyze any and all options or alternatives that, if implemented, will be consistent with the purposes and goals listed in paragraph “B” above. The options and alternatives shall include without limitation the following: (1) a third-party operating the Hospital through a new lease and operating agreement; (2) the creation of a new joint operating company involving the BCIA and/or the County along with a third-party partner; (3) the creation by the County and/or the BCIA of an independent 501(c)(3) Not-For-Profit corporation to operate the Hospital; (4) expanding the veterans services provided by the Hospital by partnering with the VA; (5) and any other options or alternatives considered by the Healthcare Advisory Committee.
- D. The Healthcare Advisory Committee and Chairperson thereof shall be appointed by the County Executive and constituted as follows:
  - 1. A representative of the American Federation of State, County and Municipal Employees, AFL-CIO (**AFSCME**) representing all blue collar, craft and service employees at the Hospital;
  - 2. A representative of the Health Professionals & Allied Employees, AFT/AFL-CIO (**HPAE**) representing Registered Nurses, Social Workers, Substance Abuse Counselors, Recreation Therapists and Addiction Counselors at the Hospital;
  - 3. A medical doctor practicing in Bergen County;
  - 4. Two members of the Board of Chosen Freeholders;

5. Six Bergen County Community representatives;
  6. A representative of the Bergen County Health Department;
  7. A representative of the Bergen County Mental Health Community;
  8. A Member of the Board of the BCIA; and,
  9. The Bergen County Administrator.
- E. In preparing the Report, the Healthcare Advisory Committee shall obtain from the BCIA, all information and documentation regarding the operation of the Bergen Regional Medical Center including the finances, land, building, assets and equipment, the operation of the medical center/hospital, the healthcare needs of Bergen County and the role that the Hospital plays in the delivery of those health care services.
- F. The BCIA Executive Director shall serve as Executive Director of the Healthcare Advisory Committee and the BCIA General Counsel shall serve as counsel to the Healthcare Advisory Committee. In addition, all County departments shall provide full cooperation with the Healthcare Advisory Committee to facilitate the timely preparation of the Report.
- G. A copy of this Executive Order shall be immediately transmitted to the Bergen County Board of Chosen Freeholders and to the attention of the BCIA, its Chairman and Executive Director, requesting the BCIA's full cooperation with the Healthcare Advisory Committee.
- H. This Executive Order shall take effect immediately.



James Tedesco, County Executive

Dated: April 10, 2015

Appendix Item b. BCIA Audited Financial Statements 2012

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**  
**REPORT OF AUDIT**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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# LERCH, VINCI & HIGGINS, LLP

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## INDEPENDENT AUDITOR'S REPORT

Honorable Chairperson and Commissioners  
Bergen County Improvement Authority  
One Bergen County Plaza  
Hackensack, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Bergen County Improvement Authority, a component unit of the County of Bergen, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Bergen County Improvement Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bergen County Improvement Authority as of December 31, 2012, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Prior Year's Financial Statements Audited by Other Auditors*

The financial statements of the Bergen County Improvement Authority as of and for the year ended December 31, 2011 were audited by other auditors whose report dated October 1, 2012 expressed an unqualified opinion on the financial statements presented in accordance with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

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

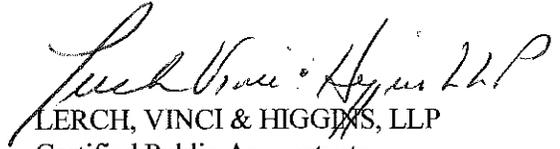
### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bergen County Improvement Authority's basic financial statements as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 supplementary schedules listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

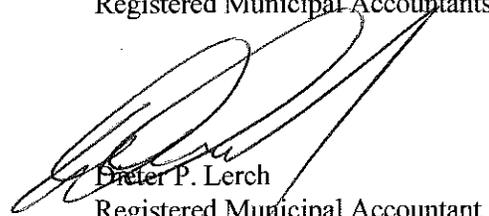
The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2013 on our consideration of the Bergen County Improvement Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Bergen County Improvement Authority's internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Peter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398

Fair Lawn, New Jersey  
September 27, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**

As management of the Bergen County Improvement Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2012 and 2011. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

**Financial Highlights**

- The Authority's assets exceeded its liabilities by \$8,516,603 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$7,353,506.
- Total net position are comprised of the following:
  - (1) Capital assets, net of related debt of \$4,019,176 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net position of \$5,792,281 is restricted based upon the purpose for which they are to be spent and by constraints imposed from outside the Authority such as debt covenants, grantors, laws or regulations.
  - (3) Unrestricted net position of \$(1,294,854) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$5,654,475 to \$47,793,716 during the fiscal year largely due to decreases in accounts payable and decreases in outstanding debt.

**Overview of the Financial Statements**

This annual report includes this management's discussion and analysis, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

*Required Financial Statements*

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

***BERGEN COUNTY IMPROVEMENT AUTHORITY***  
***(A Component Unit of the County of Bergen)***

***MANAGEMENT'S DISCUSSION AND ANALYSIS***  
***DECEMBER 31, 2012***  
***(Continued)***

**Overview of the Financial Statements**

*Required Financial Statements (Continued)*

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

*Notes to the Financial Statements*

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

*Other Information*

In addition to the basic financial statements and accompanying notes, this report represents certain required supplementary information. This supplementary information follows the notes to the financial statements.

**Financial Analysis of the Authority**

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in net position. The reader can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**  
**(Continued)**

**Net Position**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at fiscal year end is \$8,516,603. This is a \$1,163,097 increase over last year's net position of \$7,353,506. A summary of the Authority's statement of net position is presented in the following table:

**Condensed Statement of Net Position**

	<u>2012</u>	<u>2011</u> (Restated)	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
<b>ASSETS:</b>				
Current and Other Assets	\$ 32,261,989	\$ 35,119,423	\$ (2,857,434)	-8%
Capital Assets	<u>23,394,333</u>	<u>24,897,477</u>	<u>(1,503,144)</u>	-6%
Total Assets	<u>55,656,322</u>	<u>60,016,900</u>	<u>(4,360,578)</u>	-7%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>653,997</u>	<u>784,797</u>	<u>(130,800)</u>	-17%
<b>LIABILITIES:</b>				
Long and Short-Term Debt Outstanding	20,029,154	26,578,196	(6,549,042)	-25%
Other Liabilities	<u>27,764,562</u>	<u>26,869,995</u>	<u>894,567</u>	3%
Total Liabilities	<u>47,793,716</u>	<u>53,448,191</u>	<u>(5,654,475)</u>	-11%
<b>NET POSITION:</b>				
Invested in Capital Assets, Net of Related Debt	4,019,176	(895,922)	4,915,098	549%
Restricted	5,792,281	9,038,098	(3,245,817)	-36%
Unrestricted	<u>(1,294,854)</u>	<u>(788,670)</u>	<u>(506,184)</u>	-64%
Total Net Position	<u>\$ 8,516,603</u>	<u>\$ 7,353,506</u>	<u>\$ 1,163,097</u>	16%

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**  
**(Continued)**

**Net Position (Continued)**

A summary of the Authority's prior year statement of net position is presented with comparative FY 2010 balances in the following table:

**Condensed Statement of Net Position**

	<u>2011</u> (Restated)	<u>2010</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
<b>ASSETS:</b>				
Current and Other Assets	\$ 35,119,423	\$ 47,340,850	\$ (12,221,427)	-26%
Capital Assets	24,897,477	26,398,799	(1,501,322)	-6%
Total Assets	<u>60,016,900</u>	<u>73,739,649</u>	<u>(13,722,749)</u>	-19%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>784,797</u>	<u>915,597</u>	<u>(130,800)</u>	-14%
<b>LIABILITIES:</b>				
Long and Short-Term Debt Outstanding	26,578,196	29,250,000	(2,671,804)	-9%
Other Liabilities	26,869,995	36,976,852	(10,106,857)	-27%
Total Liabilities	<u>53,448,191</u>	<u>66,226,852</u>	<u>(12,778,661)</u>	-19%
<b>NET POSITION:</b>				
Invested in Capital Assets, Net of Related Debt	(895,922)	(1,705,820)	809,898	-47%
Restricted	9,038,098	10,630,196	(1,592,098)	-15%
Unrestricted	(788,670)	(495,982)	(292,688)	-59%
Total Net Position	<u>\$ 7,353,506</u>	<u>\$ 8,428,394</u>	<u>\$ (1,074,888)</u>	-13%

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**  
**(Continued)**

**Net Position (Continued)**

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in the following table, Net Position increased by \$1,163,097.

**Condensed Statement of Revenues, Expenses  
And Changes in Net Position**

	<u>2012</u>	<u>2011</u> (Restated)	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Operating Revenues	\$ 218,463,599	\$ 208,100,064	\$ 10,363,535	5%
Non-Operating Revenues	<u>267,040</u>	<u>68,426</u>	<u>198,614</u>	290%
Total Operating Revenues	<u>218,730,639</u>	<u>208,168,490</u>	<u>10,562,149</u>	5%
Depreciation	5,628,322	4,803,285	825,037	17%
Other Operating Expense	210,886,555	203,002,289	7,884,266	4%
Other Non-Operating Expense	<u>1,052,665</u>	<u>1,220,782</u>	<u>(168,117)</u>	-14%
Total Expenses	<u>217,567,542</u>	<u>209,026,356</u>	<u>8,541,186</u>	4%
Change in Net Position	1,163,097	(857,866)	2,020,963	-236%
Beginning Net Position	<u>7,353,506</u>	<u>8,211,372</u>	<u>(857,866)</u>	-10%
Ending Net Position	<u>\$ 8,516,603</u>	<u>\$ 7,353,506</u>	<u>\$ 1,163,097</u>	16%

The Authority's operating revenues increased by \$10,562,149 to \$218,730,639 in fiscal year 2012 from \$208,168,490 in 2011. This increase is primarily due to increased revenue from service charge revenue from Bergen Regional Medical Center. Operating expenses increased by \$8,541,186 due to an increase in expenditures for the hospital fund cost of providing services contract management which is dependent on the service charge revenue from Bergen Regional Medical Center.

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**  
**(Continued)**

**Net Position (Continued)**

**Condensed Statement of Revenues, Expenses  
And Changes in Net Position**

	<u>2011</u> (Restated)	<u>2010</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Operating Revenues	\$ 208,100,064	\$ 225,348,742	\$ (17,248,678)	-8%
Non-Operating Revenues	<u>68,426</u>	<u>86,912</u>	<u>(18,486)</u>	-21%
Total Operating Revenues	<u>208,168,490</u>	<u>225,435,654</u>	<u>(17,267,164)</u>	-8%
Depreciation	4,803,285	4,252,959	550,326	13%
Other Operating Expense	203,002,289	218,243,942	(15,241,653)	-7%
Other Non-Operating Expense	<u>1,220,782</u>	<u>2,584,988</u>	<u>(1,364,206)</u>	-53%
Total Expenses	<u>209,026,356</u>	<u>225,081,889</u>	<u>(16,055,533)</u>	-7%
Change in Net Position	<u>(857,866)</u>	<u>353,765</u>	<u>(1,211,631)</u>	-342%
Beginning Net Position	8,428,394	8,074,629	353,765	4%
Prior Year Restatement	<u>(217,022)</u>	-	<u>(217,022)</u>	
Beginning Net Position - Restated	<u>8,211,372</u>	<u>8,074,629</u>	<u>136,743</u>	2%
Ending Net Position	<u>\$ 7,353,506</u>	<u>\$ 8,428,394</u>	<u>\$ (1,074,888)</u>	-13%

**Budgetary Highlights**

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**  
**(Continued)**

**Budgetary Highlights (Continued)**

The following tables provide a FY 2012 and FY 2011 budget comparison:

**Budget vs. Actual**  
**2012**

**Bergen Regional Medical Center:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 114,591,000	\$ 212,180,006	\$ 97,589,006
Non-Operating	<u>3,570,000</u>	<u>3,561,948</u>	<u>(8,052)</u>
Total Revenues	<u>118,161,000</u>	<u>215,741,954</u>	<u>97,580,954</u>
Appropriations:			
Operating	111,126,471	207,501,491	(96,375,020)
Non-Operating	<u>6,071,089</u>	<u>8,233,678</u>	<u>(2,162,589)</u>
Total Appropriations	<u>117,197,560</u>	<u>215,735,169</u>	<u>(98,537,609)</u>
Total Budgetary Income (Loss)	<u>\$ 963,440</u>	<u>\$ 6,785</u>	<u>\$ (956,655)</u>

**General Fund:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 313,381	\$ 390,874	\$ 77,493
Non-Operating	<u>2,400</u>	<u>200,039</u>	<u>197,639</u>
Total Revenues	<u>315,781</u>	<u>590,913</u>	<u>275,132</u>
Appropriations:			
Operating	241,265	644,508	(403,243)
Non-Operating	54,347	126,976	(72,629)
Accumulated Deficit	<u>20,169</u>	<u>20,169</u>	<u>-</u>
Total Appropriations	<u>315,781</u>	<u>791,653</u>	<u>(475,872)</u>
Total Budgetary Income (Loss)	<u>\$ -</u>	<u>\$ (200,740)</u>	<u>\$ (200,740)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**  
**(Continued)**

**Budgetary Highlights (Continued)**

**Budget vs. Actual**  
**2012**

**Bergen Equestrian Center:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 233,639	\$ 221,241	\$ (12,398)
Non-Operating	-	4,296	4,296
Total Revenues	<u>233,639</u>	<u>225,537</u>	<u>(8,102)</u>
Appropriations:			
Operating	211,000	225,537	(14,537)
Accumulated Deficit	<u>22,639</u>	-	<u>22,639</u>
Total Appropriations	<u>233,639</u>	<u>225,537</u>	<u>8,102</u>
Total Budgetary Income (Loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Overpeck Landfill Project:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating		\$ 293,532	\$ 293,532
Non-Operating	-	757	757
Total Revenues	<u>-</u>	<u>294,289</u>	<u>294,289</u>
Appropriations:			
Operating		288,460	(288,460)
Non-Operating	\$ 1,219,271	<u>1,219,271</u>	-
Total Appropriations	<u>1,219,271</u>	<u>1,507,731</u>	<u>(288,460)</u>
Total Budgetary Income (Loss)	<u>\$ (1,219,271)</u>	<u>\$ (1,213,442)</u>	<u>\$ 5,829</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
*(A Component Unit of the County of Bergen)*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**  
*(Continued)*

**Budget vs. Actual**  
**2011**

**Bergen Regional Medical Center:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 114,700,000	\$ 205,221,836	\$ 90,521,836
Non-Operating	<u>558,000</u>	<u>558,082</u>	<u>82</u>
Total Revenues	<u>115,258,000</u>	<u>205,779,918</u>	<u>90,521,918</u>
Appropriations:			
Operating	111,243,534	200,621,094	(89,377,560)
Non-Operating	<u>3,175,716</u>	<u>3,847,028</u>	<u>(671,312)</u>
Total Appropriations	<u>114,419,250</u>	<u>204,468,122</u>	<u>(90,048,872)</u>
 Total Budgetary Income (Loss)	 <u>\$ 838,750</u>	 <u>\$ 1,311,796</u>	 <u>\$ 473,046</u>

**General Fund:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 618,000	\$ 453,548	\$ (164,452)
Non-Operating	<u>500</u>	<u>2,495</u>	<u>1,995</u>
Total Revenues	<u>618,500</u>	<u>456,043</u>	<u>(162,457)</u>
Appropriations:			
Operating	84,815	384,619	(299,804)
Non-Operating	67,127	56,195	10,932
Accumulated Deficit	<u>466,558</u>	<u>466,558</u>	<u>-</u>
Total Appropriations	<u>618,500</u>	<u>907,372</u>	<u>(288,872)</u>
 Total Budgetary Income (Loss)	 <u>\$ -</u>	 <u>\$ (451,329)</u>	 <u>\$ (451,329)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
*(A Component Unit of the County of Bergen)*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**  
*(Continued)*

**Budget vs. Actual**  
**2011**

**Bergen Equestrian Center:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 403,305	\$ 376,945	\$ (26,360)
Non-Operating	<u>-</u>	<u>5,843</u>	<u>5,843</u>
Total Revenues	<u>403,305</u>	<u>382,788</u>	<u>(20,517)</u>
Appropriations:			
Operating	<u>403,305</u>	<u>382,788</u>	<u>20,517</u>
Total Appropriations	<u>403,305</u>	<u>382,788</u>	<u>20,517</u>
Total Budgetary Income (Loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Overpeck Landfill Project:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 490,593	\$ 221,209	\$ (269,384)
Non-Operating	<u>-</u>	<u>2,006</u>	<u>2,006</u>
Total Revenues	<u>490,593</u>	<u>223,215</u>	<u>(267,378)</u>
Appropriations:			
Operating	490,593	221,366	269,227
Non-Operating	<u>1,219,046</u>	<u>1,219,046</u>	<u>-</u>
Total Appropriations	<u>1,709,639</u>	<u>1,440,412</u>	<u>269,227</u>
Total Budgetary Income (Loss)	<u>\$ (1,219,046)</u>	<u>\$ (1,217,197)</u>	<u>\$ 1,849</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**  
**(Continued)**

**Capital Assets and Debt Administration**

The following schedule summarizes the Capital Assets as of December 31, 2012 and 2011:

**Bergen Regional Medical Center**

	2012	2011
Leasehold Improvements	\$ 59,626,033	\$ 55,500,855
Accumulated Depreciation	(36,231,700)	(30,603,378)
Capital Assets, Net	\$ 23,394,333	\$ 24,897,477

The Authority's capital assets increased \$4,125,178 from the previous year. Depreciation expense for 2012 was \$5,628,322.

Additional information on the BCIA's capital assets can be found in the Notes to the Basic Financial Statements.

While the Authority has been aggressive in attracting conduit debt issues, there is also two debt issues that are their obligation, the Series 2010 Refunding of the Series 2000 serial bonds and term bonds issued in conjunction with the privatizing of the Bergen Regional Medical Center. At December 31, 2012, the Bergen Regional Medical Center had outstanding serial bonds of \$12,150,000 with a final maturity on May 15, 2017. In addition, the Authority issued in 2005 the Overpeck Project 2005 Serial Bonds in the amount of \$12,000,000, of which \$7,880,000 are outstanding as of December 31, 2012. Both issues are guaranteed by the County of Bergen. Full details of the bond issues outstanding are found in Notes 9 and 10 to the financial statements and the supplementary schedules.

**Long Term Debt**

The following schedule summarizes the Long Term Capital Debt, net of unamortized discounts and premiums, as of December 31, 2012 and 2011:

	2012	2011
		(Restated)
<b><u>General Fund</u></b>		
Project Bonds Payable	\$ 249,782	\$ 368,980
<b><u>Bergen Regional Medical Center</u></b>		
Project Bonds Payable	11,816,995	17,456,152
<b><u>Overpeck Landfill</u></b>		
Project Bonds Payable	7,962,377	8,753,064
Project Bonds Payable, Net	\$ 20,029,154	\$ 26,578,196

***BERGEN COUNTY IMPROVEMENT AUTHORITY***  
***(A Component Unit of the County of Bergen)***

***MANAGEMENT'S DISCUSSION AND ANALYSIS***  
***DECEMBER 31, 2012***  
***(Continued)***

**Economic Factors, Future Years' Budget and Rates**

The Commissioners and management of the Authority consider many factors when preparing each year's budget. The main factors are growth in the Authority's customer base and the continued operation of the Bergen Regional Medical Center.

**Contacting the Authority**

This financial report is designated to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Bergen County Improvement Authority, One Bergen County Plaza, Hackensack, New Jersey 07601.

**BASIC FINANCIAL STATEMENTS**

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMPARATIVE STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u> (Restated)
<b>ASSETS</b>		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 29,781,613	\$ 28,183,406
Accounts Receivable (net of allowance for uncollectibles)	54,815	171,857
Soloman Health Care Loan Receivable	-	3,500,000
Due from County of Bergen	<u>554,739</u>	<u>215,448</u>
Total Unrestricted Current Assets	<u>30,391,167</u>	<u>32,070,711</u>
Restricted Current Assets		
Debt Service Fund		
Cash and Cash Equivalents	1,866,383	3,046,705
Construction Fund		
Cash and Cash Equivalents	1,881	-
Unemployment Trust Fund		
Cash and Cash Equivalents	<u>2,558</u>	<u>2,007</u>
Total Restricted Current Assets	<u>1,870,822</u>	<u>3,048,712</u>
Total Current Assets	<u>32,261,989</u>	<u>35,119,423</u>
Noncurrent Assets		
Capital Assets		
Leasehold Improvements - Bergen Regional Medical Center	59,626,033	55,500,855
Accumulated Depreciation	<u>(36,231,700)</u>	<u>(30,603,378)</u>
Total Noncurrent Assets	<u>23,394,333</u>	<u>24,897,477</u>
Total Assets	<u>55,656,322</u>	<u>60,016,900</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Loss on Refunding of Debt	<u>653,997</u>	<u>784,797</u>
Total Deferred Outflows of Resources	<u>653,997</u>	<u>784,797</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 56,310,319</u>	<u>\$ 60,801,697</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMPARATIVE STATEMENTS OF NET POSITION  
AS OF DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u> (Restated)
<b>LIABILITIES</b>		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 533,649	\$ 1,580,762
Contracts Payable - Solomon Health Care	26,852,155	24,919,943
Due to County of Bergen	32,008	
Payroll Taxes Payable	36	141
Accrued Liabilities - Landfill Closure/Postclosure	<u>191,037</u>	<u>191,037</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>27,608,885</u>	<u>26,691,883</u>
Current Liabilities (Payable from Restricted Assets)		
Project Bonds Payable	3,695,000	6,555,000
Accrued Interest on Bonds	<u>155,677</u>	<u>178,112</u>
Total Current Liabilities Payable from Restricted Assets	<u>3,850,677</u>	<u>6,733,112</u>
Total Current Liabilities	<u>31,459,562</u>	<u>33,424,995</u>
Noncurrent Liabilities		
Project Bonds Payable (net of unamortized premiums/discounts)	<u>16,334,154</u>	<u>20,023,196</u>
Total Liabilities	<u>47,793,716</u>	<u>53,448,191</u>
<b>NET POSITION</b>		
Invested in Capital Assets, net of related debt	4,019,176	(895,922)
Restricted For:		
Debt Service	2,036,042	3,836,875
Bergen Regional Medical Center	3,753,681	4,317,246
Overpeck Landfill	-	881,970
Unemployment Trust	2,558	2,007
Unrestricted	<u>(1,294,854)</u>	<u>(788,670)</u>
Total Net Position	<u>\$ 8,516,603</u>	<u>\$ 7,353,506</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u> (Restated)
<b>OPERATING REVENUES</b>		
Service Charges - Bergen Regional Medical Center	\$ 202,480,779	\$ 196,015,419
Bergen County Contributions	7,625,650	4,140,335
Soloman Health Group Lease	6,715,630	7,390,357
Soloman Health Group Oversight	354,028	363,324
Grant Proceeds	311,340	
Miscellaneous	976,172	190,629
	<u>218,463,599</u>	<u>208,100,064</u>
<b>OPERATING EXPENSES</b>		
Administration		
Salaries and Wages	399,529	456,298
Fringe Benefits	143,777	130,058
Other Expenses	715,576	539,677
Cost of Providing Services		
Other Expenses	207,132,704	200,262,625
Landfill - Other Expenses	268,410	221,209
Reimbursements to Bergen County	2,226,559	1,392,422
Depreciation	5,628,322	4,803,285
	<u>216,514,877</u>	<u>207,805,574</u>
<b>OPERATING INCOME</b>	<u>1,948,722</u>	<u>294,490</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Bond Reserves	197,285	
Interest Income	17,305	20,318
Interest Income - Hospital Loan	52,450	48,108
Interest Expense	(912,689)	(1,162,232)
Bad Debt Expense	(139,976)	(58,550)
	<u>(785,625)</u>	<u>(1,152,356)</u>
<b>CHANGE IN NET POSITION</b>	1,163,097	(857,866)
Net Position, January 1	<u>7,353,506</u>	<u>8,211,372</u>
Net Position, December 31	<u>\$ 8,516,603</u>	<u>\$ 7,353,506</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 202,480,779	\$ 196,015,419
Cash Received from Bergen County	7,403,273	4,056,973
Cash Received from Soloman Health Group	7,069,658	7,753,681
Cash Received from Grants	311,340	4,560
Cash Received from Miscellaneous Fees	335,563	190,629
Cash Received from PSE&G	617,179	
Cash Paid to Bergen County	(2,311,794)	(1,392,422)
Cash Paid to Suppliers and Others	(206,345,968)	(200,761,543)
Cash Paid to Employees	<u>(399,529)</u>	<u>(456,298)</u>
Net Cash Provided by Operating Activities	<u>9,160,501</u>	<u>5,410,999</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Bond Reserves	197,285	
Principal from Hospital Loan Repayment	3,500,000	500,000
Principal Payments on Bonds	(6,555,000)	(2,665,000)
Acquisition of Capital Assets	(5,153,858)	(2,094,518)
Interest from Hospital Loan Repayment	52,450	48,108
Interest Paid on Bonds	<u>(798,365)</u>	<u>(1,064,847)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(8,757,488)</u>	<u>(5,276,257)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	<u>17,305</u>	<u>20,318</u>
Net Cash Provided by Investing Activities	<u>17,305</u>	<u>20,318</u>
Net Increase (Decrease) in Cash and Cash Equivalents	420,318	155,060
Cash and Cash Equivalents, January 1	<u>31,232,117</u>	<u>31,077,058</u>
Cash and Cash Equivalents, December 31	<u>\$ 31,652,435</u>	<u>\$ 31,232,118</u>
<b>ANALYSIS OF BALANCE AT DECEMBER 31</b>		
Unrestricted - Cash and Cash Equivalents	\$ 29,781,613	\$ 28,183,406
Restricted - Cash and Cash Equivalents	<u>1,870,822</u>	<u>3,048,712</u>
	<u>\$ 31,652,435</u>	<u>\$ 31,232,118</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Reconciliation of Operating Income to Net Cash Provided by</b>		
<b>Operating Activities:</b>		
Operating Income	\$ 1,948,722	\$ 294,490
Adjustments to Reconcile Operating Income to Net Cash		
Provided by (Used for) Operating Activities:		
Provision for Uncollectible Accounts	(139,976)	(58,550)
Depreciation	5,628,322	4,803,285
(Increase)/Decrease in Accounts Receivable	117,042	953,908
(Increase)/Decrease in Due from Bergen County	(339,291)	10,589,044
Increase/(Decrease) in Accounts Payable	(18,433)	(259,149)
Increase/(Decrease) in Contracts Payable - Soloman Health Care	1,932,212	(741,247)
Increase/(Decrease) in Due to Bergen County	32,008	(9,136)
Increase/(Decrease) in Payroll Taxes Payable	(105)	(4,670)
Increase/(Decrease) in Accrued Liabilities - Landfill Closure/Postclosure	-	(10,156,976)
	<u>7,211,779</u>	<u>5,116,509</u>
Net Cash Provided by Operating Activities	<u>\$ 9,160,501</u>	<u>\$ 5,410,999</u>
<b>Schedule of Noncash Capital and Related Financing Activities:</b>		
Purchase of Capital Assets on Account	\$ 255,969	\$ 1,284,649
Original Issue Discount	16,645	16,645
Original Issue Premium	(10,687)	(10,687)
Deferred Loss on Refunding of Debt	130,800	130,800

**NOTES TO FINANCIAL STATEMENTS**

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Bergen County Improvement Authority (the "Authority") is a public body politic, corporate, organized and existing under the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1960, as Amended and Supplemented (the "Act"), N.J.S.A. 40:37A-1, et seq., and was created by virtue of an ordinance of the County of Bergen, New Jersey (the "County"), adopted June 10, 1986. Prior to 1993, the Authority was inactive, and did not adopt a budget or have any transactions.

The Authority has broad powers under the Act including, among others, the following: to retain, operate and administer its property; to provide for bonds and to secure their payment and rights of holders thereof; to charge and collect service charges for the use of its facilities and to revise such service charges to ensure that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay the principal of and the interest on any bonds or loans, and to maintain such reserves or sinking funds therefore as may be required by the terms of any contract of the Authority; and to make and enforce rules and regulations for the management of its business and affairs.

The Authority is governed by a Board of Commissioners (the "Board") consisting of five members. An Executive Director is appointed by the Board and functions as Chief Executive Officer responsible for the daily operations of the Authority. A Chief Financial Officer is appointed by the Board and oversees the fiscal affairs of the Authority.

The Governmental Accounting Standards Board (GASB) requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Based on such criteria, the Authority has no component units; however, the Authority is considered a component unit of the County of Bergen.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounts of the Authority are organized on the basis of funds, in accordance with the various Bond Resolutions (see Note 3), each of which is considered a separate accounting activity. The operations of each system are accounted for with a separate set of self-balancing accounting records that comprise its assets, deferred outflows, liabilities, net position, revenues and expenses. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various activities are grouped into one generic fund type and one broad fund category, as follows:

**Proprietary Fund Type**

*Enterprise Fund* - The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its users on a continuing basis be financed or recovered primarily through user charges.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. All assets, all deferred outflows and all liabilities associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority's financial transactions are recorded in accounts that are created by various resolutions adopted by the Authority to meet bond or note covenant requirements (more fully defined in Note 3).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow private-sector standards issued subsequent to December 1, 1989.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Reclassifications**

Certain reclassifications have been made to the December 31, 2011 balances to conform to the December 31, 2012 presentation.

**C. Assets, Deferred Outflows, Liabilities and Net Position**

***1. Cash, Cash Equivalents and Investments***

Cash and cash equivalents are considered to be cash on hand, cash in banks, certificates of deposit, deposits with the New Jersey Cash Management Fund and all short-term investments with original maturities of three months or less from the date of purchase. Investments are reported at market value and except for the operating accounts are limited by the 1997 Bond Resolution as amended and supplemented thereto. Operating account investments are limited by NJSA 40A:5-15.1 et seq.

***2. Inventory***

The costs of inventories are deemed immaterial and are recognized as expenses when purchased rather than when consumed. The Authority does not record inventory on its statement of net position.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Deferred Outflows, Liabilities and Net Position (Continued)**

**3. *Accounts Receivable***

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Changes in the allowance for uncollectibles is recorded as an adjustment to revenue or as bad debt expenses depending on its effect on current year or prior year allowance amounts and the results of those changes.

**4. *Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expense when consumed rather than when purchased.

**1. *Interfunds Receivable and Payable***

During the course of its operations, the Authority has numerous transactions between funds (accounts) to finance operations, provide services, construct assets, and retire debt. To the extent that certain transactions between the accounts had not been paid or received as of the balance sheet dates, balances of interfund amounts receivable and payable have not been recorded.

**6. *Restricted Assets***

Certain assets are classified as restricted on the statement of net position because they are maintained in separate bank accounts and their use is limited by the various Bond Resolutions as amended and supplemented thereto.

**7. *Capital Assets***

All capital assets acquired or constructed by the Authority are reported as expenses in the account that finances the acquisition of the assets and are capitalized in the Operating Accounts. Capital assets are defined by the Authority as assets with an individual cost of \$2,000 and an estimated useful life of at least two years. Such capital assets are valued at historical costs.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Construction costs are charged to construction in progress until such time as they are completed and certified by the Authority's consulting engineers, at which time they are transferred to their respective asset category and are then depreciated over their useful lives. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total net interest expense incurred by the Authority for the years ended December 31, 2012 and 2011 was \$912,689 and \$1,162,232, respectively. None of these amounts were included as part of the cost of capital assets under construction for these years.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Deferred Outflows, Liabilities and Net Position (Continued)**

**7. *Capital Assets (Continued)***

All capital assets are depreciated on the straight-line method based on their asset class and estimated useful lives as follows:

<u>Class</u>	<u>Life</u>
Leasehold Improvements	19 Years

**8. *Deferred Outflows of Resources***

In addition to assets, the statement of financial 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) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred loss on refunding debt reported in the statement of net position. A deferred loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt using the effective interest method.

**9. *Compensated Absences***

Sick leave, personnel time, compensatory time and salary related payments and in certain instances vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Authority will compensate the employee for the benefits.

**10. *Long-Term Obligations***

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

**11. *Net Position***

Restricted net position is limited to outside third-party restrictions either by law or by other organizations or persons external to the Authority. Unrestricted net position represents the net position neither restricted nor invested in capital assets, net of related debt.

**12. *Net Position Flow Assumption***

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sewer and solid waste services. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. State and federal grants for the operation of the sewer or solid waste system are considered nonoperating revenues. Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***1. Budgetary Accounting***

The Authority annually prepares operating budgets for the General Fund, Bergen Regional Medical Center, Bergen Equestrian Center and Overpeck Landfill. The budgets are prepared in accordance with the Budget Manual for Local Public Authorities as promulgated by the Division of Local Government Services, Bureau of Authority Regulation, which differs in certain respects from accounting principles generally accepted in the United States of America. The budgets serve as a plan for expenses and the proposed means for financing them. Budgetary control is exercised within the respective system. Unexpended appropriations lapse at year end.

The annual budgets are approved at least sixty days prior to the beginning of the fiscal year. The budgets must be approved by the Board and submitted to the Division of Local Government Services, Bureau of Authority Regulation for approval prior to adoption. Budget adoptions and amendments are recorded in the Authority's minutes.

Six Year Capital budgets are also prepared for each system. Included within the budgets are individual projects along with their estimated cost, completion date and source of funding.

The encumbrance method of accounting is utilized by the Authority for budgetary purposes. Under this method purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve a portion of the applicable budget appropriation.

In accordance with accounting principles generally accepted in the United States of America, outstanding encumbrances at year-end for which goods or services are received, are classified to expenses and accounts payable. All other encumbrances in the annual budgeted funds are designated at year-end and are either cancelled or are included as reappropriations of unrestricted net position for the subsequent year. Encumbrances at year-end in funds that are budgeted on a project basis automatically carry forward along with their related appropriations and are not subject to annual cancellations and reappropriations.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**2. Revenues**

After the operating budgets are adopted, service charge fees for the Bergen Regional Medical Center are approved by the Board. Service charges are directly imposed on users through bills based on services provided. Revenue is recognized in the year that the user is billed.

**3. Designated Unrestricted Net Position**

The Authority is permitted under budgetary accounting practices promulgated by the Division of Local Government Services to designate unrestricted net position. The Authority Board of Commissioners may formally dedicate net position to establish designations of unrestricted net position to meet policy adopted by the Board. As of December 31, 2012 and 2011, the Authority has not designated any of its unrestricted net position.

**NOTE 3 CREATION OF FUNDS**

In accordance with the bond resolution, the Authority has established the following accounts for the following restricted purposes:

<u>Account</u>	<u>Use for Which Restricted</u>
<u>General Fund:</u>	
Debt Service Fund	Principal and interest on the Authority's bonds.
Construction Fund	Various capital projects of the Authority
<u>Hospital Fund:</u>	
Debt Service Fund	Principal and interest on the Authority's bonds.
Construction Fund	Various capital projects of the Authority
<u>Overpeck Landfill:</u>	
Debt Service Fund	Principal and interest on the Authority's bonds.

In addition, the Authority has established trust accounts to be held in reserve for payroll and related liabilities, such as State Unemployment Insurance.

**NOTE 4 DEPOSITS AND INVESTMENTS**

**Deposits** - The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lessor of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SPIC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2012 and 2011, the book value of the Authority's deposits were \$31,652,435 and \$31,232,118, respectively, and bank balances of the Authority's cash and deposits amounted to \$31,978,155 and \$31,276,477, respectively.

The Authority's deposits which are displayed on the balance sheet as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2012</u>	<u>2011</u>
Insured		
Restricted	\$ 1,848,942	\$ 3,048,712
Unrestricted	<u>30,129,213</u>	<u>28,227,765</u>
	<u>\$ 31,978,155</u>	<u>\$ 31,276,477</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2012 and 2011, none of the Authority's bank balances were exposed to custodial credit risk.

**Investments**

The Authority's investment practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds and a maturity date not greater than 12 months from the date of purchase. In addition, the Authority can invest in direct debt securities of the United States or obligations guaranteed by the United States, bonds and other obligations of the local municipality or bonds or obligations of school districts of which the Authority is a part or within which the Authority is located unless such investments are expressly prohibited by law.

Monies in the funds established under the Bond Resolutions may be invested at the Authority's direction in Investment Securities, which are defined by the Bond Resolutions as:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Investments Continued**

- (5) Bonds or other obligations having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the State Department of the Treasury for investment by local units.
- (6) Local government investment pools.
- (7) Deposits with the State Cash Management Fund established pursuant to Section 1 of P.L. 1977, c.281 (N.J.S.A. 52:18A-90.4).
- (8) Certain agreements for the repurchase of fully collateralized securities, as defined in the Bond Resolutions.

As of December 31, 2012 and 2011, the Authority had no investments.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment maturities are limited by its bond indenture as a means of managing its exposure to interest rate risk. Additionally, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Monies in the funds established under the Resolutions may be invested at the Authority's discretion in Investment Obligations, which are defined by the Resolutions.

Credit Risk – The Bond Resolution and State law (N.J.S.A. 40A:5-15.1) limits investments as noted above. The Authority does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Authority places no limit in the amount the Authority may invest in any one issuer. 100% of the Authority's investments are in U.S. Government Security Funds.

**NOTE 5 RESTRICTED ASSETS**

Bond covenants of the Authority require portions of the debt proceeds as well as other resources to be set aside for various purposes under the control of the Bond Trustee. These amounts are reported as restricted assets. Cash and investments restricted for debt service payment on bonds are segregated in the "Debt Service Fund" accounts. Cash and investments restricted for use in construction are segregated in the "Construction Fund" accounts.

In addition, the Authority has established trust accounts to be held in reserve for payroll and related liabilities, such as State Unemployment Insurance.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 6 USER CHARGES AND OTHER FEES RECEIVABLE**

User charges and other fees receivable at December 31, 2012 and 2011 consisted of the following:

	December 31, <u>2012</u>	December 31, <u>2011</u>
Accounts Receivable - Financing Fees	\$ 54,815	\$ 31,881
Other Fees Receivable	<u>-</u>	<u>139,976</u>
Gross Accounts Receivable	<u>\$ 54,815</u>	<u>\$ 171,857</u>

**NOTE 7 CAPITAL ASSETS**

The Authority has acquired a Leasehold Interest in the Bergen Regional Medical Center. The Leasehold Interest is being depreciated on a straight-line basis, over a 19 year period.

Capital asset activity for the years ended December 31, 2012 and 2011 was as follows:

**Bergen Regional Medical Center**

	Balance January 1, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Capital assets, being depreciated:				
Leasehold Improvements	\$ 55,500,855	\$ 4,125,178	\$ -	\$ 59,626,033
Total capital assets being depreciated	<u>55,500,855</u>	<u>4,125,178</u>	<u>-</u>	<u>59,626,033</u>
Less accumulated depreciation for:				
Leasehold Improvements	<u>(30,603,378)</u>	<u>(5,628,322)</u>	<u>-</u>	<u>(36,231,700)</u>
Total accumulated depreciation	<u>(30,603,378)</u>	<u>(5,628,322)</u>	<u>-</u>	<u>(36,231,700)</u>
Total capital assets, net	<u>\$ 24,897,477</u>	<u>\$ (1,503,144)</u>	<u>\$ -</u>	<u>\$ 23,394,333</u>
	Balance January 1, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Capital assets, being depreciated:				
Leasehold Improvements	\$ 52,198,892	\$ 3,301,963	\$ -	\$ 55,500,855
Total capital assets being depreciated	<u>52,198,892</u>	<u>3,301,963</u>	<u>-</u>	<u>55,500,855</u>
Less accumulated depreciation for:				
Leasehold Improvements	<u>(25,800,093)</u>	<u>(4,803,285)</u>	<u>-</u>	<u>(30,603,378)</u>
Total accumulated depreciation	<u>(25,800,093)</u>	<u>(4,803,285)</u>	<u>-</u>	<u>(30,603,378)</u>
Total capital assets, net	<u>\$ 26,398,799</u>	<u>\$ (1,501,322)</u>	<u>\$ -</u>	<u>\$ 24,897,477</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 8 CONDUIT DEBT OBLIGATIONS**

The Authority has issued debt on behalf of third-party entities. The Authority has no obligation for the debt beyond the resources provided by the related leases or loans, and, accordingly, the debt is not reflected as a liability in the accompanying financial statements.

The Authority's conduit debt activity for the year ending December 31, 2012 is as follows:

	Balance December 31, <u>2011</u>	<u>Increase</u>	<u>Decrease</u>	Balance, December 31, <u>2012</u>
Series 2001 Bonds (Note 8A)	\$ 21,000,000			\$ 21,000,000
Series 2002 Bonds (Note 8B)	2,350,000		\$ 1,910,000	440,000
Series 2003 Bonds (Note 8C)	43,675,000		22,280,000	21,395,000
Series 2004 Bonds (Note 8D)	35,985,000		27,025,000	8,960,000
Series 2005 Bonds (Note 8E)	201,161,577	\$ 618,013	4,710,000	197,069,590
Series 2006 Bonds (Note 8F)	24,080,000		845,000	23,235,000
Series 2007 Bonds (Note 8G)	69,090,000		2,000,000	67,090,000
Series 2008 Bonds (Note 8H)	29,500,000		360,000	29,140,000
Series 2009 Bonds (Note 8I)	37,729,190		3,118,321	34,610,869
Series 2010 Bonds (Note 8J)	85,030,000		1,270,000	83,760,000
Series 2011 Bonds (Note 8K)	2,800,000		55,000	2,745,000
Series 2012 Bonds (Note 8L)	-	63,345,000	780,000	62,565,000
	<u>\$ 552,400,767</u>	<u>\$ 63,963,013</u>	<u>\$ 64,353,321</u>	<u>\$ 552,010,459</u>

**A. Series 2001 Bonds**

In September 2001 the BCIA issued bonds in the amount of \$21,000,000 with a final maturity of March 15, 2034.

The Bonds are being issued to provide funding for a loan, the proceeds of which are to be used to pay: (i) costs of a redevelopment project, specifically the development of a 160-unit multifamily residential project (the Kentshire Apartment Project) which will be located in Midland Park, New Jersey, (ii) certain costs of issuance of the Bonds, and (iii) capitalized interest on the Bonds through April 1, 2003.

The Authority is to receive 10 basis points per year on the bonds outstanding in accordance with this bond issuance.

**B. Series 2002 Bonds**

In March, 2002, the BCIA issued bonds in the amount of \$7,305,000, with a final maturity date of March 1, 2022, and an interest rate varying from 2.00% to 5.00%. The Bond consists of the \$2,575,000 County Guaranteed Capital Equipment Lease Revenue Bonds, Series 2002A (the "Series 2002A Bonds"), \$730,000 County Guaranteed Revenue Bonds, Series 2002B (the "Series 2002B Bonds") and the \$4,000,000 County Guaranteed Governmental Loan Revenue Bonds, Series 2002C (the "Series 2002C Bonds").

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**B. Series 2002 Bonds (Continued)**

Proceeds of the Series 2002A Bonds were used to: (i) finance the acquisition and installation of certain items of equipment to be simultaneously leased to certain governmental units, which include the Borough of Wood-Ridge, the Borough of Lodi, the Garfield Board of Education, the Pascack Valley Board of Education, the Dumont Board of Education, the Maywood Board of Education, the Ramapo-Indian Hills Regional Board of Education, and the Fair Lawn Board of Education; and (ii) pay certain costs incurred in connection with the issuance and delivery of the Series 2002A Bonds.

The Series 2002 B Bonds are being issued to provide funds to make a loan to the Housing Development Corporation of Bergen County to: (i) refinance a portion of the costs of the construction of a low income residential building and; (ii) pay certain costs of issuance incurred in connection with the issuance and delivery of the Series 2002B Bonds.

The Series 2002C Bonds are being issued to provide funds to make loans to the County of Bergen to finance improvements to the Bergen Regional Medical Center.

**C. Series 2003 Bonds**

In March, 2003, the BCIA issued \$31,210,000 principal amount of County Guaranteed Governmental Loan Revenue Bonds, Series 2003A. The bonds consist of \$23,355,000 serial bonds having a final maturity date of March 15, 2018 and interest rates ranging from 3.00% to 5.25% and \$7,855,000 of 5.35% term bonds due March 15, 2023.

The bonds are being issued to provide funds to make a loan to each of the Series 2003A Local Units to: (i) raise funds sufficient to retire the present value of the Series 2003A Local Units respective unfunded accrued liability for early retirement system incentive benefits previously granted by the State to each Series 2003A Local Unit; and (ii) pay certain of the costs of issuance of the Series 2003A Bonds and the Series A Local Unit Refunding Bonds.

Pursuant to the Series 2003A Local Unit Purchase Agreements, and in accordance with applicable law, each Series 2003A Local Unit will issue and sell its general obligation refunding bonds to the Authority (the "Local Unit Refunding Bonds"). The Series 2003A Local Unit Refunding Bonds will be purchased by the Authority and the Series 2003A Local Unit Loan Repayments will be pledged by the Authority to secure the Series 2003A Bonds. A default by a Series 2003A Local Unit under its Series 2003A Local Unit Refunding Bond will not cause a default under the Series 2003A Local Unit Refunding Bonds of non-defaulting Series 2003A Local Units. No Series 2003A Local Unit Refunding Bond may be accelerated unless there is a default under such Series A Local Unit Refunding Bond.

In September, 2003, the BCIA issued bonds in the amount of \$19,395,000 with a final maturity date of May 1, 2009 and various interest rates. The \$19,395,000 principal amount of Revenue Bonds, Series 2003 (the "Bonds"), consists of the \$1,480,000 County Guaranteed Capital Equipment Lease Revenue Bonds, Series 2003A (the "Series 2003A Bonds") and the \$17,915,000 County Taxable Project Revenue Bonds, Series 2003B (the "Series 2003B Bonds").

The Series 2003A Bonds are being issued for the purposes of: (i) financing the acquisition and installation, as applicable, of certain equipment to be simultaneously leased to the municipalities; (ii) finance improvements to the Bergen Regional Medical Center and fund a self insurance reserve fund for the County; and (iii) paying certain costs incurred in connection with the issuance and delivery of the Series 2003A Bonds.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**C. Series 2003 Bonds (Continued)**

The Series 2003B Bonds are being issued for the purpose of: (i) financing a loan to the County (the "Series 2003B County Loan"), the proceeds of which Series 2003B County Loan will be used to finance capital improvements to the Bergen Regional Medical Center and to fund a self-insurance reserve fund for the County; and (ii) paying certain costs incurred in connection with the issuance and delivery of the Series 2003B bonds. The Series 2003B County Loan will be made pursuant to a separate bond purchase agreement entered into by and between the Authority and the County (the "Series 2003B Purchase Agreements"). Pursuant to the Series 2003B Purchase Agreement, and in accordance with applicable law, the County will issue and sell its general obligation bonds to the Authority (the Series 2003B County Bond"). The Series 2003B County Bond will be purchased by the Authority and the Series 2003B Loan Repayments under the Series 2003B County Bond will be a portion of the property pledged by the Authority to secure the 2003B bonds. The County will make Series 2003B Loan Repayments to the Trustee for the benefit of the Authority on March 1 and September 1 during the term of the loan in an amount equal to the debt service on the Series 2003B Bonds.

In December, 2003, the BCIA issued \$27,595,000 principal amount of County Guaranteed Revenue Bonds, Series 2003. The bonds have a final maturity of November 15, 2018 and interest rates ranging from 1.50% to 5.00%.

The Series 2003 Bonds are being issued to provide funds to the Authority to: (i) advance refund a portion of the New Jersey Economic Development Authority's Lease Revenue Bonds (Bergen County Administration Complex), Series 1998, maturing on November 15, 2006 through November 15, 2018 for the purpose of assisting the County in financing the acquisition of its administrative office building and parking facility; and (ii) pay certain costs incurred in connection with the Bonds.

The Series 2003 Revenue Bonds are secured by a full, irrevocable and unconditional guaranteed by the County to pay, when due, the principal of (including sinking fund installments, if any) and interest on bonds.

**D. Series 2004 Bond (County Guaranteed)**

In June 2004, the Authority issued \$25,460,000 principal amount of County Guaranteed School District Revenue Bonds, Series 2004 (Englewood City Board of Education Project). The bonds are serial bonds having a final maturity date of April 1, 2024 and bear interest in various rates between 2.25% and 5.25%. The bonds were issued to make a loan to the Board of Education in the City of Englewood in the County of Bergen, New Jersey for the purpose of financing: (i) the construction and equipping of a new school, renovations and additions at the Cleveland Elementary School, Janis E. Dismus Middle School, Dwight Morrow High School, Donald A Quarles Elementary School and alterations at Winton White Stadium; and (2) the payment of certain costs of issuing the Authority bonds. To evidence its obligation to repay such loan, the Board of Education will issue and deliver to the Authority \$25,607,000 principal amount of its general obligation bonds. Simultaneously with the issuance of the Board of Education General Obligation Bonds, the Board of Education and the Authority will enter into a loan agreement dated July 1, 2004. Payment of principal and interest on the Authority bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**D. Series 2004 Bond (County Guaranteed) (Continued)**

In October 2004, the Authority issued \$12,860,000 principal amount of County of Bergen Guaranteed Revenue Bonds, Series 2004 (Fair Lawn Community Center Project). These bonds consist of \$5,305,000 serial bonds having a final maturity date of September 15, 2021 and interest rates ranging from 2.505 to 4.25%, \$1,840,000 of 4.48% term bonds due September 15, 2025 and \$5,715,000 of 4.62% term bonds due September 15, 2034. The bonds were issued to make a loan to the Fair Lawn Community Center, Inc. for the purpose of financing: (1) the construction and equipping of an approximately 42,000 square foot recreational and community center located in the Borough of Fair Lawn, New Jersey; and (2) the payment of certain costs of issuing the bonds. To evidence its obligation to repay such loan, the borrower and the Authority will enter into a loan agreement between the Borough and the borrower in amounts sufficient to enable the borrower to meet its payment obligations under the loan agreement. Payment of principal and interest on the bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

In December 2004, the BCIA issued bonds in the amount of \$7,200,000. These bonds consist of \$5,435,000 County Guaranteed Revenue Bonds, Series 2004A and \$1,765,000 Taxable County Guaranteed Revenue Bonds, Series 2004B. The Series 2004A Bonds consist of \$1,745,000 serial bonds having a final maturity date of December 1, 2023 and having various interest rates between 4.00% and 4.50%, \$1,440,000 of 4.50% term bonds due December 1, 2028 and \$2,250,000 of 4.74% term bonds due December 1, 2034.

The Series 2004B Bonds consist of \$690,000 of 4.32% term bonds due December 1, 2009 and \$1,075,000 of 5.35% term bonds due December 1, 2014. The Series A and B Bonds are being issued to make a loan to the Bergen County Community Action Program, Inc., a New Jersey non-profit corporation relating to: (1) the refinancing of certain existing debt of the borrower; (2) the acquisition of various parcels of real property and the improvements thereon located in Garfield, New Jersey together with certain renovations thereto; (3) the funding of working capital for certain of the borrowers programmatic needs; and (4) the payment of the costs of issuance with respect to this financing. To evidence its obligation to repay such loan, the borrower and the Authority will enter into a loan agreement dated as of December 1, 2004. Payment of the principal and interest on the bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

**E. Series 2005 Bonds**

In January 2005, the BCIA issued \$26,755,000 County of Bergen guaranteed School District Revenue Bonds for the Wyckoff Township Board of Education Project. These bonds consist of \$7,220,000 serial bonds having a final maturity date of April 1, 2016 and interest rates ranging from 3.00% to 3.70%, \$3,540,000 5.25% Term Bond due April 1, 2020; \$5,555,000 5.00% Term Bond due April 1, 2025; and \$10,440,000 5.00% Term Bond due April 1, 2032. These bonds were issued to make a loan to the Board of Education in the Township of Wyckoff in the County of Bergen, New Jersey for the purpose of financing (1) the local share of a project consisting of construction of additions and renovations at Eisenhower Middle School, Coolidge Elementary School, Lincoln Elementary School, Sicomac Elementary School, and Washington Elementary School, including the addition of multi purpose rooms at each of the schools, including acquisition and installation of furnishings and equipment and site work, and (2) the payment of certain costs of issuing the bonds. To evidence its obligation to repay such loan, the board of Education will issue and deliver to the Authority \$27,332,000 principal amount of its General Obligation bonds, Series 2005. Simultaneously with the issuance of the Board of Education General Obligation Bonds, the board of Education and the Authority will enter into a Loan Agreement dated January 15, 2005. Payment of principal and interest on the Authority Bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**E. Series 2005 Bonds (Continued)**

Additionally, in January 2005, the Authority issued \$8,380,000 principal amount of Village of Ridgewood, New Jersey guaranteed Revenue Bonds. The \$8,380,000 principal amount of Revenue Bonds, Series 2005 consists of \$8,205,000 Village of Ridgewood Guaranteed Revenue Bonds, Series 2005A and \$175,000 Taxable Village of Ridgewood Guaranteed Revenue Bonds, Series 2005B (Ridgewood Senior Citizens Housing Corporation, Inc. Project). The Series A Bonds consist of \$8,205,000 serial bonds having a final maturity of February 1, 2025 and interest rates ranging from 2.50% to 4.60%. The Series B Bonds consist of \$175,000 3.36% Term Bonds due February 1, 2006.

The bonds are being issued to make a loan to the Ridgewood Senior Citizens Housing Corporation for the purpose of (1) refinancing an outstanding mortgage between the Ridgewood Senior Citizens housing Corporation and the United States Department of Housing and Urban Development relating to a project consisting of the acquisition of land and the construction of a 130 unit residential apartment complex for low-income handicapped persons and senior citizens in the Village of Ridgewood, New Jersey; (2) financing certain capital improvements to the Ridgewood Senior Citizens Housing Corporation's facility, and (3) paying certain costs of issuance with respect to the Bonds. To evidence its obligation to repay such loan, the Ridgewood Senior Citizens Housing Corporation and the Authority will enter into a loan agreement dated January 1, 2005. Payment of the principal and interest on the Bonds are further secured by a full, unconditional and irrevocable guaranty of the Village of Ridgewood, New Jersey

In August 2005, the Authority issued \$30,075,000 principal amount of County of Bergen Guaranteed Revenue Bonds, Series 2005 (County Administration Complex). These bonds are serial bonds having a final maturity date of November 15, 2026 and interest rates ranging from 4.00% to 5.00%. These bonds are being issued for the purpose of (1) advance refunding all of the New Jersey Economic Development Authority's Lease Revenue Bonds (Bergen County Administration Complex), Series 1998, and (2) paying costs and expenses associated with the issuance of the Bonds. Payment of principal and interest on the Bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen to pay, when due, the principal (including sinking fund installments, if any) and interest on the Bonds.

In November 2005, the Authority issued \$37,985,000 Senior Special Purpose Limited Obligation Revenue Bonds, Series 2005B (EnCap Golf Holdings, LLC Project). The 2005B bonds are special limited obligations of the Authority, the principal, purchase and/or redemption price of and interest on which are payable by the Authority solely from the 2005 A & B Trust Estate, which includes the payments to be made by EnCap Golf Holdings, LLC under a loan agreement dated the date of delivery of the 2005B Bonds. EnCap Golf Holdings, LLC's payment obligations under the 2005B Loan Agreement are (1) as they relate to the payment of the principal, purchase and/or redemption price, if any, on the 2005B Bonds, obligations of the borrower payable from the Series 2005B Bonds pledged rights and revenues, (2) as they relate to the payment of interest on the 2005 B Bonds, obligations of the borrower defined Company Revenues, and (3) as they relate to the payment of administrative expenses. The Payment of principal, purchase price and/or redemption price of or interest on the 2005 B Bonds will be supported by an irrevocable direct pay letter of credit issued in favor of the BCIA Bond Trustee by Wachovia Bank National Association.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**E. Series 2005 Bonds (Continued)**

The Authority also issued \$26,770,000 Subordinate Purpose Limited Obligation Revenue Bonds, Series C and \$38,230,000 Subordinate Special Purpose Limited Obligation Revenue Bonds, Series 2005D (EnCap Golf Holdings, LLC Project). The 2005 C & D Bonds are special, limited obligations of the Authority, the principal, purchase and/or redemption price of and interest on which are payable by the Authority solely from the 2005 C & D Trust Estate, which includes the payments to be made by EnCap Golf Holdings, LLC, a limited liability company established pursuant to the laws of the State of Delaware (the "Borrower"), under a Loan Agreement dated the date of delivery of the 2005 C & D Bonds (the "2005 C & D Loan Agreement"), by and between the Authority and the Borrower. The Borrower's payment obligations under the 2005 C & D Loan Agreement are (1) as they relate to the payment of principal, purchase and/or redemption price, if any, on the 2005 C & D Bonds, obligations of the Borrower payable from the Series 2005 C & D Bonds pledged rights and revenues, (2) as they relate to the payment of interest on the 2005 C & D Bonds, obligations of the Borrower payable from the hereinafter defined Company Revenues, and (3) as they relate to the payment of administrative expenses, a general obligation of the Borrower. The payment of the principal, purchase and/or redemption price of or interest on each series of the 2005 C & D Bonds will be supported by a corresponding irrevocable, direct pay letter of credit (each, a "Letter of Credit" and together, the "Letters of Credit") issued in favor of the BCIA Bond Trustee by Wachovia Bank, National Association.

Additionally, the Authority issued \$49,136,016 principal amount of County of Bergen Guaranteed Governmental Loan Revenue Bonds consisting of \$24,100,000 Current Interest Bonds (Series 2005A); \$15,316,016 Capital Appreciation Bonds (Series 2005B); and \$9,720,000 Current Interest Bonds (Series 2005C). Proceeds of the Series 2005A, B and C Bonds will be used to provide funds to make loans to certain municipalities which include the Borough of North Arlington, the City of Englewood, and the Borough of Paramus (Borrowers). The Authority has entered into Borrower Purchase Agreements to secure the Borrowers Loans. Pursuant to the Borrower Purchase Agreements, the Authority will purchase a Borrower Bond in the principal amount equal to the loan that the Authority makes to each borrower. Each borrower will be required to make the loan repayments to the Authority pursuant to its Borrower bond. The aggregate of the Loan Repayments made by the Borrowers will be sufficient to enable the Authority to pay the principal or Redemption Price, if any, of and interest on each series of the Bonds. The payment of the principal of (including sinking fund installments, if any) and interest on the Bonds are further secured by the County Guaranty, an unconditional and irrevocable obligation of the County. The County has the power and obligation, if necessary, to cause the levy of ad valorem taxes upon all the taxable property within the County without limitation as to rate or amount for the payment of its obligations under the County Guaranty.

**F. Series 2006 Bonds**

In February, 2006, the BCIA issued \$1,900,000 principal amount of County Guaranteed Revenue Bonds (Bergen Performing Arts Center Project) Series 2006. The bonds are serial bonds having a final maturity date of January 1, 2014 and an interest rate of 3.98%. The bonds were issued to permanently finance, on behalf of Bergen Performing Arts Center, Inc., a New Jersey non-profit corporation, the financing of the acquisition and improvements to the property formerly known as the John Harms Center for the Performing Arts located at 30 North Van Brunt Street in the City of Englewood, County of Bergen, New Jersey and to pay the costs of issuance with respect to the bonds.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**F. Series 2006 Bonds (Continued)**

In March 2006, the Authority issued \$22,905,000 principal amount of County Guaranteed Governmental Loan Bonds, Series 2006. The bonds bear interest at various rates between 3.5% and 5.00% and have a final maturity of September 1, 2030.

The Series 2006 Bonds were issued to provide funds to make a loan to the Township of Saddle Brook in the County of Bergen, New Jersey for the purpose of (1) permanently financing the principal and interest on \$21,050,000 bond anticipation notes of the township maturing March 15, 2006; (2) providing for various capital improvements; (3) providing funds for the payment of capitalized interest on the 2006 bonds through September 1, 2006; and (4) paying certain costs of issuance on the 2006 Bonds.

To evidence its obligation to repay such loan, the Township will issue and deliver to the Authority \$22,905,000 principal amount of its General Obligation Bonds, Series 2006 (the "Borrower Bond"). Payment of the principal of (including sinking fund payments, if any) and interest on the 2006 Bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

Additionally, in June of 2006, the Authority issued \$2,900,000 principal amount of County Guaranteed Governmental Loan Bonds, Series 2006. The bonds bear interest at a rate of 5.00% and have a final maturity of December, 2031.

These bonds were issued to provide funds to permanently finance the bonds of the Township of Lyndhurst, County of Bergen, New Jersey, which were issued simultaneously with the Governmental Loan Bonds. The bonds will be issued to finance the construction of a shared services building between the Township of Lyndhurst and the Lyndhurst Board of Education, as well as other capital improvement projects. The Township issued bonds and sold the bonds directly to the Authority. The Authority funded the purchase through the sale of Governmental Loan Bonds.

The Governmental Loan Bonds are secured by the general obligation payments of the Township of Lyndhurst pursuant to the Township of Lyndhurst's Bond. Payments of principal and interest on the Governmental Loan Bonds are fully, unconditionally and irrevocably guaranteed by the County of Bergen, New Jersey.

**G. Series 2007 Bonds**

In May 2007, the Authority issued \$31,855,000 principal amount of County of Bergen Guaranteed Revenue Bonds, Series 2007A and \$33,955,000 County of Bergen Guaranteed Revenue Bonds, Series 2007B. The Series 2007A and 2007B Bonds were issued to make a loan to the Bergen County Utilities Authority for the purpose of financing (1) the current refunding of \$31,235,000 principal amount of the Bergen County Utilities Authority's 1997 Water Pollution Control System Revenue Bonds, Series A which are callable on June 15, 2007 (the "2007A Project"); (2) the current refunding of \$35,455,000 principal amount of the Authority's 1998 Water Pollution Control System Revenue Bonds, Series A on a forward delivery basis, which bonds are callable on December 15, 2007 (the "2007B Project"); and (3) the payment of certain costs of issuing the Bonds.

To evidence its obligation to repay such loan, the Bergen County Utilities Authority will issue and deliver to the Authority \$31,855,000 principal amount of its 2007 Water Pollution Control System Revenue Refunding Bonds, Series A and \$33,955,000 principal amount of its 2007 Water Pollution Control System Revenue Refunding Bonds, Series B (Forward Delivery). Simultaneously, with the issuance of the Bergen County Utilities Authority Revenue Refunding Bonds, the Bergen County Utilities Authority and the Authority entered into a loan agreement dated May 1, 2007. Payment of the principal and interest on the Bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**G. Series 2007 Bonds (Continued)**

In October 2007, the Authority issued \$9,900,000 Tax-Exempt Educational Facilities Revenue Bonds (Teaneck Community Charter School Project), Series 2007. The Bonds are being issued to make a loan to Friends of Teaneck Community Charter School, Inc., a New Jersey not for profit corporation, for financing (1) the acquisition of land, renovating and equipping an existing building, located in the Township of Teaneck, County of Bergen, State of New Jersey; (2) funding a debt service reserve fund with respect to the Bonds; (3) providing certain working capital requirements for the project and capitalized interest, and (4) paying certain costs of issuance.

Simultaneously with the issuance of the Bonds, the Authority and the Borrower will enter into a Loan Agreement dated as of October 1, 2007. Payment of the principal of (including sinking fund payments, if any) and interest on the Bonds are further secured by a note, in the principal amount of \$9,900,000.

**H. Series 2008 Bonds**

In April 2008, the Authority issued \$29,600,000 principal amount of County of Bergen Guaranteed Revenue Bonds (the Bergen County Utilities Authority Capital Project Financing), Series 2008. The bonds were issued to make a loan to Bergen County Utilities Authority for the purpose of financing (i) the cost of various improvements to the Bergen County Utilities Authority water pollution control system; (ii) capitalized interest on the bonds; and (iii) the payment of certain costs of issuing the bonds.

To evidence its obligation to repay such loan, the Bergen County Utilities Authority has issued and delivered to the Bergen County Improvement Authority \$29,600,000 principal amount of its 2008 Water Pollution Control System Revenue Bonds. Simultaneously with the issuance of the Bergen County Utilities Authority Bonds, the Bergen County Utilities Authority and the Authority entered into a Loan Agreement setting forth the rights and obligations of the parties thereto. Payment of the principal and interest on the Bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

**I. Series 2009 Bonds**

In February 2009, the Authority issued \$7,095,000 principal amount of County of Bergen Guaranteed Governmental Loan Revenue Bonds. The bonds are serial bonds that bear interest at various rates between 2.00% and 4.11% and have a final maturity of August 15, 2024. These bonds were issued to provide funds to make a loan to the Northwest Bergen County Utilities Authority to (1) finance various improvements to the Northwest Bergen County Utilities Authority's sewer system; (2) fund capitalized interest on the Series 2009 Bonds; and (3) pay certain costs of issuance of the Series 2009 Bonds. The Series 2009 Bonds will be payable from and are secured by payments made on Revenue Bonds of the Northwest Bergen County Utilities Authority. The Northwest Bergen County Utilities Authority Bonds will be sold to the Authority pursuant to a Bond Purchase Agreement entered into between the Bergen County Improvement Authority and the Northwest Bergen County Utilities Authority. As additional security for the Series 2009 Bonds, payment of the principal and interest on the Series 2009 Bonds is fully, unconditionally and irrevocably guaranteed by the County of Bergen, New Jersey

In June 2009, the Authority issued \$26,944,000 principal amount of County of Bergen Guaranteed Loan Revenue Bonds, Series 2009A. The bonds are serial bonds that bear interest at various rates between 1.50% and 5.00% and have a final maturity of August 15, 2024.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**I. Series 2009 Bonds (Continued)**

The Bonds are being issued to provide funds to make loans to the Borough of Fairview in the County of Bergen, New Jersey ("Fairview"), the Borough of Little Ferry in the County of Bergen, New Jersey ("Little Ferry"), the Borough of Upper Saddle River in the County of Bergen, New Jersey ("Upper Saddle River"), the Village of Ridgefield Park in the County of Bergen, New Jersey ("Ridgefield Park"), the Borough of Edgewater in the County of Bergen, New Jersey ("Edgewater"), the Haworth Board of Education in the Borough of Haworth, County of Bergen, New Jersey ("Haworth BOE"), and the Borough of Rutherford in the County of Bergen, New Jersey ("Rutherford" and together with Fairview, Little Ferry, Upper Saddle River, Ridgefield Park, Edgewater and Haworth BOE, the "Borrowers") to (i) refund certain outstanding bonds of Fairview, Little Ferry, Upper Saddle River, Ridgefield Park, Edgewater and Haworth BOE; (ii) finance certain projects in Edgewater and Rutherford; and (iii) pay certain costs of issuance of the Bonds and Borrower Bonds.

The Bonds constitute direct and special obligations of the Authority and are secured only by those revenues of the Authority which are derived by the Authority from the loan repayments (the "Loan Repayments") made by the Borrowers pursuant to the general obligation bond of each Borrower purchased by the Authority pursuant to each bond Purchase Agreement between the Authority and each Borrower, to evidence each respective loan from the Authority to such Borrower. The Loan Repayments made pursuant to the Borrower Bonds are pledged by the Authority for the payment of the principal of, redemption premium, if any, and interest on the Bonds.

The Bonds are further secured by a full, irrevocable and unconditional guaranty from the County of Bergen, New Jersey to pay, when due, the principal of and interest on the Bonds. The County has the power and the obligation to cause the levy of ad valorem taxes upon all taxable property within the County without limitation as to rate or amount for the payment of its obligations under the County Guaranty.

In November of 2009, the Authority issued \$10,200,000 Revenue Bonds (Yeshivat Noam, Yeshiva of Bergen County, Inc. Project), Series 2009. The Bonds are initially issued in a single denomination of \$10,200,000. The bond is dated November 9, 2009 and has a final maturity of November 1, 2034.

The Bonds are issued for the purpose of (1) refinancing existing debt which was originally incurred to finance or refinance costs of the acquisition, construction, renovation and equipping of certain of the Borrower's facilities located in the Borough of Paramus and the Borough of Bergenfield, County of Bergen and State of New Jersey; and (2) to fund costs of issuance of the Bonds. The Authority, the Borrower and TD Bank, N.A. (the "Purchaser"), have entered into a Bond Agreement dated as of November 1, 2009 (the "Agreement") providing, among other things, for the making of a loan (the "Loan") to the Borrower in order to finance the Project. The Authority, the Borrower and the Purchaser have also executed the Authority's Assignment dated November 9, 2009 (the "Assignment"), pursuant to which the Authority has assigned to the Purchaser, as security for the payment of the Bonds, certain of its rights under the Agreement (subject to the Authority's Reserved Rights) and the other loan documents executed by the Borrower in conjunction with the Agreement, which are made a part of the record of proceedings (the "Loan Documents").

The Series 2009 Bonds are secured by a Mortgage and Security Agreement dated November 9, 2009 from the Borrower to the Authority, creating a lien upon the Borrower's interest in the premises and certain other collateral.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**J. Series 2010 Bonds**

In March of 2010, the Authority issued \$20,555,000 County Secured Lease Revenue Bonds, Series 2010 (Bergen County Community College Building Project). The Bonds consist of \$5,335,000 County Secured Lease Revenue Bonds, Series 2010A and \$15,220,000 County Secured Lease Revenue Bonds, Series 2010B. The Bonds have a final maturity of June 1, 2040 and pay interest semiannually on June 1 and December 1 of each year commencing June 1, 2010.

The Bonds are being issued to provide funds for various improvements to the facilities of The Bergen Community College including (1) the acquisition, reconstruction, alteration and renovation of a building in the Township of Lyndhurst, New Jersey to be used as a satellite campus for the College and for financing other capital projects of the College; and (2) the payment of certain costs of issuance of the Bonds.

The Bonds constitute special obligations of the Authority and are secured primarily by revenues derived by the Authority from rentals to be paid by the Bergen Community College pursuant to a lease agreement by and between the Authority and the College dated as of March 1, 2010.

As additional security for the Bonds, payment of principal and interest on the Bonds is fully, unconditionally and irrevocably guaranteed by the County of Bergen, New Jersey pursuant to a guaranty resolution adopted on August 12, 2009 by the County. The County guarantee shall remain in effect until the Bonds have been paid in full.

In April of 2010, the Authority issued \$17,000,000 County of Bergen Guaranteed Revenue Bonds, Series 2010 (East Rutherford Project). The Bonds bear interest at various rates between 2.00% and 5.00% and have a final maturity of June 1, 2039.

The Bonds are being issued to make a loan to the Borough of East Rutherford in the County of Bergen, New Jersey for the purpose of financing the cost associated with the construction of a new police headquarters and municipal court building for use by the Borough and the acquisition of all materials and equipment and completion of all work related thereto, and to fund certain costs associated with the issuance of the Bonds.

To evidence its obligation to pay such loan, the Borough will issue and deliver to the Authority \$17,000,000 principal amount of its General Obligation Bonds which the Borough shall be obligated to levy ad valorem taxes upon all taxable property within the Borough for the payment of principal and interest on the Borough Bonds.

Payment of the principal of and interest on the Authority Bonds are further secured by a full, unconditional and irrevocable guarantee of the County of Bergen, New Jersey.

In April of 2010, the Authority issued \$30,165,000 Governmental Loan Revenue Bonds, Series 2010. The Bonds bear interest at various rates between 2.00% and 5.00% payable February 15 and August 15 of each year commencing February 15, 2011 and have a final maturity of 2025.

The Series 2010 Bonds are being issued to provide funds to make loans to the Borough of Closter, the Borough of Fort Lee and the Borough of Oradell to (1) finance general improvements of the borrowers; (2) refinance certain outstanding bond anticipation notes of the borrowers; and (3) pay certain costs of issuance of the Series 2010 Bonds.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**J. Series 2010 Bonds (Continued)**

The Series 2010 Bonds will be payable and are secured by payments made on general obligation bonds of each of the borrowers. The Borrower Bonds will be sold to the Authority pursuant to separate Bond Purchase Agreements entered into between the Authority and each of the borrowers. The Borrower Bonds shall be direct and general obligations of each of the Borrowers payable from ad valorem taxes levied upon all the taxable property within the jurisdiction of each borrower.

As additional security for the Series 2010 Bonds, payment of the principal and interest on the Series 2010 Bonds is fully, unconditionally and irrevocably guaranteed by the County of Bergen, New Jersey which shall remain in effect until the Series 2010 Bonds have been paid in full.

In December 2010, the Authority issued \$18,765,000 Revenue Bonds, Series 2010 (Kean University Foundation, Inc. Project). The Bonds have a final maturity of December 1, 2039 and pay interest semiannually on June 1 and December 1 of each year at various rates between 2.125% and 5.375%.

The Bonds are being issued to (1) fund a loan to Kean University Foundation, Inc. that will be used to pay 50% of the costs of construction of an academic building on the campus of Ocean County College in Toms River, New Jersey to be jointly used by Kean University; (2) fund a portion of the debt service reserve fund; (3) fund a portion of the capitalized interest on the Bonds; and (4) pay the costs of issuance of the Series 2010 Bonds.

The Authority and the Foundation have entered into a Loan Agreement, dated as of December 1, 2010, pursuant to which the Authority will lend the proceeds of the Series 2010 Bonds to the Foundation for the purpose of paying (a) fifty percent (50%) of the Costs of the Project (as defined in the Bond Resolution), and (b) costs of issuing the Series 2010 Bonds. The Project shall be constructed on portion of an approximately 34 acre site owned by the County College. The Foundation and the County College have entered into a Ground Lease, dated as of September 21, 2010, whereby the Foundation will lease fifty percent (50%) of the Building Footprint from the County College.

The Foundation and the County College have entered into the Gateway Building Ownership and Operating Agreement, dated as of September 21, 2010 (the "Operating Agreement"), governing the construction, ownership and operation of the Gateway Building, which provides that each party will finance fifty percent (50%) of the costs associated with the construction of the Gateway building, and any other costs incurred for the Project, and each party will own a fifty percent (50%) interest in the Gateway Building. Operating costs and related improvements of the Gateway Building, will be equally aid by the County College and the Foundation. The Foundation will lease its interest in the Gateway Building to the University pursuant to a Lease Agreement, dated as of September 21, 2010, as amended and restated (collectively, the "Lease Agreement"), as permitted by the Operating Agreement. Payments by the University to the Foundation under the Lease Agreement, and the contingent guaranty thereunder, shall be sufficient to cover the debt service payments for the Series 2010 Bonds and operating costs. Both the Lease Agreement and the Ground Lease will be assigned to the Authority as additional security for the 2010 Bonds. In addition, a Ground Leasehold Mortgage and Assignment of Lease, dated as of December 1, 2010 (the "Mortgage") will be granted by the Foundation to the Authority to secure the Foundation's obligations under the Loan Agreement.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**K. Series 2011 Bonds**

In July 2011, the Authority issued \$2,800,000 County of Bergen Guaranteed Revenue Bonds, Series 2011 (Bergen County Community Action Partnership, Inc. Project). The Bonds bear interest at various rates between 2.00% and 4.625% and have a final maturity of December 1, 2034.

The Bonds are being issued to make a loan to the Bergen County Community Action Partnership, Inc., a New Jersey non-profit corporation, for the purpose of (1) permanently financing the costs of construction and expansion of a Head Start facility located at the Borrower's Garfield, New Jersey site, including all necessary materials, improvements, appurtenances, and site work related thereto; (2) paying the costs of the construction and upgrading of certain classroom facilities located in Garfield, New Jersey site, for occupational and educational training, including all necessary materials, improvements, appurtenances, and site work related thereto; and (3) paying the costs of issuance with respect to the issuance and sale of the 2011 Bonds.

To purchase its obligation to repay such 2011 loan, the Borrower and the Authority will enter into a Trust Amendment to Loan Agreement dated as of August 1, 2011.

**L. Series 2012 Bonds**

In May 2012, the Authority issued \$19,410,000 County Guaranteed Loan Refunding Revenue Bonds, Taxable Series 2012 (Pooled ERI Unfunded Liability Project – Federally Taxable). The Bonds bear interest at various rates between .430% and 3.259% and have a final maturity of September 15, 2023.

The Refunding Bonds are being issued to provide funds to make a loan to the County of Bergen, New Jersey (the "County") and certain municipalities and school districts in the County (together with the County, the "Series 2012 Local Units") (i) to fund an escrow the proceeds of which are to be used for the purpose of advance refunding a portion of the Authority's County Guaranteed Governmental Loan Revenue Bonds, Taxable Series 2003A (Pooled ERI Unfunded Liability Project) originally issued in the aggregate principal amount of \$31,210,000 (the "Refunded Bonds"), which Refunded Bonds were issued to provide funds to make loans to the Series 2012 Local Units to raise funds sufficient to retire the present value of the Series 2012 Local Units' respective unfunded accrued liability for early retirement incentive benefits previously granted by the State to each Series 2012 Local Unit, and (ii) to pay certain of the costs of issuance of the Refunding Bonds and the Series 2012 Local Unit Refunding Bonds (as hereinafter defined).

The Refunding Bonds will be payable from and are secured by payments made on general obligation refunding bonds of each of the Series 2012 Local Units (each a "Series 2012 Local Unit Refunding Bond" and, collectively, the "Series 2012 Local Unit Refunding Bonds"). The Series 2012 Local Unit Refunding bonds will be sold to the Authority pursuant to separate Bond Purchase Agreements entered into between the Authority and each of the Series 2012 Local Units. The Series 2012 Local Unit Refunding Bonds shall be direct and general obligations of each of the Series 2012 Local Units.

In August 2012, the Authority issued \$18,450,000 County Guaranteed School District Revenue Bonds (Fort Lee Board of Education Project) Series 2012. The Bonds bear interest at various rates between 1.25% and 4.00% and have a final maturity of December 1, 2031.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**L. Series 2012 Bonds (Continued)**

The proceeds thereof will be used to make a loan to the Board of Education of the Borough of Fort Lee, in the County of Bergen, a school district of the State of New Jersey, for the purpose of (i) financing the School Project; and (ii) paying the costs of issuance with respect to the issuance and sale of the 2012 Bonds.

To evidence its obligation to repay such 2012 Loan, the Borrower and the Authority will enter into a Loan Agreement, dated as of August 16, 2012, setting forth the rights and obligations of the parties thereto. In order to secure and evidence its payment obligations under the Loan Agreement, the Borrower has delivered or will deliver, to secure the repayment obligation under the Loan Agreement, its general obligation bond under which it irrevocably pledges its full faith and credit for the payment of the principal of and interest on the Board Bond, which Board Bond is additionally secured by the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

In August 2012, the Authority issued \$14,970,000 County Guaranteed Refunding Bonds (Englewood Board of Education Refunding Project) Series 2012. The Bonds bear interest at various rates between 1.50% and 5.00% and have a final maturity of April 1, 2024.

The Refunding Bonds are being issued to: (i) advance refund and redeem \$15,360,000 of the Authority's County of Bergen Guaranteed School District Revenue Bonds, Series 2004 (Englewood City Board of Education Project) maturing on April 1 in the years 2015 through 2024, inclusive, which 2004 Refunded Bonds are callable on April 1, 2014; and (ii) pay certain costs and expenses incidental to the issuance, sale and delivery of the Refunding Bonds. The principal of and interest on the Refunding Bonds shall be secured by the pledge of the Trust Estate (as defined in the Bond Resolution) by the Authority to the Trustee, which Trust Estate shall include, among other things: a portion of the loan payments made by the Board of Education of the City of Englewood, in the County of Bergen, New Jersey, pursuant to an Amended and Restated Loan Agreement, dated as of September 6, 2012 by and between the Authority and the Board of Education, which Loan Payments are secured by a General Obligation Bond issued by the Board of Education to the Authority dated July 14, 2004, as amended on the date of delivery of the Refunding Bonds. Payment of the School District Bond shall be made from the levy of ad valorem taxes upon all the taxable property within the jurisdiction of the School District, without limitation as to rate or amount, and which Loan Payments shall be assigned by the Authority to the Trustee for the payment of the principal (including sinking fund payments, if any) of and interest on the Refunding Bonds in accordance with the terms of the Bond Resolution and the Amended and Restated Loan Agreement.

In August 2012, the Authority issued \$10,515,000 of County Guaranteed Refunding Revenue Bonds, Series 2012 (Fair Lawn Community Center, Inc. Project). The Bonds bear interest at various rates between 1.50% and 5.00% and have a final maturity of September 15, 2034.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**L. Series 2012 Bonds (Continued)**

The Refunding Bonds are being issued to (i) advance refund \$10,115,000 outstanding principal amount of County of Bergen Guaranteed Revenue Bonds, Series 2004 (Fair Lawn Community Center, Inc. Project) maturing on September 15, in the years 2015 through 2021, inclusive, 2025 and 2034 (the "Refunded Bonds"); and (ii) pay certain costs of issuing the Refunding Bonds. The Refunded Bonds were issued to make a loan to the Fair Lawn Community Center, Inc. for the purpose of financing (a) the construction and equipping of an approximately 42,000 square foot recreational and community center, located in the Borough of Fair Lawn, New Jersey; and (b) the payment of certain costs of issuing the Refunded Bonds. To evidence its obligation to repay such loan and secure the Refunding Bonds, the Borrower and the Authority will enter into a First Amendment to Loan Agreement dated as of September 1, 2012, setting forth the rights and obligations of the parties thereto. The Borough will make payments under the First Amendment to Lease Agreement dated as of September 1, 2012 between the Borough and the Borrower in amounts sufficient to enable the Borrower to meet its payment obligations under the Amended Loan Agreement. Payment of the principal of (including sinking fund payments, if any) and interest on the Refunding Bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

**NOTE 9 LONG-TERM DEBT**

**COUNTY GUARANTEED TAXABLE PROJECT BONDS, SERIES 2000**

On March 7, 2000, the Authority issued County Guaranteed Taxable Project Bonds, Series 2000, in the amount of \$28,000,000 with a maturity date of March 15, 2017, with interest rates ranging from 7.17% to 7.87%. The proceeds of the Bonds were used to pay Project Notes in the amount of \$27,000,000 which matured on March 16, 2000. These notes were originally issued for the purpose of acquiring a leasehold interest in the Hospital.

In addition to the above, proceeds were used to finance the cost of acquisition and construction of various capital improvements to the Hospital, to provide working capital for the Authority (including amounts in respect of certain reductions in Medicaid payments attributable to previous Medicaid overpayments), and to provide for the cost of issuance.

The Authority has entered into a revenue collection and disbursement agreement with Chase Manhattan Bank (Chase) dated March 15, 2000. The agreement provides that the annual lease payment received from the Manager, as described in Note 10, is deposited with Chase. Chase in turn disburses monthly amounts to: (1) the bond trustee for the payment of the County Guaranteed Taxable Project Bonds, Series 2000, (2) the County of Bergen, and (3) the Authority, in the amounts provided in said agreement.

As of December 31, 2012, the Authority's County Guaranteed Taxable Project Bonds, Series 2000 have been paid in full.



**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 9 LONG-TERM DEBT (Continued)**

**COUNTY GUARANTEED TAXABLE PROJECT BONDS (BERGEN REGIONAL MEDICAL CENTER PROJECT), SERIES 2010 (Continued)**

The maturities of the Series 2010 County Guaranteed Taxable Project Bonds are as follows:

<u>Description</u>	<u>Original Issue Date</u>	<u>Original Issue Amount</u>	<u>Rate(%)</u>	<u>Maturity Date</u>	<u>Maturity Amount</u>	<u>Balance, December 31 2012</u>
Series Bonds	08/05/10	\$ 17,925,000	1.859%	5/15/2013	\$ 2,875,000	
			2.408%	5/15/2014	2,615,000	
			2.658%	5/15/2015	2,700,000	
			3.182%	5/15/2016	2,795,000	
			3.532%	5/15/2017	<u>1,165,000</u>	
						<u>\$ 12,150,000</u>

**COUNTY GUARANTEED TAXABLE REVENUE BONDS (OVERPECK PROJECT), SERIES 2005**

On September 8, 2005, the Authority issued County-Guaranteed Taxable Revenue Bonds, Series 2005, in the amount of \$12,000,000. These bonds have a final maturity date of September 15, 2020 and bear interest rates ranging from 4.80% to 5.375%. The proceeds of the Series 2005 Bonds will be used, together with other available funds to pay: (1) the principal and interest on the Authority's 2004 Notes at maturity and (2) certain costs incidental to the issuance of the Series 2005 Bonds. The 2004 Notes were issued to pay the Authority's 2003 Notes at maturity, the proceeds of which were used to finance a capital improvement program for the Overpeck Project (Described further in Note 12 to the financial statements). The Bonds are direct and special obligations of the Authority payable solely from the revenues (as defined in the Trust Indenture dated as of September 1, 2005 between the Authority and the Trustee. The Bonds are further secured by a full, irrevocable and unconditional guaranty from the County of Bergen, New Jersey.

A summary for the activity for the Authority's County Guaranteed Taxable Revenue Bonds Series 2005 is presented below:

<u>Balance, December 31, 2011</u>	<u>Issued</u>	<u>Refunded/Retired</u>	<u>Balance, December 31 2012</u>
\$ 8,660,000	\$ -	\$ 780,000	\$ 7,880,000

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 9 LONG-TERM DEBT (Continued)**

**COUNTY GUARANTEED TAXABLE REVENUE BONDS (OVERPECK PROJECT), SERIES 2005  
(Continued)**

The maturities of the County Guaranteed Taxable Revenue Bonds (Overpeck Project) are as follows:

<u>Description</u>	<u>Original Issue Date</u>	<u>Original Issue Amount</u>	<u>Rate(%)</u>	<u>Maturity Date</u>	<u>Maturity Amount</u>	<u>Balance, December 31 2012</u>
Series Bonds	09/08/05	\$ 12,000,000	5.375%	9/15/2013	\$ 820,000	
			5.375%	9/15/2014	865,000	
			5.375%	9/15/2015	910,000	
			4.800%	9/15/2016	960,000	
			4.800%	9/15/2017	1,005,000	
			4.850%	9/15/2018	1,055,000	
			4.900%	9/15/2019	1,105,000	
			5.020%	9/15/2020	<u>1,160,000</u>	
						\$ 7,880,000
Increased by:						
		Unamortized Premium				<u>82,377</u>
Net Carrying Amount of Debt						<u>\$ 7,962,377</u>
Current Portion of Bonds Payable						\$ 820,000
Long Term Portion of Bonds Payable						<u>7,142,377</u>
						<u>\$ 7,962,377</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 LONG-TERM DEBT (Continued)**

**Revenue Bonds (Continued)**

Revenue Bonds outstanding at December 31, 2012 and 2011, consist of the following:

	<u>2012</u>	<u>2011</u>
<b><u>General Fund and Bergen Regional Medical Center</u></b>		
\$17,925,000 County Guaranteed Taxable Project Bonds, Series 2010 1.414% to 3.532% due in annual installments of \$1,165,000 to \$2,875,000 on May 15, 2012 to 2017	<u>\$ 12,150,000</u>	<u>\$ 17,925,000</u>
 <u>Analysis of Balance</u>		
General Fund	251,505	371,047
Bergen Regional Medical Center	<u>11,898,495</u>	<u>17,553,953</u>
	<u>\$ 12,150,000</u>	<u>\$ 17,925,000</u>
 <b><u>Overpeck Landfill</u></b>		
\$12,000,000 County Guaranteed Taxable Revenue Bonds, Series 2005 4.80% to 5.375% due in annual installments of \$880,000 to \$1,160,000 on September 15, 2012 to 2020	<u>\$ 7,880,000</u>	<u>\$ 8,660,000</u>

The Authority's schedule of principal and interest requirements for long-term debt issued and outstanding as of December 31, 2012 is as follows:

<u>Year Ending December 31,</u>	<u>Project/Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 3,695,000	\$ 688,889	\$ 4,383,889
2014	3,480,000	586,606	4,066,606
2015	3,610,000	472,745	4,082,745
2016	3,755,000	343,481	4,098,481
2017-2020	<u>5,490,000</u>	<u>559,653</u>	<u>6,049,653</u>
	<u>\$ 20,030,000</u>	<u>\$ 2,651,374</u>	<u>\$ 22,681,374</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 9 LONG-TERM DEBT (Continued)**

**Changes in Long-Term Liabilities**

The Authority's long-term liability activity for the years ended December 31, 2012 and 2011 are as follows:

**General Fund**

<u>2012</u>	Balance, January 1, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	<u>Due Within One Year</u>
Project Bonds	\$ 371,047		\$ (119,543)	\$ 251,504	\$ 59,513
Less: Issuance Discounts	<u>(2,067)</u>	<u>-</u>	<u>345</u>	<u>(1,722)</u>	<u>-</u>
<b>Total Bonds Payable</b>	<b>\$ 368,980</b>	<b>\$ -</b>	<b>\$ (119,198)</b>	<b>\$ 249,782</b>	<b>\$ 59,513</b>

<u>2011</u>	Balance, January 1, <u>2011</u> (Restated)	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	<u>Due Within One Year</u>
Project Bonds	\$ 371,047			\$ 371,047	\$ 119,543
Less: Issuance Discounts	<u>(2,412)</u>	<u>-</u>	<u>\$ 345</u>	<u>(2,067)</u>	<u>-</u>
<b>Total Bonds Payable</b>	<b>\$ 368,635</b>	<b>\$ -</b>	<b>\$ 345</b>	<b>\$ 368,980</b>	<b>\$ 119,543</b>

**Bergen Regional Medical Center**

<u>2012</u>	Balance, January 1, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 17,553,953		\$ (5,655,457)	\$ 11,898,496	\$ 2,815,487
Less: Issuance Discounts	<u>(97,801)</u>	<u>-</u>	<u>16,300</u>	<u>(81,501)</u>	<u>-</u>
<b>Total Bonds Payable</b>	<b>\$ 17,456,152</b>	<b>\$ -</b>	<b>\$ (5,639,157)</b>	<b>\$ 11,816,995</b>	<b>\$ 2,815,487</b>

<u>2011</u>	Balance, January 1, <u>2011</u> (Restated)	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 17,553,953			\$ 17,553,953	\$ 5,655,457
Less: Issuance Discounts	<u>(114,101)</u>	<u>-</u>	<u>\$ 16,300</u>	<u>(97,801)</u>	<u>-</u>
<b>Total Bonds Payable</b>	<b>\$ 17,439,852</b>	<b>\$ -</b>	<b>\$ 16,300</b>	<b>\$ 17,456,152</b>	<b>\$ 5,655,457</b>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 9 LONG-TERM DEBT (Continued)**

**Changes in Long-Term Liabilities (Continued)**

**Overpeck Landfill**

	Balance, January 1, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
2012					
Revenue Bonds	\$ 8,660,000		\$ (780,000)	\$ 7,880,000	\$ 820,000
Plus: Issuance Premiums	<u>93,064</u>	<u>-</u>	<u>(10,687)</u>	<u>82,377</u>	<u>-</u>
Total Bonds Payable	<u>\$ 8,753,064</u>	<u>\$ -</u>	<u>\$ (790,687)</u>	<u>\$ 7,962,377</u>	<u>\$ 820,000</u>
	Balance, January 1, <u>2011</u> (Restated)	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
2011					
Revenue Bonds	\$ 9,400,000		\$ (740,000)	\$ 8,660,000	\$ 780,000
Plus: Issuance Premiums	<u>103,751</u>	<u>-</u>	<u>(10,687)</u>	<u>93,064</u>	<u>-</u>
Total Bonds Payable	<u>\$ 9,503,751</u>	<u>\$ -</u>	<u>\$ (750,687)</u>	<u>\$ 8,753,064</u>	<u>\$ 780,000</u>

**NOTE 10 BERGEN PINES PROJECT**

In 1998, the County of Bergen restructured/repositioned the management, administration, operation and maintenance of Bergen Regional Medical Center, formerly known as Bergen Pines County Hospital (the "Hospital"). Such actions on the part of the County are generally collectively referred to as the "Repositioning Plan".

Prior to the implementation of the Repositioning Plan, the County bore all risks, financial and operational, associated with the Hospital. Studies undertaken by consultants to the County advised that future reimbursement-related risks, together with other operational issues associated with a County-owned and operated healthcare institution, warranted: (i) a transfer of the Hospital to the Authority; and (ii) a contract between the Authority and a private firm for the management and operation of the Hospital by the latter for profit. The Repositioning Plan called for a reallocation of the financial risks, and the potential benefits, associated with the operation of the Hospital, with the private firm assuming virtually all operational risks in exchange for the ability to earn all profits from the operation of the Hospital.

As part of the Repositioning Plan for the Hospital, and under and pursuant to a Lease and Agreement dated as of December 17, 1997 (the "County/BCIA Agreement"), the County, effective as of March 15, 1998:

- (i) Transferred to the Authority the license issued by the State Department of Health and Senior Services ("DOHSS") for the operation of the Hospital,
- (ii) Leased to the Authority the Bergen Pines Real Property and the Bergen Pines Business Assets for a 19 year period, and

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 BERGEN PINES PROJECT (Continued)**

(iii) Assigned to the Authority responsibility, during the Lease Term, for the operation of the Hospital.

As a further part of the Repositioning Plan for the Hospital, and under and pursuant to a Lease and Operating Agreement dated December 17, 1997 (the "BCIA Lease and Operating Agreement"), the Authority in turn (effective as of March 15, 1998):

- (i) Leased the Bergen Pines Real Property and the Bergen Pines Business Assets to Solomon Health Group, LLC ("Solomon"), a private for-profit limited liability company, for a co-terminus 19 year period (the "Lease Term"), and
- (ii) Assigned to Solomon as the "Manager" responsibility, during the Lease Term, for the management, administration, operation and maintenance of the Hospital.

Under the terms of the County/BCIA Agreement and the BCIA Lease and Operating Agreement, Solomon, on a for-profit basis and at its sole cost and expense, assumed the responsibility for the operation of the Hospital, including the responsibility for the maintenance and repair of the facilities and equipment constituting the Bergen Pines Real Property and the Bergen Pines Business Assets, this in exchange for its deriving on account thereof the right to retain all profits from its operation of the Hospital (after paying all expenses, including the payment to the Authority of rent and a reimbursement for certain administrative costs), with the concomitant obligation on the part of Solomon to bear all losses therefrom (except for losses arising out of certain very limited situations involving such things as Manager-proposed reductions in clinical or direct care programs and Manager-proposed reductions in staffing).

Solomon as the Manager, with the approval and consent of the County and the BCIA, entered into a subcontract with the Society of the Valley Hospital, Inc. ("Valley Hospital") with respect to the provision by Valley Hospital of acute care services at the Hospital and a subcontract with Horizon Mental Health Management, Inc. ("Horizon") with respect to the provision by Horizon of psychiatric care and services at the Hospital.

During 2002, the Manager terminated the contract with Valley Hospital. Operation of the acute care services was assumed directly by the Manager.

By an undated Assignment and Guarantor Agreement, effective as of March 15, 1998 between Solomon Bergen Regional Medical Center, LP ("Bergen Regional Partnership") and executed and delivered by each of Solomon and Bergen Regional Partnership sometime after March 15, 1998, (i) Solomon assigned to Bergen Regional Partnership (as "an affiliated entity" formed for profit) all of Solomon's rights and obligations under the BCIA Lease and Operating Agreement, as well as under all Related Agreements, (ii) Bergen Regional Partnership assumed such rights and obligations, and (iii) Solomon agreed to serve as guarantor of the performance by Bergen Regional Partnership of its obligations under the BCIA Lease and Operating Agreement.

Having as lessors ultimately leased the Bergen Pines Real Property and the Bergen Pines Business Assets to Solomon, the County (Under the County/BCIA Agreement) and the BCIA (Under the Authority Lease and Operating Agreement) and have retained ultimate financial responsibility for Capital Improvements at the Hospital, defined in Section 1.1 of the BCIA Lease and Operating Agreement as:

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 10 BERGEN PINES PROJECT (Continued)**

any addition, major repair or replacement, extension, construction or reconstruction of or to a permanent structure facility within the Bergen Pines Real Property of a type not recurring annually or at shorter intervals that (a) is non-consumable in nature; (b) has a useful life of greater than five (5) years; (c) constitutes a permanent part of the Medical Center; (d) is a cost that is properly chargeable to a capital account under general federal income tax principles; and (e) does not constitute a Maintenance, Repair or Replacement Item, the responsibility for which latter items was assumed by Solomon.

Under Sections 2.9 (d) and 2.9 (e) of the BCIA Lease and Operating Agreement, in the event that it is determined that a Capital Improvement will be undertaken, the Authority shall at its option determine either that Solomon (as the Authority's agent) shall undertake and complete the Capital Improvements on behalf of (and at the cost and expense of) the Authority or, alternatively, that the Authority (the lessor) shall itself undertake and complete such Capital Improvements. Under Section 2.9 of the County/BCIA Agreement, the County is ultimately responsible to bear the cost and expense of all Capital Improvements undertaken by the Authority or by the Manager on behalf of (and at the cost and expense of) the Authority.

Under the terms of both the County/BCIA Agreement and the BCIA Lease and Operating Agreement, the Authority holds the license issued by the Department of Health and Senior Services ("DOHSS") for the operation of the Hospital. Because the Authority continues to be the holder of the license and, as the license holder, is interested in insuring (1) that the Manager is financially able to provide quality health care and services to the residents and patients of the Hospital, and (ii) that the "safety net" of health care services provided at the Hospital is strengthened and enhanced, Bergen Regional Partnership (as the successor to Solomon and as the Manager) is obligated to "collect all material amounts due and owing to the BCIA (in its capacity as the license holder) under the invoices" prepared by the Manager, and is "obligated to use its reasonable best efforts to maximize the revenues that it collects on behalf of the BCIA from all revenue sources and to ensure that revenues are collected in a timely manner." In furtherance of that provision, Bergen Regional Partnership (as the successor to Solomon and as the Manager) is, under Section 3.9(I) of the BCIA Lease and Operating Agreement, required to submit in the name of the Hospital:

- (1) Vouchers for reimbursement payments due from Medicaid, Medicare or any successor programs (for residents and patients of the Hospital) to,
- (2) Invoices for payments due from private insurance companies and other payers (for residents and patients of the Hospital) to,
- (3) Invoices for payments due from pension plans and Social Security (for residents and patients of the Hospital) to, the Authority, or at the direction of the Authority.

Although the Authority is entitled to receive all revenues from all revenue sources, the Authority is in turn required to pay over unto Bergen Regional Partnership as the Manager all moneys received by the Authority (as the license holder) as the result of the operation by the Manager of the Hospital, less the State of New Jersey Health Care Subsidy Fund Assessment, as follows:

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**NOTE 10 BERGEN PINES PROJECT (Continued)**

- (1) Under Section 5.1 of the BCIA Lease and Operating Agreement, the Authority is required to pay to Bergen Regional Partnership a Management Fee in the minimum amount of \$9,000,000 per month as compensation for providing the Management Services. If the Management Fee payable by the Authority in any month exceeds the amount of Cash Receipts received by the Authority during such month from whatever source with respect to services provided at the Hospital, then the Management fee payable by the Authority in the following month shall be reduced by an amount equal to such shortfall. If there is such a shortfall, the Authority must borrow an amount equal to such shortfall in accordance with N.J.S.A. 40A:5A-13. No Notes are presently outstanding and
- (2) Under Section 5.2 of the BCIA Lease and Operating Agreement, the Authority is also required to pay to Bergen Regional Partnership as the Manager "any Additional Revenues that are received by the BCIA during any month on or prior to the third (3<sup>rd</sup>) business day of the month following receipt by the BCIA".

As the ultimate recipient from the Authority of all Cash Receipts (in the form of the Management Fee and all Additional Revenues) derived from the operation by Bergen Regional Partnership of the Hospital, Bergen Regional Partnership (as the lessee of the Bergen Pines Real Property and the Bergen Pines Business Assets) is in turn also required to pay rent to the Authority in the form of:

- (1) Fixed Annual Rent (the original annual amount was \$5,200,000 and the same is escalating annually at 50% of the annual percentage increases in the CPI). Fixed Annual Rent for 2012 and 2011 was \$6,715,630 and \$6,963,502, respectively. The Fixed Annual Rent is payable in twelve (12) equal monthly installments during each calendar year. These payments must be received by the Authority before any payment to the Manager and are used to pay the debt service related to the Project debt and the Authority's operating costs associated with the Hospital, with any residual amount remaining transferred to the County.
- (2) Additional Rent on account of "payments in lieu of taxes, real property taxes (if applicable), assessments for public improvements and benefits, levies licenses, permit and inspection fees and all other charges imposed by any Governmental Body or other entity (extraordinary, foreseen or unforeseen)."

Through the present date, neither Solomon nor Bergen Regional Partnership has been required to pay any Additional Rent to the BCIA; and, although Section 2.4 additionally provides that "the amount of Fixed Annual rent shall be deducted from the Management Fee payable by the BCIA to the Manager", practice followed by the Authority on the one hand and Solomon or Bergen Regional Partnership on the other hand has been for the Authority to turn over to Solomon or Bergen Regional Partnership all Cash Receipts derived by the Authority from the operation by either of them of the Hospital, and for Solomon or Bergen Regional Partnership in turn to pay not only (i) all expenses arising out of the operation by it of the Hospital, but also (ii) rent to the Authority in the form of Fixed Annual Rent, which Solomon or Bergen Regional Partnership has been paying in monthly installments through checks in favor of the Authority.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 10 BERGEN PINES PROJECT (Continued)**

The only other annual payment which Solomon was or Bergen Regional Partnership is (out of all Cash Receipts received by either from the Authority) required to make to the Authority arises under Section 9.29 which required the Manager "to make an annual (reimbursement) payment to the BCIA to be utilized by the BCIA for costs incurred in the administration and implementation of this Agreement", such payment to be in the amount of at least \$100,000, but no more than \$300,000. Under a letter agreement dated April 6, 2001, the Manager agreed to pay and has (as of April 9, 2001) paid the BCIA an additional \$200,000 on account of 2000 (bring the aggregate amount of reimbursements for 2000 to \$300,218), the BCIA agreed to waive all CPI adjustments for any period prior to December 31, 2000, and the parties agreed to amend and the parties amended Section 9.29 (by a Second Supplement, dated as of April 9, 2001, to the BCIA Lease and Operating Agreement) so as to cause the Manager to make, for the calendar year 2001 and each and every subsequent full calendar year during the Lease Term, annual payments to the BCIA in the amount of \$300,000 each on account of the BCIA's administration and implementation of the BCIA Lease and Operating Agreement, with CPI adjustments (at 50% of increases in the CPI) to apply to all payments required to be made on account of 2001 and all future years or parts thereof.

Under the terms of the BCIA Lease and Operating Agreement:

- (1) Solomon and/or Bergen Regional Partnership have (from the March 15, 1998 Commencement Date and through December 31, 2012) received all moneys derived from their operation (in the exercise by them of "unconditional authority to manage and control all phases of the operation, maintenance and administration") of the Hospital "at the Manager's expense",
- (2) Solomon and/or Bergen Regional Partnership have borne all expenses in connection with their operation of the Hospital (including the expenses of rent),
- (3) The only moneys derived by the Authority (from the March 15, 1998 Commencement Date through December 31, 2012) be under the terms of the BCIA Lease and Operating Agreement are moneys received on account of Fixed Annual Rent and on account of a reimbursement for administrative costs incurred by the Authority, and
- (4) Solomon did not have, and Bergen Regional Partnership does not have, any obligation to share with the Authority any of the profits derived by either as the operator, or by any of their respective subsidiaries or affiliates as a result of their participation in the operation, of the Hospital.

As the for-profit independent contractor operator of the Hospital, Bergen Regional Partnership has, under Section 8.3 of the BCIA Lease and Operating Agreement, agreed to:

"indemnify, save harmless and defend the Authority and its respective officers, commissioners/members, employees and agents (the "BCIA Indemnified Parties") from and against any and all liabilities, claims, penalties, forfeitures, suits and the costs and expenses incidental thereto (including costs of defense, settlement and reasonable attorney's fees), which the BCIA Indemnified Parties may hereafter incur, become responsible for, or pay out as a result of:

- (1) Death or bodily injuries to any person,
- (2) Destruction or damage to any property or

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 10 BERGEN PINES PROJECT (Continued)**

- (3) Any violation of governmental laws, regulations or orders relating to or which is caused, in whole or in part,
- a. By the Managers, its employees, agents or subcontractors performance or failure to perform its obligations under the provisions of this Agreement or
  - b. By any negligent act or omission of the Manager, its employees, agents or subcontractors in the performance of this Agreement.”

The Authority has received a Promissory Note from the Manager for a working Capital Loan of \$6,000,000. The working capital loan is non-interest bearing to March 14, 2006. After that date, interest accrues at 50% of the CPI increase from the prior year's CPI. Principal payments in the amount of \$500,000 each were made on the 14<sup>th</sup> day of March 2007 through 2011, with an additional balloon payment of \$3,500,000 received on March 14, 2012.

Under Section 4.2(a) of the Authority Lease, the Manager had originally been required to post with the Authority a \$20,000,000 Operating Performance Bond so that, upon any “Event or Default”, the Authority could, in its discretion, draw upon said Bond. In accordance with the provisions of Section 9 of the Settlement Agreement among the Authority, the County and the Manager dated November 2003, a new Section 4.2(b) of the Authority Lease was added to Article IV (entitled “Security Provision”) of the Authority Lease. Under New Section 4.2(b), the Authority agreed to require the Manager to maintain a minimum of \$25,000,000 in accounts receivable. If the balance falls below the limit, the Authority has the right to require additional collateral.

In accordance with the provisions of Section 4.3(a) of the Authority Lease, the Manager has also provided the Authority with an Operating Period Line of Credit (the “Line of Credit”). The Line of Credit, originally in the amount of \$10,000,000 was increased to \$13,000,000 on September 28, 2003. The current Line of Credit expired on September 27, 2011. The Line of Credit may be drawn upon “from time to time and if necessary, to provide funds in support of satisfying the obligations of the Manager to provide Management Services.”

Neither the Performance Bond nor the Line of Credit has ever been drawn upon by the Authority or the Manager; and the Authority has never had any reason to resort to its security interest in the \$25,000,000 escrow fund referred to above, which it received in lieu of the Performance Bond.

**NOTE 11 FUTURE CAPITAL PROJECTS**

Certain types of capital projects of the Hospital will be the responsibility of the County or the Authority, under the terms of the Lease Agreement. Various capital projects are presently in progress funded by appropriations of the County. The Authority has engaged a Construction Manager to oversee all the capital projects at the Hospital. Additionally, a reserve is being established which is being contributed to by both the County and the Manager to finance certain joint projects in the future. Project requests for the year 2013 are being prepared by the Hospital for review by the Authority and the County.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 12 LITIGATION**

The Authority is party to various legal proceedings which normally occur in governmental operations. The Authority Attorney, Bruinooge & Associated, has reported in accordance with Financial Accounting Standards No. 5 the following:

1. **Matthew P. McHale v. Bergen County Improvement Authority, et al.**, United States District Court, District of New Jersey, Civil Action 2:11-cv-02159

Plaintiff filed a Verified Complaint and Jury Demand on April 15, 2011, which Complaint has been amended three times. The action arises out of an employment contract dispute. Plaintiff Matthew P. McHale alleges that a contract naming him to the position of Executive Director of the Bergen County Improvement Authority was unlawfully terminated by the BCIA. Despite the plethora of state and federal claims, sounding in both contract and tort, the allegations in the Third Amended Complaint revolve around two events, which occurred over a sixty-day period of time in late 2010/early 2011.

On September 4, 2012, answers were filed by defendants, the BCIA, the County of Bergen and County Executive Kathleen Donovan. The matter was aggressively defended, with discovery close to completion as of December 31, 2012. A motion for summary judgment was filed by the BCIA on April 29, 2013. On July 8, 2013, a settlement conference was held before United States Magistrate Judge Madelyn Cox Arleo, and the parties were able to reach an agreement on settlement terms, as follows:

- A. All of Plaintiff's claims against the Defendants, County Executive and the County of Bergen be dismissed, with prejudice and without costs;
- B. The BCIA adopt a resolution at its regularly scheduled meeting on July 11, 2013, agreeing to a settlement of the Action by payment to Plaintiff Matthew P. McHale of the sum of Two Hundred Thousand Dollars (\$200,000) (the "Settlement Proceeds"), in full settlement of any and all claims of Plaintiff Matthew P. McHale against the BCIA and the commissioners and former commissioners individually-named, in exchange for a General Release and a Stipulation of Dismissal With Prejudice And Without Costs;
- C. Upon the adoption of the requisite resolution(s) by the BCIA, the Plaintiff to execute a general release in favor of the BCIA and the commissioners and former commissioners individually-named in the Action, forever relinquishing any and all claims of whatsoever nature and kind which the Plaintiff had, has or may have against the BCIA and its past and present Commissioners, whereupon the parties (including any named defendants previously dismissed without prejudice) to execute a Stipulation of Dismissal With Prejudice And Without Costs. Said Stipulation and release to be in a form acceptable to the BCIA's General Counsel. Plaintiff to also execute releases in favor of the County Executive and the County of Bergen in a form acceptable to counsel for the County Executive and County of Bergen; and

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**NOTE 12 LITIGATION (Continued)**

- D. The BCIA to deliver the Settlement Proceeds to Plaintiff's attorney, Gerald Krovatin, Esq., upon confirmation of the following:
- 1) The BCIA's receipt of the aforementioned general releases executed by Plaintiff; and
  - (2) The BCIA's receipt and filing with the US District Court of the aforementioned Stipulation of Dismissal With Prejudice And Without Costs, which shall be executed by Plaintiff's attorney and the attorneys for all defendants, including any defendants previously dismissed from the Action by the Plaintiff without prejudice.

On July 11, 2013, the BCIA adopted Resolution 13-67, wherein the Commissioners agreed to the tentative settlement on the above terms. On July 17, 2013, the Court entered an order dismissing the case as settled, with prejudice, subject to the right, upon good cause shown within sixty (60) days, to reopen the action if the settlement is not consummated. On August 7, 2013, the Bergen County Board of Chosen Freeholders adopted a resolution approving the settlement.

On September 13, 2013, the BCIA and other defendants filed Stipulations of Dismissal with Prejudice with the Court, effectively concluding the matter. Thereafter, on September 17, 2013, plaintiff McHale executed and delivered the form of General Release, as agreed to by all parties. Copies of the settlement documents (Stipulations of Dismissal and General Release) were provided to the Bergen County Self-Insurance Fund, as administered by Bergen Risk Managers, which issued a settlement check in the amount of \$200,000. The settlement check was delivered to this office on September 20, 2013, and was forwarded to plaintiff's attorney on that date. The form of release executed by the individually-named Commissioners will be obtained by October 10, 2013.

**2. Estate of David McDermott, et al v. County of Bergen, et al., Superior Court of New Jersey, Bergen County, docket No. BER-L 2303-12.**

The Complaint & Jury Demand with Affidavit of Merit was filed on March 20, 2012. The BCIA filed an answer with cross-claims for indemnification on July 9, 2012. On April 19, 2013, the Court entered an order dismissing the claims against the defendants Solomon Healthcare Group, LLC, Solomon Health Management, LLC d/b/a Solomon Health Services, LLC and Solomon Health Group.

The action arises out of an alleged wrongful death which occurred at the Bergen Regional Medical Center. On January 4, 2011, David McDermott was admitted into the psychiatric ward for alleged depression and suicidal "issues". On January 30, 2011, while still a patient at the Medical Center, Mr. McDermott committed suicide by hanging himself. The plaintiffs have filed a Statement of Damages in the amount of \$10 million.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 12 LITIGATION (Continued)**

On March 13, 2013, defendant Bergen Regional Medical Center, LP ("BRMCLP") agreed to defend, indemnify and save harmless the BCIA. However, BRMCLP has not agreed to reimburse the BCIA for legal fees and costs in the amount of \$9,607.92, which were incurred by the BCIA prior to BRMCLP agreeing to indemnify it. Consequently, the cross-claim filed by the BCIA against BRMCLP was not withdrawn.

On April 9, 2013, the County of Bergen served a demand upon the BCIA that the BCIA defend, indemnify and hold the County harmless in the action.

The deposition of Kathy McDermott (the decedent's wife) took place on April 9, 2013. Discovery is proceeding. Defendant County of Bergen has filed a motion to extend the discovery end date of November 17, 2103. That motion is returnable October 11, 2013.

The matter is being vigorously defended.

3. **Borough of Paramus v. County of Bergen, et al.**, Tax Court of New Jersey, Docket Nos. 011397-2008, 000531-2009, 000623-2010, 001563-2011, 001939-2012 and 001543-2013

The Borough of Paramus has filed a series of complaints in the Tax Court commencing 2008 through 2013, which challenge the tax-exempt status of County-owned property, designated as Lot 1 in Block 6402 and Lot 1 (qualifier x) in Block 6402, commonly known as the Bergen Regional Medical Center (the "BRMC Campus"). The BRMC Campus is leased to the BCIA by the County of Bergen, with the BCIA holding a license to operate the 1,200 bed facility for acute, long term and psychiatric care. The leased land and buildings are occupied and operated under a 19 ½ year Lease and Operating Agreement with Bergen Regional Medical Center, LP ("BRMCLP").

BRMCLP, the for-profit operator of the hospital, has subleased approximately 14,000 sf of space in one portion or another of the facility to various third-party service providers. The municipal tax assessor has identified/designated the area subleased as "Qualifier X" on the Borough's tax records, with an assessed value set at \$572,400, based upon the square footage leased to certain third-party service providers. The Borough alleges that BRMCLP's subleases negate the property's tax-exempt status and cause the entire site to be taxable real property. The County of Bergen owns the property, which it leases to the BCIA. The hospital facility is the subject of a Lease and Operating Agreement (the "LOA") between Solomon Health Group and BRMCLP, as its assignee (collectively the "Manager") and the BCIA. The County of Bergen, the BCIA and the Manager are all named defendants in the Tax Court action.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 LITIGATION (Continued)**

The County and the BCIA filed a cross-claim seeking indemnification from BRMCLP for real estate taxes triggered by the operator's sublet of hospital facilities for a private use; costs and expenses (including attorneys fees) incidental to such tax liability; and cost of defense and attorneys fees resulting from the private use by BRMCLP's sublessees. The County and the BCIA assert that the private use violates the LOA, triggering the Manager's obligation to indemnify the BCIA under section 8.1 of the LOA, which requires the Manager to indemnify the BCIA for all liabilities (including attorneys' fees) incurred as a result of a violation of governmental laws relating to or caused by the Manager's, its employees or subcontractors failure to perform its obligations under the LOA.

In February 2013, New Jersey Tax Court Judge Christine Nugent rendered a decision on Dockets 2008 to 2010 relative to the parties' cross-motions for summary judgment. The Court ruled that the nature of the subleased space would be determined at trial, the outcome of which would determine the property as either wholly or partially tax exempt or taxable. Settlement discussions with the Borough preserving the cross-claim for indemnification against defendant BRMCLP continues. As of the date of this letter, the County, the BCIA and BRMCLP continue to discuss a Waiver Agreement and Consent Order which would dismiss, without prejudice, the cross-claims in the Tax Court matters, and permitting the reassertion of them in the pending action entitled Bergen County Improvement Authority v. Bergen Regional Medical Center, L.P., et al. (see No.2, above).

**NOTE 13 CONTRIBUTIONS**

Various expenses are paid by the County of Bergen on behalf of the Hospital including capital improvements which are recorded as capital contributions and medical insurance costs applicable to retired employees which are recorded as operating contributions. Capital and operating contributions recorded in the Hospital Fund for the years ended December 31, 2012 and 2011 are \$7,125,217 and \$3,547,254, respectively. Additionally, the County of Bergen is reimbursing the Authority for expenses in connection with the Bergen Equestrian Center and the development of the Overpeck Landfill. These reimbursements are recorded as Bergen County Contributions in the Overpeck Landfill Fund.

**NOTE 14 RELATED PARTY TRANSACTIONS**

As discussed in Note 4, the Authority entered into a lease and agreement for Bergen Pines County Hospital, now known as the Bergen Regional Medical Center, with the County, and a lease and operating agreement for Bergen Pines County Hospital, now known as the Bergen Regional Medical Center, with Solomon Health Group, LLC. These agreements require the Authority to provide certain administrative and financial services in conjunction with the implementation of these agreements. The County provides personnel to act on behalf of the Authority in fulfillment of the obligations undertaken by the Authority pursuant to these agreements. During 2012 and 2011, the Authority reimbursed the County \$70,854 and \$178,693, respectively, for these personnel services.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 14 RELATED PARTY TRANSACTIONS (Continued)**

In addition, the County provides office space and various administrative services to the Authority. The County and the Authority have agreed that the Authority pay the cost for such services. For 2012 and 2011, the cost was \$50,000 and \$50,000, respectively.

The County, which is a provider of Class II governmental Nursing Facilities, entered into an Intergovernmental Transfer Agreement (“IGT”) with the State Treasurer of New Jersey to participate in a program of intergovernmental transfers during the years 2000 through 2003 for the purpose of increasing federal financial assistance in the State’s Medicaid program. The County has not had an IGT Transaction since 2003.

The funds that County Nursing Facilities providers receive as reimbursement for the services provided to Medicaid beneficiaries, come partly from the State and partly from the Federal government, and intergovernmental transfers may be used as a means of partially satisfying the State’s share of Medicaid costs.

The County entered into the Agreement in order to provide additional Medical Assistance payments to qualifying County Nursing Facilities providers that participate in the Medicaid program. All expenses of these issuances including interest are paid for by the State of New Jersey.

During 2004, the County of Bergen has transferred the responsibility for implementing the operation of the Bergen County Equestrian Center to the Bergen County Improvement Authority. During 2012, the Authority transferred the responsibility for the operation of the Bergen County Equestrian Center back to the County of Bergen – Parks Division.

Additionally, the County of Bergen, through a grant agreement with the Bergen County Improvement Authority, has transferred the responsibility for implementing the closure and redevelopment of the Overpeck County Park Landfill to the BCIA.

**NOTE 15 OVERPECK COUNTY PARK DEVELOPMENT AGREEMENT**

The County of Bergen owns Overpeck County Park, which had been a municipal sanitary landfill from 1952 to 1975. Four hundred acres of the site remain undeveloped. The site was conveyed to the County by the Village of Ridgefield Park, Township of Teaneck, Borough of Leonia, Borough of Palisades Park and City of Englewood for the purpose of development as a public park. The site to be developed includes land in Ridgefield park, Teaneck, Leonia, and Palisades Park.

The County entered into an amended final judgement on October 1, 2002 that requires the redevelopment of portions of the site by September 30, 2009. The natural forces of erosion have caused the site to deteriorate. It is necessary to close the landfill under present D.E.P. requirements to develop the park facilities in the future.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 15 OVERPECK COUNTY PARK DEVELOPMENT AGREEMENT (Continued)**

The County had, by letter dated March 20, 2003, indicated to the BCIA its desire that the BCIA take on the responsibility, on behalf of the County, of engaging in such landfill operations at the Site of the Project as will ultimately enable the BCIA, on behalf of the County, to improve, further and promote the recreational attractiveness of the County through the planning, acquisition, construction, improvement, maintenance and operation, at the Site of the Project, of facilities for the recreation and entertainment of the citizens of the County.

By resolution dated March 31, 2003 (Resolution No. 03-19), the BCIA has authorized and directed its commissioners and officers, for and on behalf of the BCIA, to take such action, and to execute and deliver in the name of the BCIA such documents, as may be necessary or appropriate to cause the BCIA to undertake on behalf of the County the responsibility for such landfill redevelopment operations at the Site.

In connection with the BCIA's undertaking the Project at the Site, the BCIA will be required to retain professionals and/or contractors to provide bank stabilization; to install such environmental monitoring and control devices as may be necessary to close the former landfill; to provide wetlands mitigation as required; to obtain and deposit beneficially reusable material on Site and grade the same in accordance with the requirements of the Amended Final Judgment; to develop active and passive park facilities at the Site for use by the public; and to obtain all Federal, State and Local permits and approvals that may be required for the completion of such tasks.

In order to enable the BCIA to undertake the responsibilities of the County under the Amended Final Judgment, including the issuance of bonds that may be required in order to finance the closing of the landfill in accordance with law, the County and the BCIA entered into an agreement dated June 20, 2003 entitled "Overpeck County Park Development Agreement", a copy of which is on file with the BCIA.

**NOTE 16 DEFERRED LANDFILL LICENSING RIGHTS AND OTHER COSTS**

As described in Note 15, the County has transferred the responsibility for the closure and redevelopment of the landfill to the Authority through the Overpeck County Park Development Agreement between the County and the Authority. As part of this agreement, the BCIA has issued bonds and notes in the amount of \$12,000,000 which are cross-collateralized by the County of Bergen.

Pursuant to the Agreement, the BCIA has paid \$8,500,000 to the County as a licensing fee payment. The balance of the funds will be used for expenses relating to the project including but not limited to professional fees, licensing and permitting costs and costs of bond issuance.

In 2005, the Authority began accepting fill in the landfill and is now amortizing these deferred costs based on the landfill's use. The amount of amortization of deferred landfill licensing rights and other costs reported in 2012 is \$9,809,380 and in 2011 is \$9,809,380 based on an estimated volume of cubic yards received of 2,544,897 and a revised total required volume of 2,514,119 cubic yards, as reported by the Authority's engineer. The landfill capping has been completed.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 17 CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the Authority and Bergen County to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure of its entire landfill operations. Although closure and post closure care costs will be paid in the future, the Authority reports a portion of these closure and post closure care costs as an operating expense in each period based on capacity used as of each balance sheet date.

Governmental Accounting Standards Board Statement Number 18 requires the costs associated with the closure of the landfill be recognized based on the landfill's use rather than on the passage of time, using a formula provided by the GASB statement.

An analysis of the cost estimates for the closure and post closure of the landfill was performed. The report, which was received in April of 2008, estimated the total costs of closure to be \$10,800,000 and the estimated post closure cost for thirty years is \$9,800,000. Bergen County has taken the responsibility for direct payment of the post closure costs of \$9,800,000. The remaining costs for the closure accrued through December 31, 2012 were \$191,037. In accordance with GASB No. 18, the Authority has recognized a liability for 2012 of \$191,037.

While the Authority has accrued such expenses as of December 31, 2012, the County of Bergen will be providing the ultimate funding of these costs. On December 20, 2006, the County of Bergen adopted Ordinance 06-35 which provides for a portion of the closure costs. The Authority has recorded a receivable from the County for \$211,234 to recognize their obligation for these costs.

**NOTE 18 AMOUNTS REQUIRED BY BOND RESOLUTION COVENANTS**

Certain restricted funds are required to be on deposit under the provisions of the Authority's bond covenants. The balances required to be on deposit at December 31, 2012 and 2011 are as follows:

	<u>Debt Service Fund</u>			
	<u>General Fund</u>	<u>Bergen Regional Medical Center</u>	<u>Overpeck Landfill</u>	<u>Total</u>
<u>December 31, 2012</u>				
Required Balances	\$ 38,019	\$ 1,798,640	\$ 355,060	\$ 2,191,719
Cash and Investments	<u>38,234</u>	<u>1,808,827</u>	<u>19,322</u>	<u>1,866,383</u>
Excess or (Deficit)	<u>\$ 215</u>	<u>\$ 10,187</u>	<u>\$ (335,738)</u>	<u>\$ (325,336)</u>
 <u>December 31, 2011</u>				
Required Balances	\$ 75,749	\$ 3,583,617	\$ 355,621	\$ 4,014,987
Cash and Investments	<u>37,391</u>	<u>1,768,911</u>	<u>1,240,403</u>	<u>3,046,705</u>
Excess or (Deficit)	<u>\$ (38,358)</u>	<u>\$ (1,814,706)</u>	<u>\$ 884,782</u>	<u>\$ (968,282)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 19 EMPLOYEE RETIREMENT SYSTEMS**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Authority employees who are eligible for pension coverage.

**Public Employees' Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement healthcare coverage.

**Other Pension Funds**

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers (i.e., the Authority) do not appropriate funds to SACT.

The cost of living increase for PERS is funded directly by the respective system but is currently suspended as a result of reform legislation.

According to state law, all obligations of the retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above system, fund, and trust. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at [www.state.nj.us/treasury/pension](http://www.state.nj.us/treasury/pension).

**Basis of Accounting**

The financial statements of the retirement system are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement system. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement system.

**Significant Legislation**

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS operates and to the benefit provisions of that system.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 19 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Significant Legislation (Continued)**

- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**Investment Valuation**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and the Police and Firemen's Retirement System is 77.5 percent and \$11.6 billion, respectively.

The funded status and funding progress of the retirement system includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement system in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
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**NOTE 19 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Actuarial Methods and Assumptions**

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement system. The actuarial assumptions included: (a) a revised investment rate of return for the retirement system from 8.25 percent to 7.95 percent; except for (b) revised projected salary increases which vary by fund (4.52% for PERS).

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% and 5.50% for DCRP of employees' annual compensation.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for PERS, which is a cost sharing multi-employer defined benefit pension plan, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2012, 2011 and 2010, the Authority was required to contribute for normal cost pension contributions, accrued liability pension contributions, and non-contributory life insurance premiums, the following amounts which equaled the required contributions for each year:

<u>Year Ending December 31</u>	<u>PERS</u>	<u>DCRP</u>
2012	\$55,668	None
2011	53,155	None
2010	41,646	None

**NOTE 20 POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System (PERS) to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees eligible for post-retirement medical benefits and the State contributed \$958.9 million on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 20 POST-RETIREMENT BENEFITS (Continued)**

The State is also responsible for the cost attributable to P.L. 1992 Chapter 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2012, the State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members.

**New Jersey State Health Benefits Program**

Plan Description

The Bergen County Improvement Authority contributes to the State health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2002, the Bergen County Improvement Authority authorized participation in the SHBP's post-retirement benefit program through resolution number 02-63. Under the resolution adopted by the Authority, members enrolled in the New Jersey State Health Benefits Program who retire from the Bergen County Improvement Authority with 25 years or more of service in the State of New Jersey pension system; retire on an approved disability retirement; or retire upon or after the age of 62 with 15 or more years of service with the Authority are eligible to participate in the SHBP's post-retirement benefit program, which includes surviving spouses and dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/terasury/pensions>.

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Bergen County Improvement Authority on a monthly basis. Currently, all retiree health benefit premiums are paid in full by the Bergen County Improvement Authority allocated 10% to general expenses and 90% to hospital expenses.

The Bergen County Improvement Authority contributions to SHBP for retirees for the years ended December 31, 2012, 2011 and 2010 were \$36,429, \$43,189 and \$25,341, respectively, which equaled the required contributions for each year. There were two retired participants eligible at December 31, 2012, and two eligible employees in 2011 and one eligible employee in 2010.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 21 FEDERAL ARBITRAGE REGULATIONS**

The Authority is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2012 and 2011, the Authority had no estimated arbitrage earnings due to the IRS.

**NOTE 22 OTHER INFORMATION**

**A. Local Finance Board Applications**

The Authority is preparing two applications to the Local Finance Board to issue new conduit debt in connection with the American Dream Project.

**B. New Jersey Unemployment Compensation Insurance**

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. The following is a summary of Authority contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Authority’s expendable trust fund for the current and prior year:

Fiscal Year	Authority	Employee	Amount	Ending
<u>Ending</u>	<u>Contributions</u>	<u>Contributions and Interest</u>	<u>Reimbursed</u>	<u>Balance</u>
2012		\$ 753	\$ 202	\$ 2,558
2011	\$ 28,482	885	28,770	2,007
2010	23,072	2,579	23,324	1,410

**NOTE 23 HURRICANE SANDY**

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Authority has incurred significant costs in the cleanup and recovery from this federal disaster. The Federal Emergency Management Agency (“FEMA”) provides emergency grant assistance (voluntary nonexchange transaction) to help government’s cope with losses. Although the Authority is in the process of applying for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2012. As of December 31, 2012, the Authority has not received any FEMA reimbursements relating to Hurricane Sandy.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 24 RESTATEMENT**

On January 1, 2012, the Authority implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities". The Authority has determined that the effect of implementing these accounting changes on the financial statements previously reported as of and for the year ended December 31, 2011 is as follows:

**General Fund**

**Statement of Net Position - December 31, 2011**

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
<b>ASSETS</b>			
Restricted Current Assets			
Due from Unrestricted Funds	\$ 37,323	\$ -	\$ (37,323)
Total Restricted Current Assets	76,721	39,398	(37,323)
Total Current Assets	3,368,849	3,331,526	(37,323)
Noncurrent Assets			
Deferred Charges			
Original Issue Discount, net	2,067	-	(2,067)
Debt Issuance Costs, net	2,212	-	(2,212)
Total Noncurrent Assets	4,279	-	(4,279)
Total Assets	3,373,128	3,331,526	(41,602)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Refunding of Debt	-	16,245	16,245
Total Deferred Outflows of Resources	-	16,245	16,245
Total Assets and Deferred Outflows of Resources	3,373,128	3,347,771	(25,357)
<b>LIABILITIES</b>			
Unrestricted Current Liabilities			
Due to Restricted Funds	37,323	-	(37,323)
Total Unrestricted Current Liabilities	4,079,763	4,042,440	(37,323)
Noncurrent Liabilities			
Project Bonds Payable	223,900	249,437	25,537
Total Liabilities	4,424,241	4,412,455	(11,786)
<b>NET POSITION</b>			
Investment in Capital Assets,			
Net of Related Debt	(340,199)	(352,735)	(12,536)
Unrestricted	(787,635)	(788,670)	(1,035)
Total Net Position	(1,051,113)	(1,064,684)	(13,571)

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 24 RESTATEMENT (Continued)**

**General Fund (Continued)**

**Statement of Revenues, Expenses and Changes in Net Position - 2011**

	As Originally <u>Reported</u>	As Adjusted	Effect of <u>Change</u>
<b>OPERATING REVENUES</b>			
Miscellaneous	\$ 184,959	\$ 185,556	\$ 597
Total Operating Revenues	184,959	185,556	597
<b>OPERATING INCOME (LOSS)</b>	<b>(199,660)</b>	<b>(199,063)</b>	<b>597</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest Income	2,495	12,401	9,906
Interest Expense	(15,774)	(18,826)	(3,052)
Unemployment Reserve (Net)	597	-	(597)
Amortization of Costs of Issuance, Discounts, Deferred Loss	(5,314)	-	5,314
Total Non-Operating Income (Expenses)	(17,996)	(6,425)	11,571
<b>OTHER FINANCING SOURCES (USES)</b>			
Interest Transfers	9,906	-	(9,906)
Total Other Financing Sources (Uses)	9,906	-	(9,906)
<b>CHANGE IN NET POSITION</b>	<b>(207,750)</b>	<b>(205,488)</b>	<b>2,262</b>
<b>NET POSITION, January 1, 2011</b>	<b>(843,363)</b>	<b>(859,196)</b>	<b>(15,833)</b>
<b>NET POSITION, December 31, 2011</b>	<b>(1,051,113)</b>	<b>(1,064,684)</b>	<b>(13,571)</b>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 24 RESTATEMENT (Continued)**

**Bergen Regional Medical Center**

**Statement of Net Position - December 31, 2011**

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
<b>ASSETS</b>			
Restricted Current Assets			
Due from Unrestricted Funds	\$ 1,765,750	\$ -	\$ (1,765,750)
Total Restricted Current Assets	3,534,661	1,768,911	(1,765,750)
Total Current Assets	36,067,730	34,301,980	(1,765,750)
Noncurrent Assets			
Deferred Charges			
Original Issue Discount, net	97,801	-	(97,801)
Debt Issuance Costs, net	104,656	-	(104,656)
Total Noncurrent Assets	202,457	-	(202,457)
Total Assets	61,167,664	59,199,457	(1,968,207)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Refunding of Debt	-	768,552	768,552
Total Deferred Outflows of Resources	-	768,552	768,552
Total Assets and Deferred Outflows of Resources	61,167,664	59,968,009	(1,199,655)
<b>LIABILITIES</b>			
Unrestricted Current Liabilities			
Due to Restricted Funds	1,765,750	-	(1,765,750)
Total Unrestricted Current Liabilities	28,166,867	26,401,117	(1,765,750)
Noncurrent Liabilities			
Project Bonds Payable	11,141,303	11,800,695	659,392
Total Liabilities	45,012,583	43,906,225	(1,106,358)
<b>NET POSITION</b>			
Investment in Capital Assets,			
Net of Related Debt	8,254,218	8,209,877	(44,341)
Restricted for Bergen Regional Medical Center	-	4,317,246	4,317,246
Unrestricted	4,366,202	-	(4,366,202)
Total Net Position	16,155,081	16,061,784	(93,297)

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 24 RESTATEMENT (Continued)**

**Bergen Regional Medical Center (Continued)**

**Statement of Revenues, Expenses and Changes in Net Position - 2011**

	As Originally Reported	As Adjusted	Effect of Change
<b>OPERATING REVENUES</b>			
Bergen County Contributions	\$ -	\$ 3,547,254	\$ 3,547,254
Total Operating Revenues	203,769,100	207,316,354	3,547,254
<b>OPERATING EXPENSES</b>			
Contributions to Bergen County	-	1,392,422	1,392,422
Depreciation	-	4,803,285	4,803,285
Total Operating Expenses	200,621,094	206,816,801	6,195,707
<b>OPERATING INCOME (LOSS)</b>	<b>3,148,006</b>	<b>499,553</b>	<b>(2,648,453)</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest Income	9,974	68	(9,906)
Interest Expense	(542,255)	(686,648)	(144,393)
Amortization of Leasehold Hospital Improvements	(4,803,286)	-	4,803,286
Amortization of Costs of Issuance, Discounts, Deferred Loss	(159,942)	-	159,942
Total Non-Operating Income (Expenses)	(5,447,401)	(638,472)	4,808,929
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital Contributions	2,094,518	-	(2,094,518)
Operating Contributions	1,452,736	-	(1,452,736)
Interest Transfers	(9,906)	-	9,906
Transfer to Primary Government	(1,392,422)	-	1,392,422
Total Other Financing Sources (Uses)	2,144,926	-	(2,144,926)
<b>CHANGE IN NET POSITION</b>	<b>(154,469)</b>	<b>(138,919)</b>	<b>15,550</b>
<b>NET POSITION, January 1, 2011</b>	<b>16,309,550</b>	<b>16,200,703</b>	<b>(108,847)</b>
<b>NET POSITION, December 31, 2011</b>	<b>16,155,081</b>	<b>16,061,784</b>	<b>(93,297)</b>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 24 RESTATEMENT (Continued)**

**Overpeck Landfill**

**Statement of Net Position - December 31, 2011**

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
<b>ASSETS</b>			
Unrestricted Current Assets			
Due from Restricted Funds	\$ 1,012,903	\$ -	\$ (1,012,903)
Total Unrestricted Current Assets	1,248,770	235,867	(1,012,903)
Total Current Assets	2,489,173	1,476,270	(1,012,903)
Noncurrent Assets			
Deferred Charges			
Debt Issuance Costs, net	82,830	-	(82,830)
Total Noncurrent Assets	82,830	-	(82,830)
Total Assets	2,572,003	1,476,270	(1,095,733)
Total Assets and Deferred Outflows of Resources	2,572,003	1,476,270	(1,095,733)
<b>LIABILITIES</b>			
Restricted Current Liabilities			
Due to Unrestricted Funds	1,012,903	-	(1,012,903)
Unamortized Bond Premium	93,064	-	(93,064)
Total Restricted Current Liabilities	2,014,088	908,121	(1,105,967)
Noncurrent Liabilities			
Project Bonds Payable	7,880,000	7,973,064	93,064
Total Liabilities	10,132,767	9,119,864	(1,012,903)
<b>NET POSITION</b>			
Investment in Capital Assets, Net of Related Debt	(8,798,355)	(8,753,064)	45,291
Restricted for Overpeck Landfill	-	881,970	881,970
Unrestricted	1,010,091	-	(1,010,091)
Total Net Position	(7,560,764)	(7,643,594)	(82,830)

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 24 RESTATEMENT (Continued)**

**Statement of Revenues, Expenses and Changes in Net Position - 2011**

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
<b>OPERATING REVENUES</b>			
Bergen County Contributions	\$ -	\$ 221,209	\$ 221,209
Total Operating Revenues	-	221,209	221,209
<b>OPERATING INCOME (LOSS)</b>	<b>(221,366)</b>	<b>(157)</b>	<b>221,209</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest Expense	(467,445)	(456,758)	10,687
Amortization of Costs of Issuance, Discounts, Deferred Loss	1,175	-	(1,175)
Total Non-Operating Income (Expenses)	(522,814)	(513,302)	9,512
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Contributions	221,209	-	(221,209)
Total Other Financing Sources (Uses)	221,209	-	(221,209)
<b>CHANGE IN NET POSITION</b>	<b>(522,971)</b>	<b>(513,459)</b>	<b>9,512</b>
NET POSITION, January 1, 2011	(7,037,793)	(7,130,135)	(92,342)
NET POSITION, December 31, 2011	(7,560,764)	(7,643,594)	(82,830)

**SUPPLEMENTARY SCHEDULES**

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**COMBINING SCHEDULE OF NET POSITION**  
**AS OF DECEMBER 31, 2012**

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	December 31, 2012
<b>ASSETS</b>					
Unrestricted Current Assets					
Cash and Cash Equivalents	\$ 1,561,632	\$ 26,860,949	\$ 1,332,537	\$ 26,495	\$ 29,781,613
Accounts Receivable (Net)	54,815				54,815
Due from County of Bergen	2,301	341,204		211,234	554,739
Due from General Fund		3,830,663			3,830,663
Due from Bergen Equestrian Center	1,299,938				1,299,938
Due from Overpeck Landfill	41,790	-	-	-	41,790
<b>Total Unrestricted Current Assets</b>	<b>2,960,476</b>	<b>31,032,816</b>	<b>1,332,537</b>	<b>237,729</b>	<b>35,563,558</b>
Restricted Current Assets					
Debt Service Fund					
Cash and Cash Equivalents	38,234	1,808,827		19,322	1,866,383
Construction Fund					
Cash and Cash Equivalents	39	1,842			1,881
Unemployment Trust Fund					
Cash and Cash Equivalents	2,558	-	-	-	2,558
<b>Total Restricted Current Assets</b>	<b>40,831</b>	<b>1,810,669</b>	<b>-</b>	<b>19,322</b>	<b>1,870,822</b>
<b>Total Current Assets</b>	<b>3,001,307</b>	<b>32,843,485</b>	<b>1,332,537</b>	<b>257,051</b>	<b>37,434,380</b>
Noncurrent Assets					
Capital Assets					
Leasehold Improvements		59,626,033			59,626,033
Accumulated Depreciation		(36,231,700)			(36,231,700)
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>23,394,333</b>	<b>-</b>	<b>-</b>	<b>23,394,333</b>
<b>Total Assets</b>	<b>3,001,307</b>	<b>56,237,818</b>	<b>1,332,537</b>	<b>257,051</b>	<b>60,828,713</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Loss on Refunding of Debt	13,537	640,460	-	-	653,997
<b>Total Deferred Outflows of Resources</b>	<b>13,537</b>	<b>640,460</b>	<b>-</b>	<b>-</b>	<b>653,997</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 3,014,844</b>	<b>\$ 56,878,278</b>	<b>\$ 1,332,537</b>	<b>\$ 257,051</b>	<b>\$ 61,482,710</b>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMBINING SCHEDULE OF NET POSITION  
AS OF DECEMBER 31, 2012**

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	December 31, 2012
<b>LIABILITIES</b>					
Current Liabilities (Payable from Unrestricted Assets)					
Accounts Payable	\$ 93,974	\$ 439,009	\$ 591	\$ 75	\$ 533,649
Contracts Payable - Solomon Health Care		26,852,155			26,852,155
Due to County of Bergen			32,008		32,008
Payroll Taxes Payable	36				36
Accrued Liabilities - Landfill Closure/Postclosure				191,037	191,037
Due to Bergen Regional Medical Center	3,830,663				3,830,663
Due to General Fund	-	-	1,299,938	41,790	1,341,728
<b>Total Current Liabilities Payable from Unrestricted Assets</b>	<b>3,924,673</b>	<b>27,291,164</b>	<b>1,332,537</b>	<b>232,902</b>	<b>32,781,276</b>
Current Liabilities (Payable from Restricted Assets)					
Project Bonds Payable	59,513	2,815,487		820,000	3,695,000
Accrued Interest on Bonds	824	38,960	-	115,893	155,677
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>60,337</b>	<b>2,854,447</b>	<b>-</b>	<b>935,893</b>	<b>3,850,677</b>
<b>Total Current Liabilities</b>	<b>3,985,010</b>	<b>30,145,611</b>	<b>1,332,537</b>	<b>1,168,795</b>	<b>36,631,953</b>
Non-Current Liabilities					
Project Bonds Payable (Net)	190,269	9,001,508	-	7,142,377	16,334,154
<b>Total Liabilities</b>	<b>4,175,279</b>	<b>39,147,119</b>	<b>1,332,537</b>	<b>8,311,172</b>	<b>52,966,107</b>
<b>NET POSITION</b>					
Investments in Capital Assets, net of related debt	(236,245)	12,217,798		(7,962,377)	4,019,176
Restricted For:					
Debt Service	37,195	1,759,680		239,167	2,036,042
Bergen Regional Medical Center		3,753,681			3,753,681
Overpeck Landfill					-
Unemployment Trust	2,558				2,558
Unrestricted	(963,943)		-	(330,911)	(1,294,854)
<b>Total Net Position</b>	<b>\$ (1,160,435)</b>	<b>\$ 17,731,159</b>	<b>\$ -</b>	<b>\$ (8,054,121)</b>	<b>\$ 8,516,603</b>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	December 31, 2012
<b>OPERATING REVENUES</b>					
Service Charges - Bergen Regional Medical Center		\$ 202,480,779			\$ 202,480,779
Bergen County Contributions		7,125,217	\$ 206,901	\$ 293,532	7,625,650
Soloman Health Group Lease		6,715,630			6,715,630
Soloman Health Group Oversight		354,028			354,028
Grant Proceeds		297,000	14,340		311,340
Miscellaneous	\$ 358,993	617,179	-	-	976,172
<b>Total Operating Revenues</b>	<b>358,993</b>	<b>217,589,833</b>	<b>221,241</b>	<b>293,532</b>	<b>218,463,599</b>
<b>OPERATING EXPENSES</b>					
Administration					
Salaries and Wages	13,549	297,199	88,781		399,529
Fringe Benefits	5,933	131,052	6,792		143,777
Other Expenses	625,026	90,500		50	715,576
Cost of Providing Services					
Other Expenses		206,982,740	129,964	20,000	207,132,704
Landfill - Other Expenses				268,410	268,410
Reimbursements to Bergen County		2,226,559			2,226,559
Depreciation	-	5,628,322	-	-	5,628,322
<b>Total Operating Expenses</b>	<b>644,508</b>	<b>215,356,372</b>	<b>225,537</b>	<b>288,460</b>	<b>216,514,877</b>
<b>OPERATING INCOME</b>	<b>(285,515)</b>	<b>2,233,461</b>	<b>(4,296)</b>	<b>5,072</b>	<b>1,948,722</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>					
Bond Reserves	197,285				197,285
Interest Income	2,754	9,498	4,296	757	17,305
Interest Income - Hospital Loan		52,450			52,450
Interest Expense	(10,275)	(486,058)		(416,356)	(912,689)
Bad Debt Expense	-	(139,976)	-	-	(139,976)
<b>Total Non-Operating Income (Expenses)</b>	<b>189,764</b>	<b>(564,086)</b>	<b>4,296</b>	<b>(415,599)</b>	<b>(785,625)</b>
<b>CHANGE IN NET POSITION</b>	<b>(95,751)</b>	<b>1,669,375</b>	<b>-</b>	<b>(410,527)</b>	<b>1,163,097</b>
Total Net Position, January 1	(1,064,684)	16,061,784	-	(7,643,594)	7,353,506
Total Net Position, December 31	<b>\$ (1,160,435)</b>	<b>\$ 17,731,159</b>	<b>\$ -</b>	<b>\$ (8,054,121)</b>	<b>\$ 8,516,603</b>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General Fund</u>	<u>Bergen Regional Medical Center</u>	<u>Bergen Equestrian Center</u>	<u>Overpeck Landfill</u>	<u>December 31, 2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Customers		\$202,480,779			\$202,480,779
Cash Received from Bergen County		6,869,248	\$ 240,493	\$ 293,532	7,403,273
Cash Received from Bergen Regional Medical Center	\$ 127,821				127,821
Cash Received from Soloman Health Group		7,069,658			7,069,658
Cash Received from Grants		297,000	14,340		311,340
Cash Received from Miscellaneous Fees	335,563				335,563
Cash Received from PSE&G		617,179			617,179
Cash Paid to Bergen County		(2,311,794)			(2,311,794)
Cash Paid to General Fund		(127,821)			(127,821)
Cash Paid to Suppliers and Others	(868,895)	(205,016,326)	(166,510)	(294,237)	(206,345,968)
Cash Paid to Employees	(13,549)	(297,199)	(88,781)	-	(399,529)
Net Cash Provided by Operating Activities	<u>(419,060)</u>	<u>9,580,724</u>	<u>(458)</u>	<u>(705)</u>	<u>9,160,501</u>
<b>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</b>					
Proceeds from Bond Reserves	197,285				197,285
Principal from Hospital Loan Repayment		3,500,000			3,500,000
Principal Payments on Bonds	(119,543)	(5,655,457)		(780,000)	(6,555,000)
Acquisition of Capital Assets		(5,153,858)			(5,153,858)
Interest from Hospital Loan Repayment		52,450			52,450
Interest Paid on Bonds	(7,433)	(351,662)	-	(439,270)	(798,365)
Net Cash Used for Capital and Related Financing Activities	<u>70,309</u>	<u>(7,608,527)</u>	<u>-</u>	<u>(1,219,270)</u>	<u>(8,757,488)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received	2,754	9,498	4,296	757	17,305
Net Cash Provided by Investing Activities	<u>2,754</u>	<u>9,498</u>	<u>4,296</u>	<u>757</u>	<u>17,305</u>
Net Increase in Cash and Cash Equivalents	(345,997)	1,981,695	3,838	(1,219,218)	420,318
Cash and Cash Equivalents, January 1	1,948,460	26,689,923	1,328,699	1,265,035	31,232,117
Cash and Cash Equivalents, December 31	<u>\$ 1,602,463</u>	<u>\$ 28,671,618</u>	<u>\$ 1,332,537</u>	<u>\$ 45,817</u>	<u>\$ 31,652,435</u>
<b>ANALYSIS OF BALANCE AT DECEMBER 31</b>					
Unrestricted - Cash and Cash Equivalents	\$ 1,561,632	\$ 26,860,949	\$ 1,332,537	\$ 26,495	\$ 29,781,613
Restricted - Cash and Cash Equivalents	40,831	1,810,669	-	19,322	1,870,822
	<u>\$ 1,602,463</u>	<u>\$ 28,671,618</u>	<u>\$ 1,332,537</u>	<u>\$ 45,817</u>	<u>\$ 31,652,435</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	December 31, 2012
Operating Income	\$ (285,515)	\$ 2,233,461	\$ (4,296)	\$ 5,072	\$ 1,948,722
Adjustments to Reconcile Operating Income to Net Cash					
Provided by (Used for) Operating Activities:					
Provision for Uncollectible Accounts		(139,976)			(139,976)
Depreciation		5,628,322			5,628,322
(Increase)/Decrease in Accounts Receivable	(22,934)	139,976			117,042
(Increase)/Decrease in Due from Bergen County	(496)	(341,204)	2,409	-	(339,291)
(Increase)/Decrease in Due from General Fund		141,418			141,418
(Increase)/Decrease in Due from Bergen Equestrian Ctr.	7,652				7,652
Increase/(Decrease) in Accounts Payable	23,756	(13,485)	(22,927)	(5,777)	(18,433)
Increase/(Decrease) in Contracts Payable - Soloman Health Care		1,932,212			1,932,212
Increase/(Decrease) in Due to Bergen County			32,008		32,008
Increase/(Decrease) in Due to General Fund			(7,652)		(7,652)
Increase/(Decrease) in Due to Bergen Reg. Med. Ctr.	(141,418)				(141,418)
Increase/(Decrease) in Payroll Taxes Payable	(105)	-	-	-	(105)
Total Adjustments	(133,545)	7,347,263	3,838	(5,777)	7,211,779
Net Cash Provided by Operating Activities	<u>\$ (419,060)</u>	<u>\$ 9,580,724</u>	<u>\$ (458)</u>	<u>\$ (705)</u>	<u>\$ 9,160,501</u>
<b>Noncash Investing, Capital and Financing Activities</b>					
Purchase of Capital Assets on Account		255,969			255,969
Original Issue Discount	345	16,300			16,645
Original Issue Premium				(10,687)	(10,687)
Deferred Loss on Refunding	2,708	128,092			130,800

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2011)

	2012 <u>Budget</u>	2012 <u>Actual</u>	Variance Excess (Deficit)	2011 <u>Actual</u>
<b>OPERATING REVENUES</b>				
Annual Administration Fees	\$ 193,500	\$ 329,353	\$ 135,853	\$ 155,999
Prior Year Administration Fees	51,431	31,881	(19,550)	268,589
Other	<u>68,450</u>	<u>29,640</u>	<u>(38,810)</u>	<u>28,960</u>
Total Operating Revenues	<u>313,381</u>	<u>390,874</u>	<u>77,493</u>	<u>453,548</u>
<b>NON-OPERATING REVENUES</b>				
Bond Reserves		197,285	197,285	
Interest on Investments and Deposits	<u>2,400</u>	<u>2,754</u>	<u>354</u>	<u>2,495</u>
Total Non-Operating Revenues	<u>2,400</u>	<u>200,039</u>	<u>197,639</u>	<u>2,495</u>
Total Revenues	<u>\$ 315,781</u>	<u>\$ 590,913</u>	<u>\$ 275,132</u>	<u>\$ 456,043</u>
<b>OPERATING APPROPRIATIONS</b>				
<b>ADMINISTRATION</b>				
Salaries and Wages	\$ 12,394	13,549	\$ (1,155)	19,434
Fringe Benefits	7,703	5,933	1,770	8,629
Other Expenses	<u>221,168</u>	<u>625,026</u>	<u>(403,858)</u>	<u>356,556</u>
Total Administration	<u>241,265</u>	<u>644,508</u>	<u>(403,243)</u>	<u>384,619</u>
<b>NON-OPERATING APPROPRIATIONS</b>				
Principal Payments on Debt	47,093	119,543	(72,450)	39,847
Interest Payments on Debt	<u>7,254</u>	<u>7,433</u>	<u>(179)</u>	<u>16,348</u>
Total Non-Operating Appropriations	<u>54,347</u>	<u>126,976</u>	<u>(72,629)</u>	<u>56,195</u>
<b>ACCUMULATED DEFICIT</b>	<u>20,169</u>	<u>20,169</u>	<u>-</u>	<u>466,558</u>
Total Appropriations	<u>315,781</u>	<u>791,653</u>	<u>(475,872)</u>	<u>907,372</u>
<b>Total Budgetary Income (Loss) - Balance forward</b>	<u>\$ -</u>	<u>\$ (200,740)</u>	<u>\$ (200,740)</u>	<u>\$ (451,329)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**BUDGETARY BASIS**  
**(With Comparative Amounts for the Year Ended December 31, 2011)**

	<u>2012</u> <u>Budget</u>	<u>2012</u> <u>Actual</u>	Variance Excess (Deficit)	<u>2011</u> <u>Actual</u>
Total Budgetary Income (Loss) - Brought forward		\$ (200,740)		\$ (451,329)
<b>Reconciliation of Budgetary Income to</b>				
<b>Change in Net Position - GAAP</b>				
Increases to Budgetary Income:				
Interest Income Transfer - Bergen Regional Medical Center				9,906
Principal Paid on Bonds Payable		119,543		39,847
Accrued Interest Payable - Net		211		575
Unemployment Reserve Realized as GAAP Revenue				597
Accumulated Deficit Budgetary Charge		20,169		466,558
Decreases to Budgetary Income:				
Prior Year Receivables - Administration Fees		(31,881)		(268,589)
Interest Expense - Original Issue Discount		(345)		(345)
Interest Expenses - Deferred Loss on Refunding of Debt		<u>(2,708)</u>		<u>(2,708)</u>
<b>Changes in Net Position - GAAP</b>		<u>\$ (95,751)</u>		<u>\$ (205,488)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**BERGEN REGIONAL MEDICAL CENTER**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**BUDGETARY BASIS**  
**(With Comparative Amounts for the Year Ended December 31, 2011)**

	2012 <u>Budget</u>	2012 <u>Actual</u>	Variance Excess (Deficit)	2011 <u>Actual</u>
<b>OPERATING REVENUES</b>				
Service Charges - Bergen Regional Medical Center	\$ 108,000,000	\$ 202,480,779	\$ 94,480,779	\$ 196,015,419
Bergen County Contributions to Operating Costs		1,715,390	1,715,390	1,452,736
Soloman Health Group Lease	6,231,000	6,715,630	484,630	7,390,357
Soloman Health Group Oversight	360,000	354,028	(5,972)	363,324
Grant Proceeds		297,000	297,000	
Miscellaneous Fees	-	617,179	617,179	-
Total Operating Revenues	<u>114,591,000</u>	<u>212,180,006</u>	<u>97,589,006</u>	<u>205,221,836</u>
<b>NON-OPERATING REVENUES</b>				
Interest on Investments and Deposits	25,000	9,498	(15,502)	9,974
Interest Income - Hospital Loan	45,000	52,450	7,450	48,108
Principal - Hospital Loan	<u>3,500,000</u>	<u>3,500,000</u>	<u>-</u>	<u>500,000</u>
Total Non-Operating Revenues	<u>3,570,000</u>	<u>3,561,948</u>	<u>(8,052)</u>	<u>558,082</u>
Total Revenues	<u>118,161,000</u>	<u>215,741,954</u>	<u>97,580,954</u>	<u>205,779,918</u>
<b>OPERATING APPROPRIATIONS</b>				
<b>ADMINISTRATION</b>				
Salaries and Wages	247,347	297,199	(49,852)	283,899
Fringe Benefits	148,249	131,052	17,197	110,418
Other Expenses	<u>653,168</u>	<u>90,500</u>	<u>562,668</u>	<u>182,964</u>
Total Administration	<u>1,048,764</u>	<u>518,751</u>	<u>530,013</u>	<u>577,281</u>
<b>COST OF PROVIDING SERVICES</b>				
Salaries and Wages	47,902		47,902	
Fringe Benefits	29,771		29,771	
Other Expenses:				
Professional Fees		686,377	(686,377)	523,295
Pastoral Care		200,160	(200,160)	152,329
Interlocal Agreement with Bergen County - Lease of Hospital Assets		1,900,034	(1,900,034)	1,900,034
Contract-Management of Hospital Operations to Soloman Health Group, LLC	110,000,034	201,129,759	(91,129,725)	194,683,575
State of New Jersey Health Care Subsidy		1,351,020	(1,351,020)	1,331,844
Health Benefits for Retirees	<u>-</u>	<u>1,715,390</u>	<u>(1,715,390)</u>	<u>1,452,736</u>
Total Cost of Providing Services	<u>110,077,707</u>	<u>206,982,740</u>	<u>(96,905,033)</u>	<u>200,043,813</u>
<b>NON-OPERATING APPROPRIATIONS</b>				
Principal Payment on Debt	5,727,908	5,655,457	72,451	1,885,153
Interest Payment on Debt	343,181	351,662	(8,481)	569,453
Contributions to Bergen County	<u>-</u>	<u>2,226,559</u>	<u>(2,226,559)</u>	<u>1,392,422</u>
Total Non-Operating Appropriations	<u>6,071,089</u>	<u>8,233,678</u>	<u>(2,162,589)</u>	<u>3,847,028</u>
Total Appropriations	<u>117,197,560</u>	<u>215,735,169</u>	<u>(98,537,609)</u>	<u>204,468,122</u>
<b>Total Budgetary Income - Balance Forward</b>	<u>\$ 963,440</u>	<u>6,785</u>	<u>\$ (956,655)</u>	<u>1,311,796</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**BERGEN REGIONAL MEDICAL CENTER**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2011)

	2012 <u>Budget</u>	2012 <u>Actual</u>	Variance Excess (Deficit)	2011 <u>Actual</u>
Total Budgetary Income - Brought forward		\$ 6,785		\$ 1,311,796
<b>Reconciliation of Budgetary Income to Change in Net Position - GAAP</b>				
Increases to Budgetary Income:				
Bergen County Contribution to Capital Costs		5,409,827		2,094,518
Principal Paid on Bonds Payable		5,655,457		1,885,153
Accrued Interest Payable - Net		9,996		27,197
Decreases to Budgetary Income (Loss):				
Interest Income Transfer - General Fund				(9,906)
Interest Expense - Original Issue Discount		(16,300)		(16,300)
Interest Expense - Deferred Amounts on Refunding of Debt		(128,092)		(128,092)
Principal Repayment - Hospital Loan		(3,500,000)		(500,000)
Depreciation		(5,628,322)		(4,803,285)
Bad Debt Expense		(139,976)		-
<b>Changes in Net Position - GAAP</b>		<u>\$ 1,669,375</u>		<u>\$ (138,919)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**BERGEN EQUESTRIAN CENTER**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2011)

	2012 <u>Budget</u>	2012 <u>Actual</u>	Variance Excess (Deficit)	2011 <u>Actual</u>
<b>OPERATING REVENUES</b>				
Bergen County Contributions	\$ 233,639	\$ 206,901	\$ (26,738)	\$ 371,872
Grant Proceeds		14,340	14,340	
Other	-	-	-	5,073
Total Operating Revenues	<u>233,639</u>	<u>221,241</u>	<u>(12,398)</u>	<u>376,945</u>
<b>NON-OPERATING REVENUES</b>				
Interest on Investments and Deposits	-	4,296	4,296	5,843
Total Non-Operating Revenues	-	4,296	4,296	5,843
Total Revenues	<u>\$ 233,639</u>	<u>\$ 225,537</u>	<u>\$ (8,102)</u>	<u>\$ 382,788</u>
<b>OPERATING APPROPRIATIONS</b>				
<b>ADMINISTRATION</b>				
Salaries and Wages		88,781	\$ (88,781)	152,965
Fringe Benefits	-	6,792	(6,792)	11,011
Total Administration	-	95,573	(95,573)	163,976
<b>COST OF PROVIDING SERVICES</b>				
Other Expenses	211,000	129,964	81,036	218,812
Total Cost of Providing Services	<u>211,000</u>	<u>129,964</u>	<u>81,036</u>	<u>218,812</u>
<b>ACCUMULATED DEFICIT</b>				
Total Appropriations	<u>233,639</u>	<u>225,537</u>	<u>8,102</u>	<u>382,788</u>
<b>Total Budgetary Income</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**OVERPECK LANDFILL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**BUDGETARY BASIS**  
**(With Comparative Amounts for the Year Ended December 31, 2011)**

	2012 <u>Budget</u>	2012 <u>Actual</u>	Variance Excess (Deficit)	2011 <u>Actual</u>
<b>OPERATING REVENUES</b>				
Bergen County Contributions	\$ -	\$ 293,532	\$ 293,532	\$ 221,209
Total Operating Revenues	<u>-</u>	<u>293,532</u>	<u>293,532</u>	<u>221,209</u>
<b>NON-OPERATING REVENUES</b>				
Interest on Investments and Deposits	<u>-</u>	<u>757</u>	<u>757</u>	<u>2,006</u>
Total Non-Operating Revenues	<u>-</u>	<u>757</u>	<u>757</u>	<u>2,006</u>
Total Revenues	<u>\$ -</u>	<u>\$ 294,289</u>	<u>\$ 294,289</u>	<u>\$ 223,215</u>
<b>OPERATING APPROPRIATIONS</b>				
<b>ADMINISTRATION</b>				
Other Expenses	<u>-</u>	<u>50</u>	<u>(50)</u>	<u>157</u>
Total Administration	<u>-</u>	<u>50</u>	<u>(50)</u>	<u>157</u>
<b>COST OF PROVIDING SERVICES</b>				
Other Expenses	<u>-</u>	<u>288,410</u>	<u>(288,410)</u>	<u>221,209</u>
Total Cost of Providing Services	<u>-</u>	<u>288,410</u>	<u>(288,410)</u>	<u>221,209</u>
<b>NON-OPERATING APPROPRIATIONS</b>				
Principal Payments on Debt	780,000	780,000	-	740,000
Interest Payments on Debt	<u>439,271</u>	<u>439,271</u>	<u>-</u>	<u>479,046</u>
Total Non-Operating Appropriations	<u>1,219,271</u>	<u>1,219,271</u>	<u>-</u>	<u>1,219,046</u>
Total Appropriations	<u>1,219,271</u>	<u>1,507,731</u>	<u>(288,460)</u>	<u>1,440,412</u>
<b>Total Budgetary Income (Loss)</b>	<u>\$ (1,219,271)</u>	<u>\$ (1,213,442)</u>	<u>\$ 5,829</u>	<u>\$ (1,217,197)</u>

**Reconciliation of Budgetary Income to  
Change in Net Position - GAAP**

Increases to Budgetary Income:			
Principal Paid on Bonds Payable		780,000	740,000
Accrued Interest Payable - Net		12,228	11,601
Interest Expense - Original Issue Premium		10,687	10,687
Decreases to Budgetary Income:			
Bad Debt Expense		<u>-</u>	<u>(58,550)</u>
<b>Changes in Net Position - GAAP</b>		<u>\$ (410,527)</u>	<u>\$ (513,459)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**

**ROSTER OF OFFICIALS**

**AS OF DECEMBER 31, 2012**

Authority Board Members

Position

Philip E. Wilson	Commissioner – Chairman
Kenneth Corrocan	Commissioner – Vice Chairman
Louis D'Arminio, Esq.	Commissioner
Thomas E. Mason, Jr., Esq.	Commissioner
Elizabeth Randell, Esq.	Commissioner
Robert S. Garrison	Executive Director
Mauro Raguseo	Deputy Executive Director
Alfred Dispoto	Chief Financial Officer
Thomas H. Bruinooge, Esq.	General Counsel

**GOVERNMENT AUDITING STANDARDS**

**AND**

**SINGLE AUDIT**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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DONNA L. JAPHET, CPA, PSA  
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CINDY JANACEK, CPA, RMA  
EDWARD N. KERE, CPA  
LORI T. MANUKIAN, CPA, PSA  
MARK SACO, CPA

## 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

### INDEPENDENT AUDITOR'S REPORT

Honorable Chairperson and Commissioners  
Bergen County Improvement Authority  
One Bergen County Plaza  
Hackensack, New Jersey

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 of the Bergen County Improvement Authority, as of and for the year ended December 31, 2012, and the related notes to the financial statements, as listed in the table of contents which collectively comprise the Bergen County Improvement Authority's basic financial statements, and have issued our report thereon dated September 27, 2013.

#### **Internal Control over Financial Reporting**

Management of the Bergen County Improvement Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Bergen County Improvement Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Bergen County Improvement Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bergen County Improvement 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2012-1 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

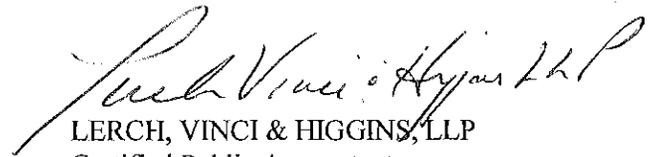
As part of obtaining reasonable assurance about whether the Bergen County Improvement Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

We also noted certain other matters that we have reported to management of the Bergen County Improvement Authority in the Section of our report of audit entitled "General Comments and Recommendations".

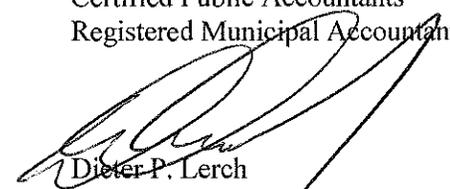
### **Purpose of this Report**

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 Bergen County Improvement Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Bergen County Improvement Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fair Lawn, New Jersey  
September 27, 2013



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Federal Grant Program</u>	<u>Grant Period</u>	<u>CFDA</u>	<u>State Grant Number</u>	<u>Grant Award Amount</u>	<u>Cash Received</u>	<u>Balance, January 1, 2012</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2012</u>	<u>Cumulative Expenditures</u>
U.S. Department of Health and Human Services Health Care and Other Facilities	9/1/10-10/31/12	93.887	Not Available	\$ 297,000	\$ 297,000	-	\$ 297,000	\$ 297,000	-	\$ 297,000
<b>Total Federal Financial Assistance</b>				\$ 297,000	\$ 297,000	\$ -	\$ 297,000	\$ 297,000	\$ -	\$ 297,000

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Grant Award Amount</u>	<u>Cash Received</u>	<u>Balance, January 1, 2012</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2012</u>	<u>Cumulative Expenditures</u>
New Jersey Department of Community Affairs (Office of Recreation)									
Recreation Opportunities for Individuals with Disabilities	100-022-8050-035	01/01/11-3/31/12	\$ 14,340	\$ 14,340		\$ 14,340	\$ 14,340		\$ 14,340
Recreation Opportunities for Individuals with Disabilities	100-022-8050-035	1/1/2012-6/30/12	11,612						
Recreation Opportunities for Individuals with Disabilities	100-022-8050-035	7/1/12-6/30/13	10,000						
<b>Total State Financial Assistance</b>			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,340</u>	<u>\$ 14,340</u>	<u>\$ -</u>	<u>\$ -</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 GENERAL**

The accompanying schedule presents the activity of all federal awards and state financial assistance programs of the Bergen County Improvement Authority. The Authority is defined in Note 1 to the Authority's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are presented using accrual basis of accounting for proprietary funds as presented by accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Authority's financial statements.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the Authority's financial statements. Financial assistance is reported in the Authority's financial statements described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total Assistance</u>
Bergen Regional Medical Center	\$ 297,000		\$ 297,000
Bergen Equestrian Center	<u>-</u>	<u>\$ 14,340</u>	<u>14,340</u>
	<u>\$ 297,000</u>	<u>\$ 14,340</u>	<u>\$ 311,340</u>

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Authority's fiscal year and grant program year.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Part I – Summary of Auditor’s Results**

**Financial Statement Section**

- A) Type of auditor's report issued: Unqualified
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified?            yes     X     no
- 2) Were significant deficiencies identified that were  
        not considered to be material weaknesses?     X     yes            none reported
- C) Noncompliance material to the basic financial  
    statements noted?            yes     X     no

**Federal Awards Section**

**NOT APPLICABLE**

**State Awards Section**

**NOT APPLICABLE**

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

*Part 2 – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

**Finding 2012-1:**

The net position of the General Fund ended the fiscal year December 31, 2012 in a deficit position.

**Criteria:**

The Bureau of Authority Regulations, Division of Local Government Services

**Condition:**

The net position of the General Fund has an accumulated deficit of \$(1,160,435).

**Context:**

See Condition

**Effect:**

The General Fund has inadequate financial resources to fund the Authority's operations.

**Cause:**

Unknown.

**Recommendation:**

The Authority develop a fiscal plan to fund the General Fund deficit.

**Response:**

Management is developing a 5 year plan to fund the deficit.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2011-1:**

**Condition:**

The general ledger for the Authority is not being fully maintained.

**Current Status:**

Corrective action has been taken.

**Finding 2011-2:**

**Condition:**

The Authority does not have a formal written policy adopted that indicates how allocations of general expenses are to be made between the General Fund and Hospital Fund. Several allocations were made for administrative support (county), health insurance, pension, and unemployment that did not have supporting documentation.

**Current Status:**

Corrective action has been taken.

**Finding 2011-3:**

**Condition:**

There was a negative variance between the total actual expenditures and the budgeted appropriations for the Hospital Fund and the General Fund. The Authority should consider creating a budget for the hospital based on actual revenues and expenditures.

**Current Status:**

Corrective action has been taken.

**GENERAL COMMENTS AND RECOMMENDATIONS**

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
GENERAL COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Current Year Findings**

Finding – The Authority has custodial oversight over numerous trustee bank accounts in connection with conduit financings on behalf of the issuers. Many of the accounts remain inactive.

Recommendation – The Authority perform a review of all custodial accounts to determine the proper status thereof.

Finding – The Authority made payments for a professional service contract which exceeded the amount approved by Board Resolution.

Recommendation – Internal controls be enhanced to ensure professional services payments do not exceed the authorized amount.

Finding – The Authority does not require the Commissioners or key employees to file the Financial Disclosure Statement as required by N.J.S.A. 40A:9-22.1.

Recommendation – Legal counsel opinion be obtained to determine if any personnel are required to file an annual Financial Disclosure Statement.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
GENERAL COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Recommendations**

It is recommended that:

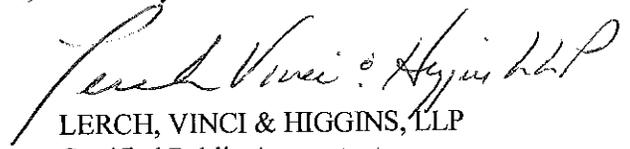
1. The Authority perform a review of all custodial accounts to determine the proper status thereof.
2. Internal controls be enhanced to ensure professional services payments do not exceed the authorized amount.
3. Legal counsel opinion be obtained to determine if any personnel are required to file an annual Financial Disclosure Statement.
4. The Authority develop a fiscal plan to fund the General Fund deficit.

**Appreciation**

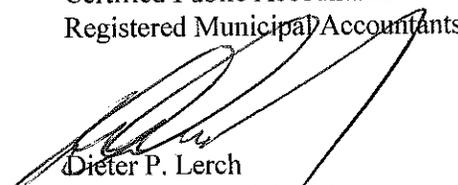
We desire to express our appreciation to the Executive Director, Chief Financial Officer, Comptroller and the other Authority staff who assisted us during the course of our audit.

\* \* \* \* \*

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



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398

Appendix Item c. BCIA Audited Financial Statements 2014

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**  
**REPORT OF AUDIT**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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# LERCH, VINCI & HIGGINS, LLP

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## INDEPENDENT AUDITOR'S REPORT

Honorable Chairperson and Commissioners  
Bergen County Improvement Authority  
One Bergen County Plaza  
Hackensack, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Bergen County Improvement Authority, a component unit of the County of Bergen, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Bergen County Improvement Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bergen County Improvement Authority as of December 31, 2014 and 2013, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bergen County Improvement Authority's basic financial statements as a whole. The supplementary schedules listed in the table of contents and schedule of expenditures of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules listed in the table of contents and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 supplementary schedules listed in the table of contents and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2015 on our consideration of the Bergen County Improvement Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Bergen County Improvement Authority's internal control over financial reporting and compliance.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants

  
Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398

Fair Lawn, New Jersey  
April 29, 2015

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**

As management of the Bergen County Improvement Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2014 and 2013. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

**Financial Highlights**

- The Authority's assets exceeded its liabilities by \$6,754,730 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$7,143,333.
- Total net position are comprised of the following:
  - (1) Investment in capital assets, net of related debt of \$1,785,509 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net position of \$6,620,376 is restricted based upon the purpose for which they are to be spent and by constraints imposed from outside the Authority such as debt covenants, grantors, laws or regulations.
  - (3) Unrestricted net position of \$(1,651,155) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$5,838,490 to \$39,543,029 during the fiscal year largely due to decreases in outstanding debt.

**Overview of the Financial Statements**

This annual report includes this management's discussion and analysis, the independent auditor's report and the financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

*Required Financial Statements*

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets, deferred outflows of resources and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**  
**(Continued)**

**Overview of the Financial Statements**

Required Financial Statements (Continued)

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the financial statements.

Other Information

In addition to the financial statements and accompanying notes (the basic financial statements), this report represents certain required supplementary information. This supplementary information follows the notes to the financial statements.

**Financial Analysis of the Authority**

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in net position. The reader can think of the Authority's net position – the difference between assets, deferred outflows of resources and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**  
**(Continued)**

**Net Position**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at fiscal year end is \$6,754,730. This is a \$388,603 decrease over last year's net position of \$7,143,333. A summary of the Authority's statement of net position is presented in the following table:

**Condensed Statement of Net Position**

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>ASSETS:</b>				
Current and Other Assets	\$ 31,646,179	\$ 32,825,872	\$ (1,179,693)	-4%
Capital Assets	<u>14,259,182</u>	<u>19,175,783</u>	<u>(4,916,601)</u>	-26%
Total Assets	<u>45,905,361</u>	<u>52,001,655</u>	<u>(6,096,294)</u>	-12%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>392,398</u>	<u>523,197</u>	<u>(130,799)</u>	-25%
<b>LIABILITIES:</b>				
Long and Short-Term Debt Outstanding	12,866,071	16,340,112	(3,474,041)	-21%
Other Liabilities	<u>26,676,958</u>	<u>29,041,407</u>	<u>(2,364,449)</u>	-8%
Total Liabilities	<u>39,543,029</u>	<u>45,381,519</u>	<u>(5,838,490)</u>	-13%
<b>NET POSITION:</b>				
Net Investment in Capital Assets	1,785,509	3,358,868	(1,573,359)	47%
Restricted	6,620,376	5,270,798	1,349,578	26%
Unrestricted	<u>(1,651,155)</u>	<u>(1,486,333)</u>	<u>(164,822)</u>	-11%
Total Net Position	<u>\$ 6,754,730</u>	<u>\$ 7,143,333</u>	<u>\$ (388,603)</u>	-5%

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**  
**(Continued)**

**Net Position (Continued)**

A summary of the Authority's prior year statement of net position is presented with comparative FY 2012 balances in the following table:

**Condensed Statement of Net Position**

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>ASSETS:</b>				
Current and Other Assets	\$ 32,825,872	\$ 32,261,989	\$ 563,883	2%
Capital Assets	19,175,783	23,394,333	(4,218,550)	-18%
Total Assets	<u>52,001,655</u>	<u>55,656,322</u>	<u>(3,654,667)</u>	-7%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>523,197</u>	<u>653,997</u>	<u>(130,800)</u>	-20%
<b>LIABILITIES:</b>				
Long and Short-Term Debt Outstanding	16,340,112	20,029,154	(3,689,042)	-18%
Other Liabilities	29,041,407	27,764,562	1,276,845	5%
Total Liabilities	<u>45,381,519</u>	<u>47,793,716</u>	<u>(2,412,197)</u>	-5%
<b>NET POSITION:</b>				
Net Investment in Capital Assets	3,358,868	4,019,176	(660,308)	-16%
Restricted	5,270,798	5,792,281	(521,483)	-9%
Unrestricted	(1,486,333)	(1,294,854)	(191,479)	-15%
Total Net Position	<u>\$ 7,143,333</u>	<u>\$ 8,516,603</u>	<u>\$ (1,373,270)</u>	-16%

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**  
**(Continued)**

**Net Position (Continued)**

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in the following table, Net Position decreased by \$388,603.

**Condensed Statement of Revenues, Expenses  
And Changes in Net Position**

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 211,968,567	\$ 215,816,237	\$ (3,847,670)	-2%
Non-Operating Revenues	<u>9,981</u>	<u>104,537</u>	<u>(94,556)</u>	-90%
Total Revenues	<u>211,978,548</u>	<u>215,920,774</u>	<u>(3,942,226)</u>	-2%
Depreciation	6,689,068	6,098,245	590,823	10%
Other Operating Expense	204,976,150	210,389,687	(5,413,537)	-3%
Other Non-Operating Expense	<u>701,933</u>	<u>806,112</u>	<u>(104,179)</u>	-13%
Total Expenses	<u>212,367,151</u>	<u>217,294,044</u>	<u>(4,926,893)</u>	-2%
Change in Net Position	(388,603)	(1,373,270)	984,667	-72%
Beginning Net Position	<u>7,143,333</u>	<u>8,516,603</u>	<u>(1,373,270)</u>	-16%
Ending Net Position	<u>\$ 6,754,730</u>	<u>\$ 7,143,333</u>	<u>\$ (388,603)</u>	-5%

The Authority's revenues decreased by \$3,942,226 to \$211,978,548 in fiscal year 2014 from \$215,920,774 in 2013. This decrease is primarily due to decreased revenue from Bergen Regional Medical Center service charge revenues. Operating expenses decreased by \$4,926,893 due to a decrease in expenses relating to contract management of hospital operations to Soloman Health Group.

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**  
**(Continued)**

**Net Position (Continued)**

**Condensed Statement of Revenues, Expenses  
And Changes in Net Position**

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 215,816,237	\$ 218,463,599	\$ (2,647,362)	-1%
Non-Operating Revenues	<u>104,537</u>	<u>267,040</u>	<u>(162,503)</u>	-61%
Total Operating Revenues	<u>215,920,774</u>	<u>218,730,639</u>	<u>(2,809,865)</u>	-1%
Depreciation	6,098,245	5,628,322	469,923	8%
Other Operating Expense	210,389,687	210,886,555	(496,868)	0%
Other Non-Operating Expense	<u>806,112</u>	<u>1,052,665</u>	<u>(246,553)</u>	-23%
Total Expenses	<u>217,294,044</u>	<u>217,567,542</u>	<u>(273,498)</u>	0%
Change in Net Position	(1,373,270)	1,163,097	(2,536,367)	-218%
Beginning Net Position	<u>8,516,603</u>	<u>7,353,506</u>	<u>1,163,097</u>	16%
Ending Net Position	<u>\$ 7,143,333</u>	<u>\$ 8,516,603</u>	<u>\$ (1,373,270)</u>	-16%

**Budgetary Highlights**

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**  
**(Continued)**

**Budgetary Highlights (Continued)**

The following tables provide a FY 2014 and FY 2013 budget comparison:

	<b>Budget vs. Actual 2014</b>		
<u><b>Bergen Regional Medical Center:</b></u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 203,323,772	\$ 207,862,746	\$ 4,538,974
Non-Operating	<u>5,900</u>	<u>7,373</u>	<u>1,473</u>
Total Revenues	<u>203,329,672</u>	<u>207,870,119</u>	<u>4,540,447</u>
Appropriations:			
Operating	198,333,935	202,524,912	(4,190,977)
Non-Operating	<u>2,789,375</u>	<u>4,018,015</u>	<u>(1,228,640)</u>
Total Appropriations	<u>201,123,310</u>	<u>206,542,927</u>	<u>(5,419,617)</u>
Total Budgetary Income (Loss)	<u>\$ 2,206,362</u>	<u>\$ 1,327,192</u>	<u>\$ (879,170)</u>
<u><b>General Fund:</b></u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 342,136	\$ 725,632	\$ 383,496
Non-Operating	<u>292,432</u>	<u>290,353</u>	<u>(2,079)</u>
Total Revenues	<u>634,568</u>	<u>1,015,985</u>	<u>381,417</u>
Appropriations:			
Operating	375,607	1,202,469	(826,862)
Non-Operating	58,961	58,960	1
Accumulated Deficit	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total Appropriations	<u>634,568</u>	<u>1,461,429</u>	<u>(826,861)</u>
Total Budgetary Income (Loss)	<u>\$ -</u>	<u>\$ (445,444)</u>	<u>\$ (445,444)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**  
**(Continued)**

**Budgetary Highlights (Continued)**

**Budget vs. Actual**  
**2014**

**Bergen Equestrian Center:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ -	\$ 17,980	\$ 17,980
Non-Operating	-	-	-
Total Revenues	<u>-</u>	<u>17,980</u>	<u>17,980</u>
Appropriations:			
Operating		12,910	(12,910)
Non-Operating	-	5,070	(5,070)
Total Appropriations	<u>-</u>	<u>17,980</u>	<u>(17,980)</u>
Total Budgetary Income (Loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Overpeck Landfill Project:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 1,352,206	\$ 1,301,963	\$ (50,243)
Non-Operating	380	34	(346)
Total Revenues	<u>1,352,586</u>	<u>1,301,997</u>	<u>(50,589)</u>
Appropriations:			
Operating	55,000	2,149	52,851
Non-Operating	1,218,271	1,218,271	-
Total Appropriations	<u>1,273,271</u>	<u>1,220,420</u>	<u>52,851</u>
Total Budgetary Income (Loss)	<u>\$ 79,315</u>	<u>\$ 81,577</u>	<u>\$ 2,262</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**  
**(Continued)**

**Budget vs. Actual**  
**2013**

**Bergen Regional Medical Center:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 191,281,748	\$ 211,969,116	\$ 20,687,368
Non-Operating	5,000	7,778	2,778
Total Revenues	<u>191,286,748</u>	<u>211,976,894</u>	<u>20,690,146</u>
Appropriations:			
Operating	187,159,104	208,104,341	(20,945,237)
Non-Operating	3,081,022	4,410,664	(1,329,642)
Total Appropriations	<u>190,240,126</u>	<u>212,515,005</u>	<u>(22,274,879)</u>
Total Budgetary Income (Loss)	<u>\$ 1,046,622</u>	<u>\$ (538,111)</u>	<u>\$ (1,584,733)</u>

**General Fund:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 342,136	\$ 563,782	\$ 221,646
Non-Operating	202,400	291,354	88,954
Total Revenues	<u>544,536</u>	<u>855,136</u>	<u>310,600</u>
Appropriations:			
Operating	276,898	860,316	(583,418)
Non-Operating	65,126	65,549	(423)
Accumulated Deficit	200,000	200,000	-
Total Appropriations	<u>542,024</u>	<u>1,125,865</u>	<u>(583,841)</u>
Total Budgetary Income (Loss)	<u>\$ 2,512</u>	<u>\$ (270,729)</u>	<u>\$ (273,241)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**  
**(Continued)**

**Budget vs. Actual**  
**2013**

**Bergen Equestrian Center:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ -	\$ 18,280	\$ 18,280
Non-Operating	-	1,096	1,096
Total Revenues	<u>-</u>	<u>19,376</u>	<u>19,376</u>
Appropriations:			
Operating		10,770	(10,770)
Non-Operating	-	8,606	(8,606)
Total Appropriations	<u>-</u>	<u>19,376</u>	<u>(19,376)</u>
Total Budgetary Income (Loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Overpeck Landfill Project:**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$ 1,543,276	\$ 1,205,389	\$ (337,887)
Non-Operating	17	309	292
Total Revenues	<u>1,543,293</u>	<u>1,205,698</u>	<u>(337,595)</u>
Appropriations:			
Operating	345,288	95,987	249,301
Non-Operating	1,217,346	1,217,346	-
Total Appropriations	<u>1,562,634</u>	<u>1,313,333</u>	<u>249,301</u>
Total Budgetary Income (Loss)	<u>\$ (19,341)</u>	<u>\$ (107,635)</u>	<u>\$ (88,294)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**(A Component Unit of the County of Bergen)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2014**  
**(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

The following schedule summarizes the Capital Assets as of December 31, 2014 and 2013:

**Bergen Regional Medical Center**

	2014	2013
Leasehold Improvements	\$ 63,278,195	\$ 61,505,728
Accumulated Depreciation	(49,019,013)	(42,329,945)
Capital Assets, Net	\$ 14,259,182	\$ 19,175,783

The Authority's capital assets increased \$1,772,467 from the previous year. Depreciation expense for 2014 was \$6,689,068.

Additional information on the BCIA's capital assets can be found in the Notes to the Basic Financial Statements.

**Long-Term Debt**

While the Authority has been aggressive in attracting conduit debt issues, there is also two debt issues that are their obligation, the Series 2010 Refunding of the Series 2000 serial bonds and term bonds issued in conjunction with the privatizing of the Bergen Regional Medical Center. At December 31, 2014, the Bergen Regional Medical Center had outstanding serial bonds of \$6,660,000 with a final maturity on May 15, 2017. In addition, the Authority issued in 2005 the Overpeck Project 2005 Serial Bonds in the amount of \$12,000,000, of which \$6,195,000 are outstanding as of December 31, 2014. Both issues are guaranteed by the County of Bergen. Full details of the bond issues outstanding are found in Notes 9 and 10 to the financial statements and the supplementary schedules.

The following schedule summarizes the Long Term Capital Debt, net of unamortized discounts and premiums, as of December 31, 2014 and 2013:

	2014	2013
<b><u>General Fund</u></b>		
Project Bonds Payable	\$ 136,829	\$ 190,614
<b><u>Bergen Regional Medical Center</u></b>		
Project Bonds Payable	6,473,238	9,017,808
<b><u>Overpeck Landfill</u></b>		
Project Bonds Payable	6,256,004	7,131,690
Project Bonds Payable, Net	\$ 12,866,071	\$ 16,340,112

***BERGEN COUNTY IMPROVEMENT AUTHORITY***  
***(A Component Unit of the County of Bergen)***

***MANAGEMENT'S DISCUSSION AND ANALYSIS***  
***DECEMBER 31, 2014***  
***(Continued)***

**Economic Factors, Future Years' Budget and Rates**

The Commissioners and management of the Authority consider many factors when preparing each year's budget. The main factors are growth in the Authority's customer base and the continued operation of the Bergen Regional Medical Center.

**Contacting the Authority**

This financial report is designated to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Bergen County Improvement Authority, One Bergen County Plaza, Hackensack, New Jersey 07601.

**FINANCIAL STATEMENTS**

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMPARATIVE STATEMENTS OF NET POSITION  
AS OF DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 28,122,117	\$ 30,743,554
Accounts Receivable (net of allowance for uncollectibles)	134,477	178,120
Due from County of Bergen	<u>1,548,462</u>	<u>246,631</u>
Total Unrestricted Current Assets	<u>29,805,056</u>	<u>31,168,305</u>
Restricted Current Assets		
Debt Service Fund		
Cash and Cash Equivalents	1,835,907	1,652,805
Construction Fund		
Cash and Cash Equivalents	1,881	1,881
Unemployment Trust Fund		
Cash and Cash Equivalents	<u>3,335</u>	<u>2,881</u>
Total Restricted Current Assets	<u>1,841,123</u>	<u>1,657,567</u>
Total Current Assets	<u>31,646,179</u>	<u>32,825,872</u>
Noncurrent Assets		
Capital Assets		
Leasehold Improvements - Bergen Regional Medical Center	63,278,195	61,505,728
Accumulated Depreciation	<u>(49,019,013)</u>	<u>(42,329,945)</u>
Total Noncurrent Assets	<u>14,259,182</u>	<u>19,175,783</u>
Total Assets	<u>45,905,361</u>	<u>52,001,655</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Loss on Refunding of Debt	<u>392,398</u>	<u>523,197</u>
Total Deferred Outflows of Resources	<u>392,398</u>	<u>523,197</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 46,297,759</u>	<u>\$ 52,524,852</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMPARATIVE STATEMENTS OF NET POSITION  
AS OF DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>LIABILITIES</b>		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 778,667	\$ 419,547
Contracts Payable - Solomon Health Care	25,541,317	28,252,211
Due to County of Bergen	45,683	40,613
Payroll Taxes Payable	5,546	1,860
Accrued Liabilities - Landfill Closure/Postclosure	<u>191,037</u>	<u>191,037</u>
 Total Current Liabilities Payable from Unrestricted Assets	 <u>26,562,250</u>	 <u>28,905,268</u>
Current Liabilities (Payable from Restricted Assets)		
Project Bonds Payable	3,610,000	3,480,000
Accrued Interest on Bonds	<u>114,708</u>	<u>136,139</u>
 Total Current Liabilities Payable from Restricted Assets	 <u>3,724,708</u>	 <u>3,616,139</u>
 Total Current Liabilities	 <u>30,286,958</u>	 <u>32,521,407</u>
Noncurrent Liabilities		
Project Bonds Payable (net of unamortized premiums/discounts)	<u>9,256,071</u>	<u>12,860,112</u>
 Total Liabilities	 <u>39,543,029</u>	 <u>45,381,519</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,785,509	3,358,868
Restricted For:		
Debt Service	1,952,917	1,886,667
Bergen Regional Medical Center	4,664,124	3,381,250
Unemployment Trust	3,335	2,881
Unrestricted	<u>(1,651,155)</u>	<u>(1,486,333)</u>
 Total Net Position	 <u>\$ 6,754,730</u>	 <u>\$ 7,143,333</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Service Charges - Bergen Regional Medical Center	\$ 198,408,938	\$ 202,999,153
Bergen County Contributions	4,381,074	4,593,705
Soloman Health Group Lease	8,074,826	7,014,660
Soloman Health Group Oversight	360,117	357,113
Grant Proceeds	17,980	10,000
Miscellaneous	<u>725,632</u>	<u>841,606</u>
 Total Operating Revenues	 <u>211,968,567</u>	 <u>215,816,237</u>
<b>OPERATING EXPENSES</b>		
Administration		
Salaries and Wages	422,382	460,229
Fringe Benefits	116,967	106,715
Other Expenses	1,064,814	652,036
Professional Fees - Ameream	159,242	260,758
Cost of Providing Services		
Other Expenses	201,976,886	207,500,689
Landfill - Other Expenses	2,149	90,987
Reimbursements to Bergen County	1,233,710	1,318,273
Depreciation	<u>6,689,068</u>	<u>6,098,245</u>
 Total Operating Expenses	 <u>211,665,218</u>	 <u>216,487,932</u>
<b>OPERATING INCOME (LOSS)</b>	<u>303,349</u>	<u>(671,695)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Bond Reserves	-	93,863
Interest Income	9,981	10,674
Interest Expense	<u>(701,933)</u>	<u>(806,112)</u>
 Total Non-Operating Income (Expenses)	 <u>(691,952)</u>	 <u>(701,575)</u>
<b>CHANGE IN NET POSITION</b>	<b>(388,603)</b>	<b>(1,373,270)</b>
Net Position, January 1	<u>7,143,333</u>	<u>8,516,603</u>
Net Position, December 31	<u>\$ 6,754,730</u>	<u>\$ 7,143,333</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 198,408,938	\$ 202,998,749
Cash Received from Bergen County	2,557,200	4,913,977
Cash Received from Soloman Health Group	8,434,943	7,371,773
Cash Received from Grants	17,980	10,000
Cash Received from Miscellaneous Fees	769,275	425,245
Cash Received from PSE&G	-	293,460
Cash Paid to Bergen County	(1,228,640)	(1,313,226)
Cash Paid to Suppliers and Others	(205,668,146)	(207,111,559)
Cash Paid to Employees	<u>(422,382)</u>	<u>(460,229)</u>
 Net Cash Provided by Operating Activities	 <u>2,869,168</u>	 <u>7,128,190</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Bond Reserves	-	93,863
Principal Payments on Bonds	(3,480,000)	(3,695,000)
Acquisition of Capital Assets	(1,250,424)	(2,100,149)
Interest Paid on Bonds	<u>(586,606)</u>	<u>(688,892)</u>
 Net Cash Used for Capital and Related Financing Activities	 <u>(5,317,030)</u>	 <u>(6,390,178)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	<u>9,981</u>	<u>10,674</u>
 Net Cash Provided by Investing Activities	 <u>9,981</u>	 <u>10,674</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (2,437,881)	 748,686
Cash and Cash Equivalents, January 1	<u>32,401,121</u>	<u>31,652,435</u>
Cash and Cash Equivalents, December 31	<u>\$ 29,963,240</u>	<u>\$ 32,401,121</u>
<b>ANALYSIS OF BALANCE AT DECEMBER 31</b>		
Unrestricted - Cash and Cash Equivalents	\$ 28,122,117	\$ 30,743,554
Restricted - Cash and Cash Equivalents	<u>1,841,123</u>	<u>1,657,567</u>
	<u>\$ 29,963,240</u>	<u>\$ 32,401,121</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by</b>		
<b>Operating Activities:</b>		
Operating Income (Loss)	\$ 303,349	\$ (671,695)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	6,689,068	6,098,245
(Increase)/Decrease in Accounts Receivable	43,643	(123,305)
(Increase)/Decrease in Due from Bergen County	(1,823,874)	308,108
Increase/(Decrease) in Accounts Payable	359,120	106,352
Increase/(Decrease) in Contracts Payable - Soloman Health Care	(2,710,894)	1,400,056
Increase/(Decrease) in Due to Bergen County	5,070	8,605
Increase/(Decrease) in Payroll Taxes Payable	<u>3,686</u>	<u>1,824</u>
 Total Adjustments	 <u>2,565,819</u>	 <u>7,799,885</u>
 Net Cash Provided by Operating Activities	 <u>\$ 2,869,168</u>	 <u>\$ 7,128,190</u>
 <b>Schedule of Noncash Capital and Related Financing Activities:</b>		
Purchase of Capital Assets on Account	\$ 557,558	\$ 35,515
Original Issue Discount	16,645	16,645
Original Issue Premium	(10,686)	(10,687)
Deferred Loss on Refunding of Debt	130,799	130,800

**NOTES TO FINANCIAL STATEMENTS**

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Bergen County Improvement Authority (the "Authority") is a public body politic, corporate, organized and existing under the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 160, as Amended and Supplemented (the "Act"), N.J.S.A. 40:37A-1, et seq., and was created by virtue of an ordinance of the County of Bergen, New Jersey (the "County"), adopted June 10, 1986. Prior to 1993, the Authority was inactive, and did not adopt a budget or have any transactions.

The Authority has broad powers under the Act including, among others, the following: to retain, operate and administer its property; to provide for bonds and to secure their payment and rights of holders thereof; to charge and collect service charges for the use of its facilities and to revise such service charges to ensure that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay the principal of and the interest on any bonds or loans, and to maintain such reserves or sinking funds therefore as may be required by the terms of any contract of the Authority; and to make and enforce rules and regulations for the management of its business and affairs.

The Authority is governed by a Board of Commissioners (the "Board") consisting of five members appointed by the County of Bergen Board of Chosen Freeholders. An Executive Director is appointed by the Board and functions as Chief Executive Officer responsible for the daily operations of the Authority. A Chief Financial Officer is appointed by the Board and oversees the fiscal affairs of the Authority.

The Governmental Accounting Standards Board (GASB) requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Based on such criteria, the Authority has no component units; however, the Authority is considered a component unit of the County of Bergen.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounts of the Authority are organized on the basis of funds, in accordance with the various Bond Resolutions (see Note 3), each of which is considered a separate accounting activity. The operations of each system are accounted for with a separate set of self-balancing accounting records that comprise its assets, deferred outflows, liabilities, net position, revenues and expenses. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various activities are grouped into one generic fund type and one broad fund category, as follows:

**Proprietary Fund Type**

*Enterprise Fund* - The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its users on a continuing basis be financed or recovered primarily through user charges.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. All assets, all deferred outflows and all liabilities associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority's financial transactions are recorded in accounts that are created by various resolutions adopted by the Authority to meet bond or note covenant requirements (more fully defined in Note 3).

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Reclassifications**

Certain reclassifications have been made to the December 31, 2013 balances to conform to the December 31, 2014 presentation.

**C. Assets, Deferred Outflows, Liabilities and Net Position**

***1. Cash, Cash Equivalents and Investments***

Cash and cash equivalents are considered to be cash on hand, cash in banks, certificates of deposit, deposits with the New Jersey Cash Management Fund and all short-term investments with original maturities of three months or less from the date of purchase. Investments are reported at market value and except for the operating accounts are limited by the 1997 Bond Resolution as amended and supplemented thereto. Operating account investments are limited by NJSA 40A:5-15.1 et seq.

***2. Inventory***

The costs of inventories are deemed immaterial and are recognized as expenses when purchased rather than when consumed. The Authority does not record inventory on its statement of net position.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Deferred Outflows, Liabilities and Net Position (Continued)**

**3. *Accounts Receivable***

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Changes in the allowance for uncollectibles is recorded as an adjustment to revenue or as bad debt expenses depending on its effect on current year or prior year allowance amounts and the results of those changes.

**4. *Interfunds Receivable and Payable***

During the course of its operations, the Authority has numerous transactions between funds (accounts) to finance operations, provide services, construct assets, and retire debt. To the extent that certain transactions between the accounts had not been paid or received as of the balance sheet dates, balances of interfund amounts receivable and payable have not been recorded.

**5. *Restricted Assets***

Certain assets are classified as restricted on the statement of net position because they are maintained in separate bank accounts and their use is limited by the various Bond Resolutions as amended and supplemented thereto or are held in trust for state unemployment compensation insurance benefits.

**6. *Capital Assets***

All capital assets acquired or constructed by the Authority are reported as expenses in the account that finances the acquisition of the assets and are capitalized in the Operating Accounts. Capital assets are defined by the Authority as assets with an individual cost of \$2,000 and an estimated useful life of at least two years. Such capital assets are valued at historical costs.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Construction costs are charged to construction in progress until such time as they are completed and certified by the Authority's consulting engineers, at which time they are transferred to their respective asset category and are then depreciated over their useful lives. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total net interest expense incurred by the Authority for the years ended December 31, 2014 and 2013 was \$701,933 and \$806,112, respectively. None of these amounts were included as part of the cost of capital assets under construction for these years.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Deferred Outflows, Liabilities and Net Position (Continued)**

**6. *Capital Assets* (Continued)**

All capital assets are depreciated on the straight-line method based on their asset class and estimated useful lives based upon the lease terms between the County and the Authority which is for a 19 year period expiring in 2017. All capital assets, including leasehold improvements will be fully depreciated at the end of the lease term.

<u>Class</u>	<u>Life</u>
Leasehold Improvements	19 Years

**7. *Deferred Outflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred loss on refunding debt reported in the statement of net position. A deferred loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt using the effective interest method.

**8. *Compensated Absences***

Sick leave, personnel time, compensatory time and salary related payments and in certain instances vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Authority will compensate the employee for the benefits.

**9. *Long-Term Obligations***

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

**10. *Net Position***

Restricted net position is limited to outside third-party restrictions either by law or by other organizations or persons external to the Authority. Unrestricted net position represents the net position neither restricted nor invested in capital assets, net of related debt.

**11. *Net Position Flow Assumption***

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. State and federal grants for the operation of the Authority are considered operating revenues. Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***1. Budgets and Budgetary Accounting***

The Authority annually prepares operating budgets for the General Fund, Bergen Regional Medical Center and Overpeck Landfill. The budgets are prepared in accordance with the Budget Manual for Local Public Authorities as promulgated by the Division of Local Government Services, Bureau of Authority Regulation, which differs in certain respects from accounting principles generally accepted in the United States of America. The budgets serve as a plan for expenses and the proposed means for financing them. Budgetary control is exercised within the respective system. Unexpended appropriations lapse at year end.

The annual budgets are approved at least sixty days prior to the beginning of the fiscal year. The budgets must be approved by the Board and submitted to the Division of Local Government Services, Bureau of Authority Regulation for approval prior to adoption. Budget adoptions and amendments are recorded in the Authority's minutes.

Six Year Capital budgets are also prepared for each system. Included within the budgets are individual projects along with their estimated cost, completion date and source of funding.

The encumbrance method of accounting is utilized by the Authority for budgetary purposes. Under this method purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve a portion of the applicable budget appropriation.

In accordance with accounting principles generally accepted in the United States of America, outstanding encumbrances at year-end for which goods or services are received, are classified to expenses and accounts payable. All other encumbrances in the annual budgeted funds are designated at year-end and are either cancelled or are included as reappropriations of unrestricted net position for the subsequent year. Encumbrances at year-end in funds that are budgeted on a project basis automatically carry forward along with their related appropriations and are not subject to annual cancellations and reappropriations.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**2. Revenues**

After the operating budgets are adopted, service charge fees for the Bergen Regional Medical Center are approved by the Board. Service charges are directly imposed on users through bills based on services provided. Revenue is recognized in the year that the user is billed.

**3. Designated Unrestricted Net Position**

The Authority is permitted under budgetary accounting practices promulgated by the Division of Local Government Services to designate unrestricted net position. The Authority Board of Commissioners may formally dedicate net position to establish designations of unrestricted net position to meet policy adopted by the Board. As of December 31, 2014 and 2013, the Authority has not designated any of its unrestricted net position.

**NOTE 3 CREATION OF FUNDS**

In accordance with the bond resolution, the Authority has established the following accounts for the following restricted purposes:

<u>Account</u>	<u>Use for Which Restricted</u>
<u>General Fund:</u>	
Debt Service Fund	Principal and interest on the Authority's bonds.
Construction Fund	Various capital projects of the Authority
<u>Hospital Fund:</u>	
Debt Service Fund	Principal and interest on the Authority's bonds.
Construction Fund	Various capital projects of the Authority
<u>Overpeck Landfill:</u>	
Debt Service Fund	Principal and interest on the Authority's bonds.

In addition, the Authority has established trust accounts to be held in reserve for payroll and related liabilities, such as State Unemployment Insurance.

**NOTE 4 DEPOSITS AND INVESTMENTS**

**Deposits** - The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SPIC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2014 and 2013, the book value of the Authority's deposits were \$29,963,240 and \$32,401,121, respectively, and bank balances of the Authority's cash and deposits amounted to \$29,840,119 and \$32,520,661, respectively.

The Authority's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2014</u>	<u>2013</u>
Insured		
Restricted	\$ 1,841,123	\$ 1,657,567
Unrestricted	27,998,996	30,863,094
	<u>\$ 29,840,119</u>	<u>\$ 32,520,661</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2014 and 2013, none of the Authority's bank balances were exposed to custodial credit risk.

**Investments**

The Authority's investment practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds and a maturity date not greater than 12 months from the date of purchase. In addition, the Authority can invest in direct debt securities of the United States or obligations guaranteed by the United States, bonds and other obligations of the local municipality or bonds or obligations of school districts of which the Authority is a part or within which the Authority is located unless such investments are expressly prohibited by law.

Monies in the funds established under the Bond Resolutions may be invested at the Authority's direction in Investment Securities, which are defined by the Bond Resolutions as:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Investments Continued**

- (5) Bonds or other obligations having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the State Department of the Treasury for investment by local units.
- (6) Local government investment pools.
- (7) Deposits with the State Cash Management Fund established pursuant to Section 1 of P.L. 1977, c.281 (N.J.S.A. 52:18A-90.4).
- (8) Certain agreements for the repurchase of fully collateralized securities, as defined in the Bond Resolutions.

As of December 31, 2014 and 2013, the Authority had no investments.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment maturities are limited by its bond indenture as a means of managing its exposure to interest rate risk. Additionally, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Monies in the funds established under the Resolutions may be invested at the Authority's discretion in Investment Obligations, which are defined by the Resolutions.

Credit Risk – The Bond Resolution and State law (N.J.S.A. 40A:5-15.1) limits investments as noted above. The Authority does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Authority places no limit in the amount the Authority may invest in any one issuer. 100% of the Authority's investments are in U.S. Government Security Funds.

**NOTE 5 RESTRICTED ASSETS**

Bond covenants of the Authority require portions of the debt proceeds as well as other resources to be set aside for various purposes under the control of the Bond Trustee. These amounts are reported as restricted assets. Cash and investments restricted for debt service payment on bonds are segregated in the "Debt Service Fund" accounts. Cash and investments restricted for use in construction are segregated in the "Construction Fund" accounts.

In addition, the Authority has established trust accounts to be held in reserve for payroll and related liabilities, such as State Unemployment Insurance.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 6 USER CHARGES AND OTHER FEES RECEIVABLE**

User charges and other fees receivable at December 31, 2014 and 2013 consisted of the following:

	December 31, <u>2014</u>	December 31, <u>2013</u>
Accounts Receivable - Financing Fees	\$ 134,073	\$ 177,716
Other Fees Receivable	<u>404</u>	<u>404</u>
Gross Accounts Receivable	<u>\$ 134,477</u>	<u>\$ 178,120</u>

**NOTE 7 CAPITAL ASSETS**

The Authority has acquired a Leasehold Interest in the Bergen Regional Medical Center. The Leasehold Interest is being depreciated on a straight-line basis, over a 19 year period.

Capital asset activity for the years ended December 31, 2014 and 2013 was as follows:

**Bergen Regional Medical Center**

	Balance January 1, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2014</u>
<u>2014</u>				
Capital assets, being depreciated:				
Leasehold Improvements	\$ 61,505,728	\$ 1,772,467	\$ -	\$ 63,278,195
Total capital assets being depreciated	<u>61,505,728</u>	<u>1,772,467</u>	<u>-</u>	<u>63,278,195</u>
Less accumulated depreciation for:				
Leasehold Improvements	<u>(42,329,945)</u>	<u>(6,689,068)</u>	<u>-</u>	<u>(49,019,013)</u>
Total accumulated depreciation	<u>(42,329,945)</u>	<u>(6,689,068)</u>	<u>-</u>	<u>(49,019,013)</u>
Total capital assets, being depreciated, net	<u>19,175,783</u>	<u>(4,916,601)</u>	<u>-</u>	<u>14,259,182</u>
Total capital assets, net	<u>\$ 19,175,783</u>	<u>\$ (4,916,601)</u>	<u>\$ -</u>	<u>\$ 14,259,182</u>
	Balance January 1, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2013</u>
<u>2013</u>				
Capital assets, being depreciated:				
Leasehold Improvements	\$ 59,626,033	\$ 1,879,695	\$ -	\$ 61,505,728
Total capital assets being depreciated	<u>59,626,033</u>	<u>1,879,695</u>	<u>-</u>	<u>61,505,728</u>
Less accumulated depreciation for:				
Leasehold Improvements	<u>(36,231,700)</u>	<u>(6,098,245)</u>	<u>-</u>	<u>(42,329,945)</u>
Total accumulated depreciation	<u>(36,231,700)</u>	<u>(6,098,245)</u>	<u>-</u>	<u>(42,329,945)</u>
Total capital assets, net	<u>\$ 23,394,333</u>	<u>\$ (4,218,550)</u>	<u>\$ -</u>	<u>\$ 19,175,783</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 CONDUIT DEBT OBLIGATIONS**

The Authority has issued debt on behalf of third-party entities. The Authority has no obligation for the debt beyond the resources provided by the related leases or loans, and, accordingly, the debt is not reflected as a liability in the accompanying financial statements.

The Authority's conduit debt activity for the year ending December 31, 2014 is as follows:

	Balance December 31, <u>2013</u>	<u>Increase</u>	<u>Decrease</u>	Balance, December 31, <u>2014</u>
Series 2001 Bonds (Note 8A)	\$ 21,000,000			\$ 21,000,000
Series 2002 Bonds (Note 8B)	405,000		\$ 35,000	370,000
Series 2003 Bonds (Note 8C)	17,050,000		4,690,000	12,360,000
Series 2004 Bonds (Note 8D)	7,335,000		1,695,000	5,640,000
Series 2005 Bonds (Note 8E)	192,651,487	\$ 573,663	5,175,000	188,050,150
Series 2006 Bonds (Note 8F)	22,360,000		2,325,000	20,035,000
Series 2007 Bonds (Note 8G)	63,835,000		4,800,000	59,035,000
Series 2008 Bonds (Note 8H)	28,765,000		375,000	28,390,000
Series 2009 Bonds (Note 8I)	31,350,010		3,622,737	27,727,273
Series 2010 Bonds (Note 8J)	81,865,000		2,485,000	79,380,000
Series 2011 Bonds (Note 8K)	2,685,000		65,000	2,620,000
Series 2012 Bonds (Note 8L)	61,255,000		2,925,000	58,330,000
Series 2013 Municipal Banc Leasing Program (Note 8M)	15,000,000			15,000,000
Series 2014 Bonds Pooled Loan Revenue Bonds A&B (Note 8N)		70,120,000		70,120,000
Series 2014 School District Revenue Bonds (Note 8O)	-	30,565,000	-	30,565,000
	<u>\$ 545,556,497</u>	<u>\$101,258,663</u>	<u>\$ 28,192,737</u>	<u>\$ 618,622,423</u>

**A. Series 2001 Bonds**

In September 2001 the BCIA issued bonds in the amount of \$21,000,000 with a final maturity of March 15, 2034.

The Bonds are being issued to provide funding for a loan, the proceeds of which are to be used to pay: (i) costs of a redevelopment project, specifically the development of a 160-unit multifamily residential project (the Kentshire Apartment Project) which will be located in Midland Park, New Jersey, (ii) certain costs of issuance of the Bonds, and (iii) capitalized interest on the Bonds through April 1, 2003.

The Authority is to receive 10 basis points per year on the bonds outstanding in accordance with this bond issuance.

**B. Series 2002 Bonds**

In March, 2002, the BCIA issued bonds in the amount of \$7,305,000, with a final maturity date of March 1, 2022, and an interest rate varying from 2.00% to 5.00%. The Bond consists of the \$2,575,000 County Guaranteed Capital Equipment Lease Revenue Bonds, Series 2002A (the "Series 2002A Bonds"), \$730,000 County Guaranteed Revenue Bonds, Series 2002B (the "Series 2002B Bonds") and the \$4,000,000 County Guaranteed Governmental Loan Revenue Bonds, Series 2002C (the "Series 2002C Bonds").

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**B. Series 2002 Bonds (Continued)**

Proceeds of the Series 2002A Bonds were used to: (i) finance the acquisition and installation of certain items of equipment to be simultaneously leased to certain governmental units, which include the Borough of Wood-Ridge, the Borough of Lodi, the Garfield Board of Education, the Pascack Valley Board of Education, the Dumont Board of Education, the Maywood Board of Education, the Ramapo-Indian Hills Regional Board of Education, and the Fair Lawn Board of Education; and (ii) pay certain costs incurred in connection with the issuance and delivery of the Series 2002A Bonds.

The Series 2002 B Bonds are being issued to provide funds to make a loan to the Housing Development Corporation of Bergen County to: (i) refinance a portion of the costs of the construction of a low income residential building and; (ii) pay certain costs of issuance incurred in connection with the issuance and delivery of the Series 2002B Bonds.

The Series 2002C Bonds are being issued to provide funds to make loans to the County of Bergen to finance improvements to the Bergen Regional Medical Center.

**C. Series 2003 Bonds**

In March, 2003, the BCIA issued \$31,210,000 principal amount of County Guaranteed Governmental Loan Revenue Bonds, Series 2003A. The bonds consist of \$23,355,000 serial bonds having a final maturity date of March 15, 2018 and interest rates ranging from 3.00% to 5.25% and \$7,855,000 of 5.35% term bonds due March 15, 2023.

The bonds are being issued to provide funds to make a loan to each of the Series 2003A Local Units to: (i) raise funds sufficient to retire the present value of the Series 2003A Local Units respective unfunded accrued liability for early retirement system incentive benefits previously granted by the State to each Series 2003A Local Unit; and (ii) pay certain of the costs of issuance of the Series 2003A Bonds and the Series A Local Unit Refunding Bonds.

Pursuant to the Series 2003A Local Unit Purchase Agreements, and in accordance with applicable law, each Series 2003A Local Unit will issue and sell its general obligation refunding bonds to the Authority (the "Local Unit Refunding Bonds"). The Series 2003A Local Unit Refunding Bonds will be purchased by the Authority and the Series 2003A Local Unit Loan Repayments will be pledged by the Authority to secure the Series 2003A Bonds. A default by a Series 2003A Local Unit under its Series 2003A Local Unit Refunding Bond will not cause a default under the Series 2003A Local Unit Refunding Bonds of non-defaulting Series 2003A Local Units. No Series 2003A Local Unit Refunding Bond may be accelerated unless there is a default under such Series A Local Unit Refunding Bond.

In September, 2003, the BCIA issued bonds in the amount of \$19,395,000 with a final maturity date of May 1, 2009 and various interest rates. The \$19,395,000 principal amount of Revenue Bonds, Series 2003 (the "Bonds"), consists of the \$1,480,000 County Guaranteed Capital Equipment Lease Revenue Bonds, Series 2003A (the "Series 2003A Bonds") and the \$17,915,000 County Taxable Project Revenue Bonds, Series 2003B (the "Series 2003B Bonds").

The Series 2003A Bonds are being issued for the purposes of: (i) financing the acquisition and installation, as applicable, of certain equipment to be simultaneously leased to the municipalities; (ii) finance improvements to the Bergen Regional Medical Center and fund a self insurance reserve fund for the County; and (iii) paying certain costs incurred in connection with the issuance and delivery of the Series 2003A Bonds.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**C. Series 2003 Bonds (Continued)**

The Series 2003B Bonds are being issued for the purpose of: (i) financing a loan to the County (the "Series 2003B County Loan"), the proceeds of which Series 2003B County Loan will be used to finance capital improvements to the Bergen Regional Medical Center and to fund a self-insurance reserve fund for the County; and (ii) paying certain costs incurred in connection with the issuance and delivery of the Series 2003B bonds. The Series 2003B County Loan will be made pursuant to a separate bond purchase agreement entered into by and between the Authority and the County (the "Series 2003B Purchase Agreements"). Pursuant to the Series 2003B Purchase Agreement, and in accordance with applicable law, the County will issue and sell its general obligation bonds to the Authority (the Series 2003B County Bond"). The Series 2003B County Bond will be purchased by the Authority and the Series 2003B Loan Repayments under the Series 2003B County Bond will be a portion of the property pledged by the Authority to secure the 2003B bonds. The County will make Series 2003B Loan Repayments to the Trustee for the benefit of the Authority on March 1 and September 1 during the term of the loan in an amount equal to the debt service on the Series 2003B Bonds.

In December, 2003, the BCIA issued \$27,595,000 principal amount of County Guaranteed Revenue Bonds, Series 2003. The bonds have a final maturity of November 15, 2018 and interest rates ranging from 1.50% to 5.00%.

The Series 2003 Bonds are being issued to provide funds to the Authority to: (i) advance refund a portion of the New Jersey Economic Development Authority's Lease Revenue Bonds (Bergen County Administration Complex), Series 1998, maturing on November 15, 2006 through November 15, 2018 for the purpose of assisting the County in financing the acquisition of its administrative office building and parking facility; and (ii) pay certain costs incurred in connection with the Bonds.

The Series 2003 Revenue Bonds are secured by a full, irrevocable and unconditional guaranteed by the County to pay, when due, the principal of (including sinking fund installments, if any) and interest on bonds.

**D. Series 2004 Bond (County Guaranteed)**

In June 2004, the Authority issued \$25,460,000 principal amount of County Guaranteed School District Revenue Bonds, Series 2004 (Englewood City Board of Education Project). The bonds are serial bonds having a final maturity date of April 1, 2024 and bear interest in various rates between 2.25% and 5.25%. The bonds were issued to make a loan to the Board of Education in the City of Englewood in the County of Bergen, New Jersey for the purpose of financing: (i) the construction and equipping of a new school, renovations and additions at the Cleveland Elementary School, Janis E. Dismus Middle School, Dwight Morrow High School, Donald A Quarles Elementary School and alterations at Winton White Stadium; and (2) the payment of certain costs of issuing the Authority bonds. To evidence its obligation to repay such loan, the Board of Education will issue and deliver to the Authority \$25,607,000 principal amount of its general obligation bonds. Simultaneously with the issuance of the Board of Education General Obligation Bonds, the Board of Education and the Authority will enter into a loan agreement dated July 1, 2004. Payment of principal and interest on the Authority bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**D. Series 2004 Bond (County Guaranteed) (Continued)**

In October 2004, the Authority issued \$12,860,000 principal amount of County of Bergen Guaranteed Revenue Bonds, Series 2004 (Fair Lawn Community Center Project). These bonds consist of \$5,305,000 serial bonds having a final maturity date of September 15, 2021 and interest rates ranging from 2.505 to 4.25%, \$1,840,000 of 4.48% term bonds due September 15, 2025 and \$5,715,000 of 4.62% term bonds due September 15, 2034. The bonds were issued to make a loan to the Fair Lawn Community Center, Inc. for the purpose of financing: (1) the construction and equipping of an approximately 42,000 square foot recreational and community center located in the Borough of Fair Lawn, New Jersey; and (2) the payment of certain costs of issuing the bonds. To evidence its obligation to repay such loan, the borrower and the Authority will enter into a loan agreement between the Borough and the borrower in amounts sufficient to enable the borrower to meet its payment obligations under the loan agreement. Payment of principal and interest on the bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

In December 2004, the BCIA issued bonds in the amount of \$7,200,000. These bonds consist of \$5,435,000 County Guaranteed Revenue Bonds, Series 2004A and \$1,765,000 Taxable County Guaranteed Revenue Bonds, Series 2004B. The Series 2004A Bonds consist of \$1,745,000 serial bonds having a final maturity date of December 1, 2023 and having various interest rates between 4.00% and 4.50%, \$1,440,000 of 4.50% term bonds due December 1, 2028 and \$2,250,000 of 4.74% term bonds due December 1, 2034.

The Series 2004B Bonds consist of \$690,000 of 4.32% term bonds due December 1, 2009 and \$1,075,000 of 5.35% term bonds due December 1, 2014. The Series A and B Bonds area being issued to make a loan to the Bergen County Community Action Program, Inc., a New Jersey non-profit corporation relating to: (1) the refinancing of certain existing debt of the borrower; (2) the acquisition of various parcels of real property and the improvements thereon located in Garfield, New Jersey together with certain renovations thereto; (3) the funding of working capital for certain of the borrowers programmatic needs; and (4) the payment of the costs of issuance with respect to this financing. To evidence its obligation to repay such loan, the borrower and the Authority will enter into a loan agreement dated as of December 1, 2004. Payment of the principal and interest on the bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

**E. Series 2005 Bonds**

In January 2005, the BCIA issued \$26,755,000 County of Bergen guaranteed School District Revenue Bonds for the Wyckoff Township Board of Education Project. These bonds consist of \$7,220,000 serial bonds having a final maturity date of April 1, 2016 and interest rates ranging from 3.00% to 3.70%, \$3,540,000 5.25% Term Bond due April 1, 2020; \$5,555,000 5.00% Term Bond due April 1, 2025; and \$10,440,000 5.00% Term Bond due April 1, 2032. These bonds were issued to make a loan to the Board of Education in the Township of Wyckoff in the County of Bergen, New Jersey for the purpose of financing (1) the local share of a project consisting of construction of additions and renovations at Eisenhower Middle School, Coolidge Elementary School, Lincoln Elementary School, Sicomac Elementary School, and Washington Elementary School, including the addition of multi purpose rooms at each of the schools, including acquisition and installation of furnishings and equipment and site work, and (2) the payment of certain costs of issuing the bonds. To evidence its obligation to repay such loan, the board of Education will issue and deliver to the Authority \$27,332,000 principal amount of its General Obligation bonds, Series 2005. Simultaneously with the issuance of the Board of Education General Obligation Bonds, the board of Education and the Authority will enter into a Loan Agreement dated January 15, 2005. Payment of principal and interest on the Authority Bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**E. Series 2005 Bonds (Continued)**

Additionally, in January 2005, the Authority issued \$8,380,000 principal amount of Village of Ridgewood, New Jersey guaranteed Revenue Bonds. The \$8,380,000 principal amount of Revenue Bonds, Series 2005 consists of \$8,205,000 Village of Ridgewood Guaranteed Revenue Bonds, Series 2005A and \$175,000 Taxable Village of Ridgewood Guaranteed Revenue Bonds, Series 2005B (Ridgewood Senior Citizens Housing Corporation, Inc. Project). The Series A Bonds consist of \$8,205,000 serial bonds having a final maturity of February 1, 2025 and interest rates ranging from 2.50% to 4.60%. The Series B Bonds consist of \$175,000 3.36% Term Bonds due February 1, 2006.

The bonds are being issued to make a loan to the Ridgewood Senior Citizens Housing Corporation for the purpose of (1) refinancing an outstanding mortgage between the Ridgewood Senior Citizens housing Corporation and the United States Department of Housing and Urban Development relating to a project consisting of the acquisition of land and the construction of a 130 unit residential apartment complex for low-income handicapped persons and senior citizens in the Village of Ridgewood, New Jersey; (2) financing certain capital improvements to the Ridgewood Senior Citizens Housing Corporation's facility, and (3) paying certain costs of issuance with respect to the Bonds. To evidence its obligation to repay such loan, the Ridgewood Senior Citizens Housing Corporation and the Authority will enter into a loan agreement dated January 1, 2005. Payment of the principal and interest on the Bonds are further secured by a full, unconditional and irrevocable guaranty of the Village of Ridgewood, New Jersey

In August 2005, the Authority issued \$30,075,000 principal amount of County of Bergen Guaranteed Revenue Bonds, Series 2005 (County Administration Complex). These bonds are serial bonds having a final maturity date of November 15, 2026 and interest rates ranging from 4.00% to 5.00%. These bonds are being issued for the purpose of (1) advance refunding all of the New Jersey Economic Development Authority's Lease Revenue Bonds (Bergen County Administration Complex), Series 1998, and (2) paying costs and expenses associated with the issuance of the Bonds. Payment of principal and interest on the Bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen to pay, when due, the principal (including sinking fund installments, if any) and interest on the Bonds.

In November 2005, the Authority issued \$37,985,000 Senior Special Purpose Limited Obligation Revenue Bonds, Series 2005B (EnCap Golf Holdings, LLC Project). The 2005B bonds are special limited obligations of the Authority, the principal, purchase and/or redemption price of and interest on which are payable by the Authority solely from the 2005 A & B Trust Estate, which includes the payments to be made by EnCap Golf Holdings, LLC under a loan agreement dated the date of delivery of the 2005B Bonds. EnCap Golf Holdings, LLC's payment obligations under the 2005B Loan Agreement are (1) as they relate to the payment of the principal, purchase and/or redemption price, if any, on the 2005B Bonds, obligations of the borrower payable from the Series 2005B Bonds pledged rights and revenues, (2) as they relate to the payment of interest on the 2005 B Bonds, obligations of the borrower defined Company Revenues, and (3) as they relate to the payment of administrative expenses. The Payment of principal, purchase price and/or redemption price of or interest on the 2005 B Bonds will be supported by an irrevocable direct pay letter of credit issued in favor of the BCIA Bond Trustee by Wachovia Bank National Association.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**E. Series 2005 Bonds (Continued)**

The Authority also issued \$26,770,000 Subordinate Purpose Limited Obligation Revenue Bonds, Series C and \$38,230,000 Subordinate Special Purpose Limited Obligation Revenue Bonds, Series 2005D (EnCap Golf Holdings, LLC Project). The 2005 C & D Bonds are special, limited obligations of the Authority, the principal, purchase and/or redemption price of and interest on which are payable by the Authority solely from the 2005 C & D Trust Estate, which includes the payments to be made by EnCap Golf Holdings, LLC, a limited liability company established pursuant to the laws of the State of Delaware (the "Borrower"), under a Loan Agreement dated the date of delivery of the 2005 C & D Bonds (the "2005 C & D Loan Agreement"), by and between the Authority and the Borrower. The Borrower's payment obligations under the 2005 C & D Loan Agreement are (1) as they relate to the payment of principal, purchase and/or redemption price, if any, on the 2005 C & D Bonds, obligations of the Borrower payable from the Series 2005 C & D Bonds pledged rights and revenues, (2) as they relate to the payment of interest on the 2005 C & D Bonds, obligations of the Borrower payable from the hereinafter defined Company Revenues, and (3) as they relate to the payment of administrative expenses, a general obligation of the Borrower. The payment of the principal, purchase and/or redemption price of or interest on each series of the 2005 C & D Bonds will be supported by a corresponding irrevocable, direct pay letter of credit (each, a "Letter of Credit" and together, the "Letters of Credit") issued in favor of the BCIA Bond Trustee by Wachovia Bank, National Association.

Additionally, the Authority issued \$49,136,016 principal amount of County of Bergen Guaranteed Governmental Loan Revenue Bonds consisting of \$24,100,000 Current Interest Bonds (Series 2005A); \$15,316,016 Capital Appreciation Bonds (Series 2005B); and \$9,720,000 Current Interest Bonds (Series 2005C). Proceeds of the Series 2005A, B and C Bonds will be used to provide funds to make loans to certain municipalities which include the Borough of North Arlington, the City of Englewood, and the Borough of Paramus (Borrowers). The Authority has entered into Borrower Purchase Agreements to secure the Borrowers Loans. Pursuant to the Borrower Purchase Agreements, the Authority will purchase a Borrower Bond in the principal amount equal to the loan that the Authority makes to each borrower. Each borrower will be required to make the loan repayments to the Authority pursuant to its Borrower bond. The aggregate of the Loan Repayments made by the Borrowers will be sufficient to enable the Authority to pay the principal or Redemption Price, if any, of and interest on each series of the Bonds. The payment of the principal of (including sinking fund installments, if any) and interest on the Bonds are further secured by the County Guaranty, an unconditional and irrevocable obligation of the County. The County has the power and obligation, if necessary, to cause the levy of ad valorem taxes upon all the taxable property within the County without limitation as to rate or amount for the payment of its obligations under the County Guaranty.

**F. Series 2006 Bonds**

In February, 2006, the BCIA issued \$1,900,000 principal amount of County Guaranteed Revenue Bonds (Bergen Performing Arts Center Project) Series 2006. The bonds are serial bonds having a final maturity date of January 1, 2014 and an interest rate of 3.98%. The bonds were issued to permanently finance, on behalf of Bergen Performing Arts Center, Inc., a New Jersey non-profit corporation, the financing of the acquisition and improvements to the property formerly known as the John Harms Center for the Performing Arts located at 30 North Van Brunt Street in the City of Englewood, County of Bergen, New Jersey and to pay the costs of issuance with respect to the bonds.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**F. Series 2006 Bonds (Continued)**

In March 2006, the Authority issued \$22,905,000 principal amount of County Guaranteed Governmental Loan Bonds, Series 2006. The bonds bear interest at various rates between 3.5% and 5.00% and have a final maturity of September 1, 2030.

The Series 2006 Bonds were issued to provide funds to make a loan to the Township of Saddle Brook in the County of Bergen, New Jersey for the purpose of (1) permanently financing the principal and interest on \$21,050,000 bond anticipation notes of the township maturing March 15, 2006; (2) providing for various capital improvements; (3) providing funds for the payment of capitalized interest on the 2006 bonds through September 1, 2006; and (4) paying certain costs of issuance on the 2006 Bonds.

To evidence its obligation to repay such loan, the Township will issue and deliver to the Authority \$22,905,000 principal amount of its General Obligation Bonds, Series 2006 (the "Borrower Bond"). Payment of the principal of (including sinking fund payments, if any) and interest on the 2006 Bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

Additionally, in June of 2006, the Authority issued \$2,900,000 principal amount of County Guaranteed Governmental Loan Bonds, Series 2006. The bonds bear interest at a rate of 5.00% and have a final maturity of December, 2031.

These bonds were issued to provide funds to permanently finance the bonds of the Township of Lyndhurst, County of Bergen, New Jersey, which were issued simultaneously with the Governmental Loan Bonds. The bonds will be issued to finance the construction of a shared services building between the Township of Lyndhurst and the Lyndhurst Board of Education, as well as other capital improvement projects. The Township issued bonds and sold the bonds directly to the Authority. The Authority funded the purchase through the sale of Governmental Loan Bonds.

The Governmental Loan Bonds are secured by the general obligation payments of the Township of Lyndhurst pursuant to the Township of Lyndhurst's Bond. Payments of principal and interest on the Governmental Loan Bonds are fully, unconditionally and irrevocably guaranteed by the County of Bergen, New Jersey.

**G. Series 2007 Bonds**

In May 2007, the Authority issued \$31,855,000 principal amount of County of Bergen Guaranteed Revenue Bonds, Series 2007A and \$33,955,000 County of Bergen Guaranteed Revenue Bonds, Series 2007B. The Series 2007A and 2007B Bonds were issued to make a loan to the Bergen County Utilities Authority for the purpose of financing (1) the current refunding of \$31,235,000 principal amount of the Bergen County Utilities Authority's 1997 Water Pollution Control System Revenue Bonds, Series A which are callable on June 15, 2007 (the "2007A Project"); (2) the current refunding of \$35,455,000 principal amount of the Authority's 1998 Water Pollution Control System Revenue Bonds, Series A on a forward delivery basis, which bonds are callable on December 15, 2007 (the "2007B Project"); and (3) the payment of certain costs of issuing the Bonds.

To evidence its obligation to repay such loan, the Bergen County Utilities Authority will issue and deliver to the Authority \$31,855,000 principal amount of its 2007 Water Pollution Control System Revenue Refunding Bonds, Series A and \$33,955,000 principal amount of its 2007 Water Pollution Control System Revenue Refunding Bonds, Series B (Forward Delivery). Simultaneously, with the issuance of the Bergen County Utilities Authority Revenue Refunding Bonds, the Bergen County Utilities Authority and the Authority entered into a loan agreement dated May 1, 2007. Payment of the principal and interest on the Bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**G. Series 2007 Bonds (Continued)**

In October 2007, the Authority issued \$9,900,000 Tax-Exempt Educational Facilities Revenue Bonds (Teaneck Community Charter School Project), Series 2007. The Bonds are being issued to make a loan to Friends of Teaneck Community Charter School, Inc., a New Jersey not for profit corporation, for financing (1) the acquisition of land, renovating and equipping an existing building, located in the Township of Teaneck, County of Bergen, State of New Jersey; (2) funding a debt service reserve fund with respect to the Bonds; (3) providing certain working capital requirements for the project and capitalized interest, and (4) paying certain costs of issuance.

Simultaneously with the issuance of the Bonds, the Authority and the Borrower will enter into a Loan Agreement dated as of October 1, 2007. Payment of the principal of (including sinking fund payments, if any) and interest on the Bonds are further secured by a note, in the principal amount of \$9,900,000.

**H. Series 2008 Bonds**

In April 2008, the Authority issued \$29,600,000 principal amount of County of Bergen Guaranteed Revenue Bonds (the Bergen County Utilities Authority Capital Project Financing), Series 2008. The bonds were issued to make a loan to Bergen County Utilities Authority for the purpose of financing (i) the cost of various improvements to the Bergen County Utilities Authority water pollution control system; (ii) capitalized interest on the bonds; and (iii) the payment of certain costs of issuing the bonds.

To evidence its obligation to repay such loan, the Bergen County Utilities Authority has issued and delivered to the Bergen County Improvement Authority \$29,600,000 principal amount of its 2008 Water Pollution Control System Revenue Bonds. Simultaneously with the issuance of the Bergen County Utilities Authority Bonds, the Bergen County Utilities Authority and the Authority entered into a Loan Agreement setting forth the rights and obligations of the parties thereto. Payment of the principal and interest on the Bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

**I. Series 2009 Bonds**

In February 2009, the Authority issued \$7,095,000 principal amount of County of Bergen Guaranteed Governmental Loan Revenue Bonds. The bonds are serial bonds that bear interest at various rates between 2.00% and 4.11% and have a final maturity of August 15, 2024. These bonds were issued to provide funds to make a loan to the Northwest Bergen County Utilities Authority to (1) finance various improvements to the Northwest Bergen County Utilities Authority's sewer system; (2) fund capitalized interest on the Series 2009 Bonds; and (3) pay certain costs of issuance of the Series 2009 Bonds. The Series 2009 Bonds will be payable from and are secured by payments made on Revenue Bonds of the Northwest Bergen County Utilities Authority. The Northwest Bergen County Utilities Authority Bonds will be sold to the Authority pursuant to a Bond Purchase Agreement entered into between the Bergen County Improvement Authority and the Northwest Bergen County Utilities Authority. As additional security for the Series 2009 Bonds, payment of the principal and interest on the Series 2009 Bonds is fully, unconditionally and irrevocably guaranteed by the County of Bergen, New Jersey.

In June 2009, the Authority issued \$26,944,000 principal amount of County of Bergen Guaranteed Loan Revenue Bonds, Series 2009A. The bonds are serial bonds that bear interest at various rates between 1.50% and 5.00% and have a final maturity of August 15, 2024.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**I. Series 2009 Bonds (Continued)**

The Bonds are being issued to provide funds to make loans to the Borough of Fairview in the County of Bergen, New Jersey ("Fairview"), the Borough of Little Ferry in the County of Bergen, New Jersey ("Little Ferry"), the Borough of Upper Saddle River in the County of Bergen, New Jersey ("Upper Saddle River"), the Village of Ridgefield Park in the County of Bergen, New Jersey ("Ridgefield Park"), the Borough of Edgewater in the County of Bergen, New Jersey ("Edgewater"), the Haworth Board of Education in the Borough of Haworth, County of Bergen, New Jersey ("Haworth BOE"), and the Borough of Rutherford in the County of Bergen, New Jersey ("Rutherford" and together with Fairview, Little Ferry, Upper Saddle River, Ridgefield Park, Edgewater and Haworth BOE, the "Borrowers") to (i) refund certain outstanding bonds of Fairview, Little Ferry, Upper Saddle River, Ridgefield Park, Edgewater and Haworth BOE; (ii) finance certain projects in Edgewater and Rutherford; and (iii) pay certain costs of issuance of the Bonds and Borrower Bonds.

The Bonds constitute direct and special obligations of the Authority and are secured only by those revenues of the Authority which are derived by the Authority from the loan repayments (the "Loan Repayments") made by the Borrowers pursuant to the general obligation bond of each Borrower purchased by the Authority pursuant to each bond Purchase Agreement between the Authority and each Borrower, to evidence each respective loan from the Authority to such Borrower. The Loan Repayments made pursuant to the Borrower Bonds are pledged by the Authority for the payment of the principal of, redemption premium, if any, and interest on the Bonds.

The Bonds are further secured by a full, irrevocable and unconditional guaranty from the County of Bergen, New Jersey to pay, when due, the principal of and interest on the Bonds. The County has the power and the obligation to cause the levy of ad valorem taxes upon all taxable property within the County without limitation as to rate or amount for the payment of its obligations under the County Guaranty.

In November of 2009, the Authority issued \$10,200,000 Revenue Bonds (Yeshivat Noam, Yeshiva of Bergen County, Inc. Project), Series 2009. The Bonds are initially issued in a single denomination of \$10,200,000. The bond is dated November 9, 2009 and has a final maturity of November 1, 2034.

The Bonds are issued for the purpose of (1) refinancing existing debt which was originally incurred to finance or refinance costs of the acquisition, construction, renovation and equipping of certain of the Borrower's facilities located in the Borough of Paramus and the Borough of Bergenfield, County of Bergen and State of New Jersey; and (2) to fund costs of issuance of the Bonds. The Authority, the Borrower and TD Bank, N.A. (the "Purchaser"), have entered into a Bond Agreement dated as of November 1, 2009 (the "Agreement") providing, among other things, for the making of a loan (the "Loan") to the Borrower in order to finance the Project. The Authority, the Borrower and the Purchaser have also executed the Authority's Assignment dated November 9, 2009 (the "Assignment"), pursuant to which the Authority has assigned to the Purchaser, as security for the payment of the Bonds, certain of its rights under the Agreement (subject to the Authority's Reserved Rights) and the other loan documents executed by the Borrower in conjunction with the Agreement, which are made a part of the record of proceedings (the "Loan Documents").

The Series 2009 Bonds are secured by a Mortgage and Security Agreement dated November 9, 2009 from the Borrower to the Authority, creating a lien upon the Borrower's interest in the premises and certain other collateral.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**J. Series 2010 Bonds**

In March of 2010, the Authority issued \$20,555,000 County Secured Lease Revenue Bonds, Series 2010 (Bergen County Community College Building Project). The Bonds consist of \$5,335,000 County Secured Lease Revenue Bonds, Series 2010A and \$15,220,000 County Secured Lease Revenue Bonds, Series 2010B. The Bonds have a final maturity of June 1, 2040 and pay interest semiannually on June 1 and December 1 of each year commencing June 1, 2010.

The Bonds are being issued to provide funds for various improvements to the facilities of The Bergen Community College including (1) the acquisition, reconstruction, alteration and renovation of a building in the Township of Lyndhurst, New Jersey to be used as a satellite campus for the College and for financing other capital projects of the College; and (2) the payment of certain costs of issuance of the Bonds.

The Bonds constitute special obligations of the Authority and are secured primarily by revenues derived by the Authority from rentals to be paid by the Bergen Community College pursuant to a lease agreement by and between the Authority and the College dated as of March 1, 2010.

As additional security for the Bonds, payment of principal and interest on the Bonds is fully, unconditionally and irrevocably guaranteed by the County of Bergen, New Jersey pursuant to a guaranty resolution adopted on August 12, 2009 by the County. The County guarantee shall remain in effect until the Bonds have been paid in full.

In April of 2010, the Authority issued \$17,000,000 County of Bergen Guaranteed Revenue Bonds, Series 2010 (East Rutherford Project). The Bonds bear interest at various rates between 2.00% and 5.00% and have a final maturity of June 1, 2039.

The Bonds are being issued to make a loan to the Borough of East Rutherford in the County of Bergen, New Jersey for the purpose of financing the cost associated with the construction of a new police headquarters and municipal court building for use by the Borough and the acquisition of all materials and equipment and completion of all work related thereto, and to fund certain costs associated with the issuance of the Bonds.

To evidence its obligation to pay such loan, the Borough will issue and deliver to the Authority \$17,000,000 principal amount of its General Obligation Bonds which the Borough shall be obligated to levy ad valorem taxes upon all taxable property within the Borough for the payment of principal and interest on the Borough Bonds.

Payment of the principal of and interest on the Authority Bonds are further secured by a full, unconditional and irrevocable guarantee of the County of Bergen, New Jersey.

In April of 2010, the Authority issued \$30,165,000 Governmental Loan Revenue Bonds, Series 2010. The Bonds bear interest at various rates between 2.00% and 5.00% payable February 15 and August 15 of each year commencing February 15, 2011 and have a final maturity of 2025.

The Series 2010 Bonds are being issued to provide funds to make loans to the Borough of Closter, the Borough of Fort Lee and the Borough of Oradell to (1) finance general improvements of the borrowers; (2) refinance certain outstanding bond anticipation notes of the borrowers; and (3) pay certain costs of issuance of the Series 2010 Bonds.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**J. Series 2010 Bonds (Continued)**

The Series 2010 Bonds will be payable and are secured by payments made on general obligation bonds of each of the borrowers. The Borrower Bonds will be sold to the Authority pursuant to separate Bond Purchase Agreements entered into between the Authority and each of the borrowers. The Borrower Bonds shall be direct and general obligations of each of the Borrowers payable from ad valorem taxes levied upon all the taxable property within the jurisdiction of each borrower.

As additional security for the Series 2010 Bonds, payment of the principal and interest on the Series 2010 Bonds is fully, unconditionally and irrevocably guaranteed by the County of Bergen, New Jersey which shall remain in effect until the Series 2010 Bonds have been paid in full.

In December 2010, the Authority issued \$18,765,000 Revenue Bonds, Series 2010 (Kean University Foundation, Inc. Project). The Bonds have a final maturity of December 1, 2039 and pay interest semiannually on June 1 and December 1 of each year at various rates between 2.125% and 5.375%.

The Bonds are being issued to (1) fund a loan to Kean University Foundation, Inc. that will be used to pay 50% of the costs of construction of an academic building on the campus of Ocean County College in Toms River, New Jersey to be jointly used by Kean University; (2) fund a portion of the debt service reserve fund; (3) fund a portion of the capitalized interest on the Bonds; and (4) pay the costs of issuance of the Series 2010 Bonds.

The Authority and the Foundation have entered into a Loan Agreement, dated as of December 1, 2010, pursuant to which the Authority will lend the proceeds of the Series 2010 Bonds to the Foundation for the purpose of paying (a) fifty percent (50%) of the Costs of the Project (as defined in the Bond Resolution), and (b) costs of issuing the Series 2010 Bonds. The Project shall be constructed on portion of an approximately 34 acre site owned by the County College. The Foundation and the County College have entered into a Ground Lease, dated as of September 21, 2010, whereby the Foundation will lease fifty percent (50%) of the Building Footprint from the County College.

The Foundation and the County College have entered into the Gateway Building Ownership and Operating Agreement, dated as of September 21, 2010 (the "Operating Agreement"), governing the construction, ownership and operation of the Gateway Building, which provides that each party will finance fifty percent (50%) of the costs associated with the construction of the Gateway building, and any other costs incurred for the Project, and each party will own a fifty percent (50%) interest in the Gateway Building. Operating costs and related improvements of the Gateway Building, will be equally aid by the County College and the Foundation. The Foundation will lease its interest in the Gateway Building to the University pursuant to a Lease Agreement, dated as of September 21, 2010, as amended and restated (collectively, the "Lease Agreement"), as permitted by the Operating Agreement. Payments by the University to the Foundation under the Lease Agreement, and the contingent guaranty thereunder, shall be sufficient to cover the debt service payments for the Series 2010 Bonds and operating costs. Both the Lease Agreement and the Ground Lease will be assigned to the Authority as additional security for the 2010 Bonds. In addition, a Ground Leasehold Mortgage and Assignment of Lease, dated as of December 1, 2010 (the "Mortgage") will be granted by the Foundation to the Authority to secure the Foundation's obligations under the Loan Agreement.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**K. Series 2011 Bonds**

In July 2011, the Authority issued \$2,800,000 County of Bergen Guaranteed Revenue Bonds, Series 2011 (Bergen County Community Action Partnership, Inc. Project). The Bonds bear interest at various rates between 2.00% and 4.625% and have a final maturity of December 1, 2034.

The Bonds are being issued to make a loan to the Bergen County Community Action Partnership, Inc., a New Jersey non-profit corporation, for the purpose of (1) permanently financing the costs of construction and expansion of a Head Start facility located at the Borrower's Garfield, New Jersey site, including all necessary materials, improvements, appurtenances, and site work related thereto; (2) paying the costs of the construction and upgrading of certain classroom facilities located in Garfield, New Jersey site, for occupational and educational training, including all necessary materials, improvements, appurtenances, and site work related thereto; and (3) paying the costs of issuance with respect to the issuance and sale of the 2011 Bonds.

To purchase its obligation to repay such 2011 loan, the Borrower and the Authority will enter into a Trust Amendment to Loan Agreement dated as of August 1, 2011.

**L. Series 2012 Bonds**

In May 2012, the Authority issued \$19,410,000 County Guaranteed Loan Refunding Revenue Bonds, Taxable Series 2012 (Pooled ERI Unfunded Liability Project – Federally Taxable). The Bonds bear interest at various rates between .430% and 3.259% and have a final maturity of September 15, 2023.

The Refunding Bonds are being issued to provide funds to make a loan to the County of Bergen, New Jersey (the "County") and certain municipalities and school districts in the County (together with the County, the "Series 2012 Local Units") (i) to fund an escrow the proceeds of which are to be used for the purpose of advance refunding a portion of the Authority's County Guaranteed Governmental Loan Revenue Bonds, Taxable Series 2003A (Pooled ERI Unfunded Liability Project) originally issued in the aggregate principal amount of \$31,210,000 (the "Refunded Bonds"), which Refunded Bonds were issued to provide funds to make loans to the Series 2012 Local Units to raise funds sufficient to retire the present value of the Series 2012 Local Units' respective unfunded accrued liability for early retirement incentive benefits previously granted by the State to each Series 2012 Local Unit, and (ii) to pay certain of the costs of issuance of the Refunding Bonds and the Series 2012 Local Unit Refunding Bonds (as hereinafter defined).

The Refunding Bonds will be payable from and are secured by payments made on general obligation refunding bonds of each of the Series 2012 Local Units (each a "Series 2012 Local Unit Refunding Bond" and, collectively, the "Series 2012 Local Unit Refunding Bonds"). The Series 2012 Local Unit Refunding bonds will be sold to the Authority pursuant to separate Bond Purchase Agreements entered into between the Authority and each of the Series 2012 Local Units. The Series 2012 Local Unit Refunding Bonds shall be direct and general obligations of each of the Series 2012 Local Units.

In August 2012, the Authority issued \$18,450,000 County Guaranteed School District Revenue Bonds (Fort Lee Board of Education Project) Series 2012. The Bonds bear interest at various rates between 1.25% and 4.00% and have a final maturity of December 1, 2031.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**L. Series 2012 Bonds (Continued)**

The proceeds thereof will be used to make a loan to the Board of Education of the Borough of Fort Lee, in the County of Bergen, a school district of the State of New Jersey, for the purpose of (i) financing the School Project; and (ii) paying the costs of issuance with respect to the issuance and sale of the 2012 Bonds.

To evidence its obligation to repay such 2012 Loan, the Borrower and the Authority will enter into a Loan Agreement, dated as of August 16, 2012, setting forth the rights and obligations of the parties thereto. In order to secure and evidence its payment obligations under the Loan Agreement, the Borrower has delivered or will deliver, to secure the repayment obligation under the Loan Agreement, its general obligation bond under which it irrevocably pledges its full faith and credit for the payment of the principal of and interest on the Board Bond, which Board Bond is additionally secured by the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

In August 2012, the Authority issued \$14,970,000 County Guaranteed Refunding Bonds (Englewood Board of Education Refunding Project) Series 2012. The Bonds bear interest at various rates between 1.50% and 5.00% and have a final maturity of April 1, 2024.

The Refunding Bonds are being issued to: (i) advance refund and redeem \$15,360,000 of the Authority's County of Bergen Guaranteed School District Revenue Bonds, Series 2004 (Englewood City Board of Education Project) maturing on April 1 in the years 2015 through 2024, inclusive, which 2004 Refunded Bonds are callable on April 1, 2014; and (ii) pay certain costs and expenses incidental to the issuance, sale and delivery of the Refunding Bonds. The principal of and interest on the Refunding Bonds shall be secured by the pledge of the Trust Estate (as defined in the Bond Resolution) by the Authority to the Trustee, which Trust Estate shall include, among other things: a portion of the loan payments made by the Board of Education of the City of Englewood, in the County of Bergen, New Jersey, pursuant to an Amended and Restated Loan Agreement, dated as of September 6, 2012 by and between the Authority and the Board of Education, which Loan Payments are secured by a General Obligation Bond issued by the Board of Education to the Authority dated July 14, 2004, as amended on the date of delivery of the Refunding Bonds. Payment of the School District Bond shall be made from the levy of ad valorem taxes upon all the taxable property within the jurisdiction of the School District, without limitation as to rate or amount, and which Loan Payments shall be assigned by the Authority to the Trustee for the payment of the principal (including sinking fund payments, if any) of and interest on the Refunding Bonds in accordance with the terms of the Bond Resolution and the Amended and Restated Loan Agreement.

In August 2012, the Authority issued \$10,515,000 of County Guaranteed Refunding Revenue Bonds, Series 2012 (Fair Lawn Community Center, Inc. Project). The Bonds bear interest at various rates between 1.50% and 5.00% and have a final maturity of September 15, 2034.

The Refunding Bonds are being issued to (i) advance refund \$10,115,000 outstanding principal amount of County of Bergen Guaranteed Revenue Bonds, Series 2004 (Fair Lawn Community Center, Inc. Project) maturing on September 15, in the years 2015 through 2021, inclusive, 2025 and 2034 (the "Refunded Bonds"); and (ii) pay certain costs of issuing the Refunding Bonds. The Refunded Bonds were issued to make a loan to the Fair Lawn Community Center, Inc. for the purpose of financing (a) the construction and equipping of an approximately 42,000 square foot recreational and community center, located in the Borough of Fair Lawn, New Jersey; and (b) the payment of certain costs of issuing the Refunded Bonds. To evidence its obligation to repay such loan and secure the Refunding Bonds, the Borrower and the Authority will enter into a First Amendment to Loan Agreement dated as of September 1, 2012, setting forth the rights and obligations of the parties thereto. The Borough will make payments under the First Amendment to Lease Agreement dated as of September 1, 2012 between the Borough and the Borrower in amounts sufficient to enable the Borrower to meet its payment obligations under the Amended Loan Agreement. Payment of the principal of (including sinking fund payments, if any) and interest on the Refunding Bonds are further secured by a full, unconditional and irrevocable guaranty of the County of Bergen, New Jersey.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 CONDUIT DEBT OBLIGATIONS (Continued)**

**M. Series 2013 Municipal Banc Leasing Program**

In October 2013 the Bergen County Improvement Authority entered into a Master Lease Purchase Agreement with the Bank of America Public Capital Corp. to provide financing in the amount not to exceed \$15,000,000, which includes the full faith and credit guarantee of the County of Bergen.

The program provides tax-exempt lease financing for various local governments which includes municipalities, school districts, utility authorities and sewerage authorities in the County of Bergen in order to fund for certain capital equipment and other personal or real property.

Under the program the Authority enters into a sublease with participants, whereby the participant would make lease payments under the sublease. Upon the expiration of the lease term, the Authority sells the capital items financed thereby to the participant for \$1.

**N. Series 2014 Bonds Pooled Loan Revenue Bonds Series A & B**

On April 30, 2014, the Authority issued \$10,125,000 County Guaranteed Pooled Loan Revenue Bonds, Series 2014A and \$59,995,000 County Guaranteed Pooled Loan Revenue Bonds, Series 2014B. The Bonds bear interest at various rates between 2.00% and 5.00% and have final maturity of February 15, 2039.

The Series 2014 Bonds were issued to provide funds to make loans to the County of Bergen (the "County"), the Bergen County Utilities Authority (the "Utilities Authority Borrower"), and the Borough of East Rutherford, New Jersey (the "Municipal Borrower") and together with the County and the Utilities Authority Borrower, (the "Borrowers") to (i) advance refund certain outstanding bonds of the Utilities Authority Borrower; (ii) permanently finance certain general improvements of the Borrowers; and (iii) pay certain of the costs of issuance of the Series 2014 Bonds, and the Borrower Bonds.

**O. Series 2014 School District Revenue Bonds**

In July 2014, the Authority issued \$30,565,000 County Guaranteed School District Revenue Bonds (Elmwood Park Board of Education Project), Series 2014. The Bonds bear interest at various rates between 1.00% and 5.00% and have final maturity of August 1, 2034.

The Series 2014 Bonds were issued to provide funds to make a loan to the Elmwood Park Board of Education (the "Borrower"). The Borrower is using the proceeds of the bonds (i) to make improvements to the Board's Schools in Elmwood Park, NJ; (ii) to currently refund the Board's 2004 School Bonds outstanding in the amount of \$23,382,000 maturing on or after August 1, 2015; and (iii) pay certain costs of issuance of the Series 2014 Bonds.

**NOTE 9 LONG-TERM DEBT**

**COUNTY GUARANTEED TAXABLE PROJECT BONDS, SERIES 2000**

On March 7, 2000, the Authority issued County Guaranteed Taxable Project Bonds, Series 2000, in the amount of \$28,000,000 with a maturity date of March 15, 2017, with interest rates ranging from 7.17% to 7.87%. The proceeds of the Bonds were used to pay Project Notes in the amount of \$27,000,000 which matured on March 16, 2000. These notes were originally issued for the purpose of acquiring a leasehold interest in the Hospital.

In addition to the above, proceeds were used to finance the cost of acquisition and construction of various capital improvements to the Hospital, to provide working capital for the Authority (including amounts in respect of certain reductions in Medicaid payments attributable to previous Medicaid overpayments), and to provide for the cost of issuance.



**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 9 LONG-TERM DEBT (Continued)**

**COUNTY GUARANTEED TAXABLE PROJECT BONDS (BERGEN REGIONAL MEDICAL CENTER PROJECT), SERIES 2010 (Continued)**

The maturities of the Series 2010 County Guaranteed Taxable Project Bonds are as follows:

<u>Description</u>	<u>Original Issue Date</u>	<u>Original Issue Amount</u>	<u>Rate(%)</u>	<u>Maturity Date</u>	<u>Maturity Amount</u>	<u>Balance, December 31 2014</u>
Series Bonds	08/05/10	\$ 17,925,000	2.658%	5/15/2015	\$ 2,700,000	
			3.182%	5/15/2016	2,795,000	
			3.532%	5/15/2017	<u>1,165,000</u>	
						<u>\$ 6,660,000</u>

**COUNTY GUARANTEED TAXABLE REVENUE BONDS (OVERPECK PROJECT), SERIES 2005**

On September 8, 2005, the Authority issued County-Guaranteed Taxable Revenue Bonds, Series 2005, in the amount of \$12,000,000. The bonds have a final maturity date of September 15, 2020 and bear interest rates ranging from 4.80% to 5.375%. The proceeds of the Series 2005 Bonds will be used, together with other available funds to pay: (1) the principal and interest on the Authority's 2004 Notes at maturity and (2) certain costs incidental to the issuance of the Series 2005 Bonds. The 2004 Notes were issued to pay the Authority's 2003 Notes at maturity, the proceeds of which were used to finance a capital improvement program for the Overpeck Project (Described further in Note 12 to the financial statements). The Bonds are direct and special obligations of the Authority payable solely from the revenues (as defined in the Trust Indenture dated as of September 1, 2005 between the Authority and the Trustee. The Bonds are further secured by a full, irrevocable and unconditional guaranty from the County of Bergen, New Jersey.

A summary for the activity for the Authority's County Guaranteed Taxable Revenue Bonds Series 2005 is presented below:

<u>Balance, December 31, 2013</u>	<u>Issued</u>	<u>Refunded/ Retired</u>	<u>Balance, December 31 2014</u>
<u>\$ 7,060,000</u>	<u>\$ -</u>	<u>\$ 865,000</u>	<u>\$ 6,195,000</u>



**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 9 LONG-TERM DEBT (Continued)**

**Revenue Bonds (Continued)**

Revenue Bonds outstanding at December 31, 2014 and 2013, consist of the following:

	<u>2014</u>	<u>2013</u>
<b><u>General Fund and Bergen Regional Medical Center</u></b>		
\$17,925,000 County Guaranteed Taxable Project Bonds, Series 2010 2.658% to 3.532% due in annual installments of \$1,165,000 to \$2,795,000 on May 15, 2014 to 2017	<u>\$ 6,660,000</u>	<u>\$ 9,275,000</u>
 <u>Analysis of Balance</u>		
General Fund	137,862	191,991
Bergen Regional Medical Center	<u>6,522,138</u>	<u>9,083,009</u>
	<u>\$ 6,660,000</u>	<u>\$ 9,275,000</u>
 <b><u>Overpeck Landfill</u></b>		
\$12,000,000 County Guaranteed Taxable Revenue Bonds, Series 2005 4.80% to 5.375% due in annual installments of \$910,000 to \$1,160,000 on September 15, 2014 to 2020	<u>\$ 6,195,000</u>	<u>\$ 7,060,000</u>

The Authority's schedule of principal and interest requirements for long-term debt issued and outstanding as of December 31, 2014 is as follows:

<u>Year Ending December 31,</u>	<u>Project/Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 3,610,000	\$ 472,745	\$ 4,082,745
2016	3,755,000	343,481	4,098,481
2017	2,170,000	225,500	2,395,500
2018	1,055,000	163,545	1,218,545
2019	1,105,000	112,376	1,217,376
2020	<u>1,160,000</u>	<u>58,232</u>	<u>1,218,232</u>
	<u>\$ 12,855,000</u>	<u>\$ 1,375,879</u>	<u>\$ 14,230,879</u>

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**NOTE 9 LONG-TERM DEBT (Continued)**

**Changes in Long-Term Liabilities**

The Authority's long-term liability activity for the years ended December 31, 2014 and 2013 are as follows:

**General Fund**

<u>2014</u>	Balance, January 1, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
Project Bonds	\$ 191,991		\$ (54,130)	\$ 137,861	\$ 55,890
Less: Issuance Discounts	<u>(1,377)</u>	<u>-</u>	<u>345</u>	<u>(1,032)</u>	<u>-</u>
<b>Total Bonds Payable</b>	<b><u>\$ 190,614</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (53,785)</u></b>	<b><u>\$ 136,829</u></b>	<b><u>\$ 55,890</u></b>
<u>2013</u>	Balance, January 1, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
Project Bonds	\$ 251,504		\$ (59,513)	\$ 191,991	\$ 54,130
Less: Issuance Discounts	<u>(1,722)</u>	<u>-</u>	<u>345</u>	<u>(1,377)</u>	<u>-</u>
<b>Total Bonds Payable</b>	<b><u>\$ 249,782</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (59,168)</u></b>	<b><u>\$ 190,614</u></b>	<b><u>\$ 54,130</u></b>

**Bergen Regional Medical Center**

<u>2014</u>	Balance, January 1, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
Revenue Bonds	\$ 9,083,009		\$ (2,560,870)	\$ 6,522,139	\$ 2,644,110
Less: Issuance Discounts	<u>(65,201)</u>	<u>-</u>	<u>16,300</u>	<u>(48,901)</u>	<u>-</u>
<b>Total Bonds Payable</b>	<b><u>\$ 9,017,808</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (2,544,570)</u></b>	<b><u>\$ 6,473,238</u></b>	<b><u>\$ 2,644,110</u></b>
<u>2013</u>	Balance, January 1, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
Revenue Bonds	\$ 11,898,496		\$ (2,815,487)	\$ 9,083,009	\$ 2,560,870
Less: Issuance Discounts	<u>(81,501)</u>	<u>-</u>	<u>16,300</u>	<u>(65,201)</u>	<u>-</u>
<b>Total Bonds Payable</b>	<b><u>\$ 11,816,995</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (2,799,187)</u></b>	<b><u>\$ 9,017,808</u></b>	<b><u>\$ 2,560,870</u></b>

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**NOTE 9 LONG-TERM DEBT (Continued)**

**Changes in Long-Term Liabilities (Continued)**

**Overpeck Landfill**

<u>2014</u>	Balance, January 1, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 7,060,000		\$ (865,000)	\$ 6,195,000	\$ 910,000
Plus: Issuance Premiums	<u>71,690</u>	<u>-</u>	<u>(10,686)</u>	<u>61,004</u>	<u>-</u>
Total Bonds Payable	<u>\$ 7,131,690</u>	<u>\$ -</u>	<u>\$ (875,686)</u>	<u>\$ 6,256,004</u>	<u>\$ 910,000</u>
	Balance, January 1, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 7,880,000		\$ (820,000)	\$ 7,060,000	\$ 865,000
Plus: Issuance Premiums	<u>82,377</u>	<u>-</u>	<u>(10,687)</u>	<u>71,690</u>	<u>-</u>
Total Bonds Payable	<u>\$ 7,962,377</u>	<u>\$ -</u>	<u>\$ (830,687)</u>	<u>\$ 7,131,690</u>	<u>\$ 865,000</u>

**NOTE 10 BERGEN PINES PROJECT**

In 1998, the County of Bergen restructured/repositioned the management, administration, operation and maintenance of Bergen Regional Medical Center, formerly known as Bergen Pines County Hospital (the "Hospital"). Such actions on the part of the County are generally collectively referred to as the "Repositioning Plan".

Prior to the implementation of the Repositioning Plan, the County bore all risks, financial and operational, associated with the Hospital. Studies undertaken by consultants to the County advised that future reimbursement-related risks, together with other operational issues associated with a County-owned and operated healthcare institution, warranted: (i) a transfer of the Hospital to the Authority; and (ii) a contract between the Authority and a private firm for the management and operation of the Hospital by the latter for profit. The Repositioning Plan called for a reallocation of the financial risks, and the potential benefits, associated with the operation of the Hospital, with the private firm assuming virtually all operational risks in exchange for the ability to earn all profits from the operation of the Hospital.

As part of the Repositioning Plan for the Hospital, and under and pursuant to a Lease and Agreement dated as of December 17, 1997 (the "County/BCIA Agreement"), the County, effective as of March 15, 1998:

- (i) Transferred to the Authority the license issued by the State Department of Health and Senior Services ("DOHSS") for the operation of the Hospital,
- (ii) Leased to the Authority the Bergen Pines Real Property and the Bergen Pines Business Assets for a 19 year period, and

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 BERGEN PINES PROJECT (Continued)**

(iii) Assigned to the Authority responsibility, during the Lease Term, for the operation of the Hospital.

As a further part of the Repositioning Plan for the Hospital, and under and pursuant to a Lease and Operating Agreement dated December 17, 1997 (the "BCIA Lease and Operating Agreement"), the Authority in turn (effective as of March 15, 1998):

- (i) Leased the Bergen Pines Real Property and the Bergen Pines Business Assets to Solomon Health Group, LLC ("Solomon"), a private for-profit limited liability company, for a co-terminus 19 year period (the "Lease Term"), and
- (ii) Assigned to Solomon as the "Manager" responsibility, during the Lease Term, for the management, administration, operation and maintenance of the Hospital.

Under the terms of the County/BCIA Agreement and the BCIA Lease and Operating Agreement, Solomon, on a for-profit basis and at its sole cost and expense, assumed the responsibility for the operation of the Hospital, including the responsibility for the maintenance and repair of the facilities and equipment constituting the Bergen Pines Real Property and the Bergen Pines Business Assets, this in exchange for its deriving on account thereof the right to retain all profits from its operation of the Hospital (after paying all expenses, including the payment to the Authority of rent and a reimbursement for certain administrative costs), with the concomitant obligation on the part of Solomon to bear all losses therefrom (except for losses arising out of certain very limited situations involving such things as Manager-proposed reductions in clinical or direct care programs and Manager-proposed reductions in staffing).

Solomon as the Manager, with the approval and consent of the County and the BCIA, entered into a subcontract with the Society of the Valley Hospital, Inc. ("Valley Hospital") with respect to the provision by Valley Hospital of acute care services at the Hospital and a subcontract with Horizon Mental Health Management, Inc. ("Horizon") with respect to the provision by Horizon of psychiatric care and services at the Hospital.

During 2002, the Manager terminated the contract with Valley Hospital. Operation of the acute care services was assumed directly by the Manager.

By an undated Assignment and Guarantor Agreement, effective as of March 15, 1998 between Solomon Bergen Regional Medical Center, LP ("Bergen Regional Partnership") and executed and delivered by each of Solomon and Bergen Regional Partnership sometime after March 15, 1998, (i) Solomon assigned to Bergen Regional Partnership (as "an affiliated entity" formed for profit) all of Solomon's rights and obligations under the BCIA Lease and Operating Agreement, as well as under all Related Agreements, (ii) Bergen Regional Partnership assumed such rights and obligations, and (iii) Solomon agreed to serve as guarantor of the performance by Bergen Regional Partnership of its obligations under the BCIA Lease and Operating Agreement.

Having as lessors ultimately leased the Bergen Pines Real Property and the Bergen Pines Business Assets to Solomon, the County (Under the County/BCIA Agreement) and the BCIA (Under the Authority Lease and Operating Agreement) and have retained ultimate financial responsibility for Capital Improvements at the Hospital, defined in Section 1.1 of the BCIA Lease and Operating Agreement as:

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**NOTE 10 BERGEN PINES PROJECT (Continued)**

any addition, major repair or replacement, extension, construction or reconstruction of or to a permanent structure facility within the Bergen Pines Real Property of a type not recurring annually or at shorter intervals that (a) is non-consumable in nature; (b) has a useful life of greater than five (5) years; (c) constitutes a permanent part of the Medical Center; (d) is a cost that is properly chargeable to a capital account under general federal income tax principles; and (e) does not constitute a Maintenance, Repair or Replacement Item, the responsibility for which latter items was assumed by Solomon.

Under Sections 2.9 (d) and 2.9 (e) of the BCIA Lease and Operating Agreement, in the event that it is determined that a Capital Improvement will be undertaken, the Authority shall at its option determine either that Solomon (as the Authority's agent) shall undertake and complete the Capital Improvements on behalf of (and at the cost and expense of) the Authority or, alternatively, that the Authority (the lessor) shall itself undertake and complete such Capital Improvements. Under Section 2.9 of the County/BCIA Agreement, the County is ultimately responsible to bear the cost and expense of all Capital Improvements undertaken by the Authority or by the Manager on behalf of (and at the cost and expense of) the Authority.

Under the terms of both the County/BCIA Agreement and the BCIA Lease and Operating Agreement, the Authority holds the license issued by the Department of Health and Senior Services ("DOHSS") for the operation of the Hospital. Because the Authority continues to be the holder of the license and, as the license holder, is interested in insuring (1) that the Manager is financially able to provide quality health care and services to the residents and patients of the Hospital, and (ii) that the "safety net" of health care services provided at the Hospital is strengthened and enhanced, Bergen Regional Partnership (as the successor to Solomon and as the Manager) is obligated to "collect all material amounts due and owing to the BCIA (in its capacity as the license holder) under the invoices" prepared by the Manager, and is "obligated to use its reasonable best efforts to maximize the revenues that it collects on behalf of the BCIA from all revenue sources and to ensure that revenues are collected in a timely manner." In furtherance of that provision, Bergen Regional Partnership (as the successor to Solomon and as the Manager) is, under Section 3.9(I) of the BCIA Lease and Operating Agreement, required to submit in the name of the Hospital:

- (1) Vouchers for reimbursement payments due from Medicaid, Medicare or any successor programs (for residents and patients of the Hospital) to,
- (2) Invoices for payments due from private insurance companies and other payers (for residents and patients of the Hospital) to,
- (3) Invoices for payments due from pension plans and Social Security (for residents and patients of the Hospital) to, the Authority, or at the direction of the Authority.

Although the Authority is entitled to receive all revenues from all revenue sources, the Authority is in turn required to pay over unto Bergen Regional Partnership as the Manager all moneys received by the Authority (as the license holder) as the result of the operation by the Manager of the Hospital, less the State of New Jersey Health Care Subsidy Fund Assessment, as follows:

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 10 BERGEN PINES PROJECT (Continued)**

- (1) Under Section 5.1 of the BCIA Lease and Operating Agreement, the Authority is required to pay to Bergen Regional Partnership a Management Fee in the minimum amount of \$9,000,000 per month as compensation for providing the Management Services. If the Management Fee payable by the Authority in any month exceeds the amount of Cash Receipts received by the Authority during such month from Bergen County Improvement source with respect to services provided at the Hospital, then the Management fee payable by the Authority in the following month shall be reduced by an amount equal to such shortfall. If there is such a shortfall, the Authority must borrow an amount equal to such shortfall in accordance with N.J.S.A. 40A:5A-13. No Notes are presently outstanding and
- (2) Under Section 5.2 of the BCIA Lease and Operating Agreement, the Authority is also required to pay to Bergen Regional Partnership as the Manager “any Additional Revenues that are received by the BCIA during any month on or prior to the third (3<sup>rd</sup>) business day of the month following receipt by the BCIA”.

As the ultimate recipient from the Authority of all Cash Receipts (in the form of the Management Fee and all Additional Revenues) derived from the operation by Bergen Regional Partnership of the Hospital, Bergen Regional Partnership (as the lessee of the Bergen Pines Real Property and the Bergen Pines Business Assets) is in turn also required to pay rent to the Authority in the form of:

- (1) Fixed Annual Rent (the original annual amount was \$5,200,000 and the same is escalating annually at 50% of the annual percentage increases in the CPI). Fixed Annual Rent for 2014 and 2013 was \$8,074,826 and \$7,014,660, respectively. The Fixed Annual Rent is payable in twelve (12) equal monthly installments during each calendar year. These payments must be received by the Authority before any payment to the Manager and are used to pay the debt service related to the Project debt and the Authority’s operating costs associated with the Hospital, with any residual amount remaining transferred to the County.
- (2) Additional Rent on account of “payments in lieu of taxes, real property taxes (if applicable), assessments for public improvements and benefits, levies licenses, permit and inspection fees and all other charges imposed by any Governmental Body or other entity (extraordinary, foreseen or unforeseen).”

Through the present date, neither Solomon nor Bergen Regional Partnership has been required to pay any Additional Rent to the BCIA; and, although Section 2.4 additionally provides that “the amount of Fixed Annual rent shall be deducted from the Management Fee payable by the BCIA to the Manager”, practice followed by the Authority on the one hand and Solomon or Bergen Regional Partnership on the other hand has been for the Authority to turn over to Solomon or Bergen Regional Partnership all Cash Receipts derived by the Authority from the operation by either of them of the Hospital, and for Solomon or Bergen Regional Partnership in turn to pay not only (i) all expenses arising out of the operation by it of the Hospital, but also (ii) rent to the Authority in the form of Fixed Annual Rent, which Solomon or Bergen Regional Partnership has been paying in monthly installments through checks in favor of the Authority.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 10 BERGEN PINES PROJECT (Continued)**

The only other annual payment which Solomon was or Bergen Regional Partnership is (out of all Cash Receipts received by either from the Authority) required to make to the Authority arises under Section 9.29 which required the Manager “to make an annual (reimbursement) payment to the BCIA to be utilized by the BCIA for costs incurred in the administration and implementation of this Agreement”, such payment to be in the amount of at least \$100,000, but no more than \$300,000. Under a letter agreement dated April 6, 2001, the Manager agreed to pay and has (as of April 9, 2001) paid the BCIA an additional \$200,000 on account of 2000 (bring the aggregate amount of reimbursements for 2000 to \$300,218), the BCIA agreed to waive all CPI adjustments for any period prior to December 31, 2000, and the parties agreed to amend and the parties amended Section 9.29 (by a Second Supplement, dated as of April 9, 2001, to the BCIA Lease and Operating Agreement) so as to cause the Manager to make, for the calendar year 2001 and each and every subsequent full calendar year during the Lease Term, annual payments to the BCIA in the amount of \$300,000 each on account of the BCIA’s administration and implementation of the BCIA Lease and Operating Agreement, with CPI adjustments (at 50% of increases in the CPI) to apply to all payments required to be made on account of 2001 and all future years or parts thereof.

Under the terms of the BCIA Lease and Operating Agreement:

- (1) Solomon and/or Bergen Regional Partnership have (from the March 15, 1998 Commencement Date and through December 31, 2013) received all moneys derived from their operation (in the exercise by them of “unconditional authority to manage and control all phases of the operation, maintenance and administration”) of the Hospital “at the Manager’s expense”,
- (2) Solomon and/or Bergen Regional Partnership have borne all expenses in connection with their operation of the Hospital (including the expenses of rent),
- (3) The only moneys derived by the Authority (from the March 15, 1998 Commencement Date through December 31, 2013) be under the terms of the BCIA Lease and Operating Agreement are moneys received on account of Fixed Annual Rent and on account of a reimbursement for administrative costs incurred by the Authority, and
- (4) Solomon did not have, and Bergen Regional Partnership does not have, any obligation to share with the Authority any of the profits derived by either as the operator, or by any of their respective subsidiaries or affiliates as a result of their participation in the operation, of the Hospital.

As the for-profit independent contractor operator of the Hospital, Bergen Regional Partnership has, under Section 8.3 of the BCIA Lease and Operating Agreement, agreed to:

“indemnify, save harmless and defend the Authority and its respective officers, commissioners/members, employees and agents (the “BCIA Indemnified Parties”) from and against any and all liabilities, claims, penalties, forfeitures, suits and the costs and expenses incidental thereto (including costs of defense, settlement and reasonable attorney’s fees), which the BCIA Indemnified Parties may hereafter incur, become responsible for, or pay out as a result of:

- (1) Death or bodily injuries to any person,
- (2) Destruction or damage to any property or

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
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**NOTE 10 BERGEN PINES PROJECT (Continued)**

- (3) Any violation of governmental laws, regulations or orders relating to or which is caused, in whole or in part,
  - a. By the Managers, its employees, agents or subcontractors performance or failure to perform its obligations under the provisions of this Agreement or
  - b. By any negligent act or omission of the Manager, its employees, agents or subcontractors in the performance of this Agreement.”

The Authority has received a Promissory Note from the Manager for a working Capital Loan of \$6,000,000. The working capital loan is non-interest bearing to March 14, 2006. After that date, interest accrues at 50% of the CPI increase from the prior year’s CPI. Principal payments in the amount of \$500,000 each were made on the 14<sup>th</sup> day of March 2007 through 2011, with an additional balloon payment of \$3,500,000 received on March 14, 2012.

Under Section 4.2(a) of the Authority Lease, the Manager had originally been required to post with the Authority a \$20,000,000 Operating Performance Bond so that, upon any “Event or Default”, the Authority could, in its discretion, draw upon said Bond. In accordance with the provisions of Section 9 of the Settlement Agreement among the Authority, the County and the Manager dated November 2003, a new Section 4.2(b) of the Authority Lease was added to Article IV (entitled “Security Provision”) of the Authority Lease. Under New Section 4.2(b), the Authority agreed to require the Manager to maintain a minimum of \$25,000,000 in accounts receivable. If the balance falls below the limit, the Authority has the right to require additional collateral.

In accordance with the provisions of Section 4.3(a) of the Authority Lease, the Manager has also provided the Authority with an Operating Period Line of Credit (the “Line of Credit”). The Line of Credit, originally in the amount of \$10,000,000 was increased to \$13,000,000 on September 28, 2003. The current Line of Credit expired on September 27, 2011. The Line of Credit may be drawn upon “from time to time and if necessary, to provide funds in support of satisfying the obligations of the Manager to provide Management Services.”

Neither the Performance Bond nor the Line of Credit has ever been drawn upon by the Authority or the Manager; and the Authority has never had any reason to resort to its security interest in the \$25,000,000 escrow fund referred to above, which it received in lieu of the Performance Bond.

**NOTE 11 FUTURE CAPITAL PROJECTS**

Certain types of capital projects of the Hospital will be the responsibility of the County or the Authority, under the terms of the Lease Agreement. Various capital projects are presently in progress funded by appropriations of the County. The Authority has engaged a Construction Manager to oversee all the capital projects at the Hospital. Additionally, a reserve is being established which is being contributed to by both the County and the Manager to finance certain joint projects in the future. Project requests for the year 2015 are being prepared by the Hospital for review by the Authority and the County.

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**NOTE 12 LITIGATION**

The Authority is party to various legal proceedings which normally occur in governmental operations. The Authority Attorney, Florio, Perruci, Steinhardt & Fader have reported in accordance with Financial Accounting Standards No. 5 the following:

**1. Bergen County Improvement Authority v. Bergen Regional Medical Center, LP et al.**

On January 9, 2012, BCIA filed a Complaint naming the Bergen Regional Medical Center, L.P. ("BRMCLP") as defendant. Subsequently, the Complaint was amended on January 24, 2012 and again on March 28, 2012, naming additional defendants. On June 12, 2012, defendants BRMCLP; Solomon Health Group, LLP; Solomon Healthcare Group, LLC; Global Employee Benefits Management, Inc.; Icare Management, LLC; Bergen Regional Anesthesiology Group, PA; Bergen Regional Medical Center Radiology Associates, PA; Life Source Services, LP; and International Information Technologies, LP (collectively, the "BRMC defendants") filed an Answer to BCIA's Second Amended Complaint and Combined Counterclaim, Cross-Claim and Third Party Complaint, naming BCIA as a counterclaim defendant. On July 6, 2012, BCIA filed an Answer to the counterclaim.

On May 1, 2012, defendant Edward Hynes filed his Answer to the Second Amended Complaint. Defendant Elnatan Rudolph filed a Motion to Dismiss the complaint against him. That Motion was denied on September 14, 2012.

On September 14, 2012, BCIA was granted leave to file a Third Amended Complaint. On September 26, 2012, a Third Amended Complaint was filed. On September 27, 2012, a Fourth Amended Complaint was filed.

On May 6, 2013, the BRMC defendants filed a motion for partial summary judgment, which was granted on July 12, 2013.

BCIA filed a Fifth Amended Complaint on November 18, 2013. On March 24, 2014, BRMCLP filed its Answer to the Fifth Amended Complaint, which included a Second Amended Counterclaim and Crossclaim, and a Third party Complaint against Quentin Weist.

The claims in this matter have been bifurcated such that discovery pertaining to claims commonly referred to as the "elevator claims" is to be completed by June 30, 2015. Trial as to the elevator claims is scheduled for August 17, 2015. The remaining claims asserted by the parties will be the subject of a separate scheduling order.

BCIA is vigorously pursuing its claims against all named defendants and continues to vigorously defend and deny all claims filed against it. As of December 31, 2014, and as of the date of this letter, discovery is incomplete, therefore, an evaluation of the likelihood of an unfavorable outcome and an estimate of the amount or range of potential loss cannot be made.

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**NOTE 12 LITIGATION (Continued)**

**2. County of Bergen, in its own right and on behalf of Bergen County Improvement Authority v. DeCotiis, Fitzpatrick & Cole, LLP, et al.**

This is a legal malpractice claim alleging that Eric Wisler, Esq., and the firm of DeCotiis, Fitzpatrick & Cole, LLP, breached their fiduciary duties and their duties of professional care, and acted negligently by failing to negotiate and prepare a Waiver and Indemnification Agreement between BCIA and BRMCLP for the years 2002 through 2004 in connection with the Intergovernmental Transfer Program ("IGT").

BCIA filed its initial Complaint March 3, 2011. The First Amended Complaint was filed on November 1, 2011. The defendants filed a motion to dismiss, which was denied on February 23, 2012. Defendants filed their Answer on March 30, 2012. On June 27, 2014, defendants filed a Motion for summary judgment which is pending a hearing scheduled for April 10, 2015.

BCIA estimates that its damages are in excess of \$3 million. Discovery issues are in dispute, with discovery scheduled to be completed on June 1, 2015. The status of discovery as of December 31, 2014, and as of the date of this letter, was and is complete, thereby an evaluation of the likelihood of an unfavorable outcome and an estimate of the amount or range of potential loss cannot be made.

**3. Liberty Commons II, LLC v. Borough of East Rutherford; BCIA, et al.,**

This is a claim brought by an entity which previously owned the site of the new East Rutherford Police Headquarters and Municipal Court Complex and contracted with East Rutherford to construct the new facility at that site. It is alleged that upon completion of construction and transfer to East Rutherford of the title to the property, East Rutherford wrongfully withheld a portion of the closing proceeds and committed other contractual violations. Plaintiffs seek release of the escrow closing proceeds, removal of East Rutherford's Borough Attorney as Escrow Agent, and enforcement of certain other obligations allegedly imposed upon East Rutherford pursuant to the contract.

Although BCIA has been named as a defendant, no relief is sought against BCIA directly. It is alleged that BCIA may have an interest in the subject matter of the suit by virtue of its purchase of bonds issued by East Rutherford to finance the purchase of the site and the construction. This litigation is being handled by Diktas Gillen, P.C., as Special Counsel to BCIA.

Investigation conducted by Special Counsel suggests that BCIA may have been improperly joined in the suit, however, this has not yet been confirmed. BCIA did not learn of this suit until it was in default. Responsive pleadings were filed on February 26, 2015.

BCIA will continue to vigorously defend and deny all claims filed against it in connection with the matter. As of December 30, 2014, and as of the date of this letter, discovery is incomplete. Therefore, an evaluation of the likelihood of an unfavorable outcome and an estimate of the amount or range of potential loss cannot be made.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 13 CONTRIBUTIONS**

Various expenses are paid by the County of Bergen on behalf of the Hospital including capital improvements which are recorded as capital contributions and medical insurance costs applicable to retired employees which are recorded as operating contributions. Capital and operating contributions recorded in the Hospital Fund for the years ended December 31, 2014 and 2013 are \$2,791,332 and \$3,184,425 respectively. Additionally, the County of Bergen is reimbursing the Authority for expenses in connection with the Bergen Equestrian Center and the development of the Overpeck Landfill. These reimbursements are recorded as Bergen County Contributions in the Overpeck Landfill Fund.

**NOTE 14 RELATED PARTY TRANSACTIONS**

As discussed in Note 4, the Authority entered into a lease and agreement for Bergen Pines County Hospital, now known as the Bergen Regional Medical Center, with the County, and a lease and operating agreement for Bergen Pines County Hospital, now known as the Bergen Regional Medical Center, with Solomon Health Group, LLC. These agreements require the Authority to provide certain administrative and financial services in conjunction with the implementation of these agreements. The County provides personnel to act on behalf of the Authority in fulfillment of the obligations undertaken by the Authority pursuant to these agreements. During 2014 and 2013, the Authority reimbursed the County out of the General Fund \$125,357 and \$138,817, respectively, for these personnel services.

In addition, the County provides office space and various administrative services to the Authority. The County and the Authority have agreed that the Authority pay the cost for such services. For 2014 and 2013, the cost was \$50,000 and \$50,000, respectively.

The County, which is a provider of Class II governmental Nursing Facilities, entered into an Intergovernmental Transfer Agreement ("IGT") with the State Treasurer of New Jersey to participate in a program of intergovernmental transfers during the years 2000 through 2003 for the purpose of increasing federal financial assistance in the State's Medicaid program. The County has not had an IGT Transaction since 2003.

The funds that County Nursing Facilities providers receive as reimbursement for the services provided to Medicaid beneficiaries, come partly from the State and partly from the Federal government, and intergovernmental transfers may be used as a means of partially satisfying the State's share of Medicaid costs.

The County entered into the Agreement in order to provide additional Medical Assistance payments to qualifying County Nursing Facilities providers that participate in the Medicaid program. All expenses of these issuances including interest are paid for by the State of New Jersey.

During 2004, the County of Bergen has transferred the responsibility for implementing the operation of the Bergen County Equestrian Center to the Bergen County Improvement Authority. During 2012, the Authority transferred the responsibility for the operation of the Bergen County Equestrian Center back to the County of Bergen – Parks Division.

Additionally, the County of Bergen, through a grant agreement with the Bergen County Improvement Authority, has transferred the responsibility for implementing the closure and redevelopment of the Overpeck County Park Landfill to the BCIA.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 15 OVERPECK COUNTY PARK DEVELOPMENT AGREEMENT**

The County of Bergen owns Overpeck County Park, which had been a municipal sanitary landfill from 1952 to 1975. Four hundred acres of the site remain undeveloped. The site was conveyed to the County by the Village of Ridgefield Park, Township of Teaneck, Borough of Leonia, Borough of Palisades Park and City of Englewood for the purpose of development as a public park. The site to be developed includes land in Ridgefield park, Teaneck, Leonia, and Palisades Park.

The County entered into an amended final judgement on October 1, 2002 that requires the redevelopment of portions of the site by September 30, 2009. The natural forces of erosion have caused the site to deteriorate. It is necessary to close the landfill under present D.E.P. requirements to develop the park facilities in the future.

The County had, by letter dated March 20, 2003, indicated to the BCIA its desire that the BCIA take on the responsibility, on behalf of the County, of engaging in such landfill operations at the Site of the Project as will ultimately enable the BCIA, on behalf of the County, to improve, further and promote the recreational attractiveness of the County through the planning, acquisition, construction, improvement, maintenance and operation, at the Site of the Project, of facilities for the recreation and entertainment of the citizens of the County.

By resolution dated March 31, 2003 (Resolution No. 03-19), the BCIA has authorized and directed its commissioners and officers, for and on behalf of the BCIA, to take such action, and to execute and deliver in the name of the BCIA such documents, as may be necessary or appropriate to cause the BCIA to undertake on behalf of the County the responsibility for such landfill redevelopment operations at the Site.

In connection with the BCIA's undertaking the Project at the Site, the BCIA will be required to retain professionals and/or contractors to provide bank stabilization; to install such environmental monitoring and control devices as may be necessary to close the former landfill; to provide wetlands mitigation as required; to obtain and deposit beneficially reusable material on Site and grade the same in accordance with the requirements of the Amended Final Judgment; to develop active and passive park facilities at the Site for use by the public; and to obtain all Federal, State and Local permits and approvals that may be required for the completion of such tasks.

In order to enable the BCIA to undertake the responsibilities of the County under the Amended Final Judgment, including the issuance of bonds that may be required in order to finance the closing of the landfill in accordance with law, the County and the BCIA entered into an agreement dated June 20, 2003 entitled "Overpeck County Park Development Agreement", a copy of which is on file with the BCIA.

**NOTE 16 DEFERRED LANDFILL LICENSING RIGHTS AND OTHER COSTS**

As described in Note 15, the County has transferred the responsibility for the closure and redevelopment of the landfill to the Authority through the Overpeck County Park Development Agreement between the County and the Authority. As part of this agreement, the BCIA has issued bonds and notes in the amount of \$12,000,000 which are cross-collateralized by the County of Bergen.

Pursuant to the Agreement, the BCIA has paid \$8,500,000 to the County as a licensing fee payment. The balance of the funds will be used for expenses relating to the project including but not limited to professional fees, licensing and permitting costs and costs of bond issuance.

In 2005, the Authority began accepting fill in the landfill and is now amortizing these deferred costs based on the landfill's use. The amount of amortization of deferred landfill licensing rights and other costs reported in 2014 is \$9,809,380 and in 2013 is \$9,809,380 based on an estimated volume of cubic yards received of 2,544,897 and a revised total required volume of 2,514,119 cubic yards, as reported by the Authority's engineer. The landfill capping has been completed.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 17 CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the Authority and Bergen County to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure of its entire landfill operations. Although closure and post closure care costs will be paid in the future, the Authority reports a portion of these closure and post closure care costs as an operating expense in each period based on capacity used as of each balance sheet date.

Governmental Accounting Standards Board Statement Number 18 requires the costs associated with the closure of the landfill be recognized based on the landfill's use rather than on the passage of time, using a formula provided by the GASB statement.

An analysis of the cost estimates for the closure and post closure of the landfill was performed. The report, which was received in April of 2008, estimated the total costs of closure to be \$10,800,000 and the estimated post closure cost for thirty years is \$9,800,000. Bergen County has taken the responsibility for direct payment of the post closure costs of \$9,800,000. The remaining costs for the closure accrued through December 31, 2014 were \$191,037. In accordance with GASB No. 18, the Authority has recognized a liability for 2014 of \$191,037.

While the Authority has accrued such expenses as of December 31, 2014, the County of Bergen will be providing the ultimate funding of these costs. On December 20, 2006, the County of Bergen adopted Ordinance 06-35 which provides for a portion of the closure costs. The Authority has recorded a receivable from the County for \$123,580 to recognize their obligation for these costs.

**NOTE 18 AMOUNTS REQUIRED BY BOND RESOLUTION COVENANTS**

Certain restricted funds are required to be on deposit under the provisions of the Authority's bond covenants. The balances required to be on deposit at December 31, 2014 and 2013 are as follows:

	<u>Debt Service Fund</u>			
	<u>General Fund</u>	<u>Bergen Regional Medical Center</u>	<u>Overpeck Landfill</u>	<u>Total</u>
<u>December 31, 2014</u>				
Required Balances	\$ 35,543	\$ 1,677,278	\$ 354,894	\$ 2,067,715
Cash and Investments	<u>37,956</u>	<u>1,795,685</u>	<u>2,266</u>	<u>1,835,907</u>
Excess or (Deficit)	<u>\$ 2,413</u>	<u>\$ 118,407</u>	<u>\$ (352,628)</u>	<u>\$ (231,808)</u>
<u>December 31, 2013</u>				
Required Balances	\$ 34,517	\$ 1,632,960	\$ 355,329	\$ 2,022,806
Cash and Investments	<u>34,166</u>	<u>1,616,393</u>	<u>2,246</u>	<u>1,652,805</u>
Excess or (Deficit)	<u>\$ (351)</u>	<u>\$ (16,567)</u>	<u>\$ (353,083)</u>	<u>\$ (370,001)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 19 EMPLOYEE RETIREMENT SYSTEMS**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Authority employees who are eligible for pension coverage.

**Public Employees' Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

**Other Pension Funds**

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers (i.e., the Authority) do not appropriate funds to SACT.

The cost of living increase for PERS is funded directly by the respective system but is currently suspended as a result of reform legislation.

According to state law, all obligations of the retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above system, fund, and trust. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**Significant Legislation**

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS operates and to the benefit provisions of that system.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65. The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 19 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Significant Legislation (Continued)**

- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2014, the member contribution rate was 6.78%. The rate increased to 6.92% effective July 2014. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**Investment Valuation**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at [www.state.nj/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PERS and the Police and Firemen's Retirement System is 76.1 percent and \$12.8 billion, respectively.

The funded status and funding progress of the retirement system includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement system in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 19 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Actuarial Methods and Assumptions**

In the July 1, 2012 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems except CPFPPF (2.00%) and (b) changes to projected salary increases of 4.28 percent for PERS.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% plus an additional 1% phased-in over 7 years beginning in July 2013 for PERS. The member contribution for PERS was 6.78% in fiscal year 2014 and 6.92% for fiscal year 2015 effective July 2014.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2014 for PERS which is a cost sharing multi-employer defined benefit pension plan, annual pension cost equals contributions made.

During the years ended December 31, 2014, 2013 and 2012, the Authority was required to contribute for normal cost pension contributions, accrued liability pension contributions, and non-contributory life insurance premiums, the following amounts which equaled the required contributions for each respective year:

<u>Year Ending December 31</u>	<u>PERS</u>	<u>DCRP</u>
2014	\$14,808	None
2013	15,078	None
2012	55,668	None

**NOTE 20 POST-RETIREMENT MEDICAL BENEFITS**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the Authority.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher’s Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State’s Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 585 state and local participating employers and contributing entities for Fiscal Year 2013.

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 20 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**State Health Benefits Program Funds (HBPF) – Local Government** (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

**Significant Legislation**

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011 the 4-year phase in does not apply, and contributions based on the full percentage rate of contribution are required.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the State had a \$51.5 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$19.3 billion for state active and retired members and \$32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 20 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Funded Status and Funding Progress (Continued)**

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2012 OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**Post-Retirement Medical Benefits Contribution**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$139.8 million for 9,404 eligible retired members for Fiscal Year 2013.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Authority's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2014, 2013 and 2012 were \$41,413, \$40,108 and \$36,429, respectively, which equaled the required contributions for each year (or were not available).

**NOTE 21 FEDERAL ARBITRAGE REGULATIONS**

The Authority is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2014 and 2013, the Authority had no estimated arbitrage earnings due to the IRS.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 22 OTHER INFORMATION**

**A. Local Finance Board Applications**

The Authority prepared two applications to the Local Finance Board to issue new conduit debt in connection with the American Dream Project.

**B. Risk Management**

The Authority is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Authority has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Authority should they occur.

The Authority has joined the County of Bergen self insured health and prescription benefits plan for its employees. The participating members fund the entire cost of the plan. Claims are paid directly by the plan.

The Authority is a member of the County of Bergen’s Self Insurance pool for property, general liability and automobile liability.

The relationship between the Authority and the County of Bergen is governed by a contract and by-laws that have been adopted by resolution of the unit's governing body. The Authority has agreed to pay an annual installment based on a computation of the Authority’s share of the County’s premium as provided by the County. In return for this, the County of Bergen administers the Authority’s insurance funds.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage’s in any of the prior three years.

**C. New Jersey Unemployment Compensation Insurance**

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. The following is a summary of Authority contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Authority’s expendable trust fund for the current and prior year:

Fiscal Year	Employee Contributions	Amount	Ending
<u>Ending</u>	<u>and Interest</u>	<u>Reimbursed</u>	<u>Balance</u>
2014	\$ 588	\$ 134	\$ 3,335
2013	451	128	2,881
2012	753	202	2,558

**SUPPLEMENTARY SCHEDULES**

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMBINING SCHEDULE OF NET POSITION  
AS OF DECEMBER 31, 2014**

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	Combined Total
<b>ASSETS</b>					
Unrestricted Current Assets					
Cash and Cash Equivalents	\$ 2,451,018	\$ 25,565,262		\$ 105,837	\$ 28,122,117
Accounts Receivable (Net)	134,073	404			134,477
Due from County of Bergen	2,301	1,422,581		123,580	1,548,462
Due from General Fund		3,734,147	\$ 33,519		3,767,666
Due from Bergen Equestrian Center					-
Due from Overpeck Landfill	41,790	-	-	-	41,790
<b>Total Unrestricted Current Assets</b>	<b>2,629,182</b>	<b>30,722,394</b>	<b>33,519</b>	<b>229,417</b>	<b>33,614,512</b>
Restricted Current Assets					
Debt Service Fund					
Cash and Cash Equivalents	37,956	1,795,685		2,266	1,835,907
Construction Fund					
Cash and Cash Equivalents	39	1,842			1,881
Unemployment Trust Fund					
Cash and Cash Equivalents	3,335				3,335
<b>Total Restricted Current Assets</b>	<b>41,330</b>	<b>1,797,527</b>	<b>-</b>	<b>2,266</b>	<b>1,841,123</b>
<b>Total Current Assets</b>	<b>2,670,512</b>	<b>32,519,921</b>	<b>33,519</b>	<b>231,683</b>	<b>35,455,635</b>
Noncurrent Assets					
Capital Assets					
Leasehold Improvements		63,278,195			63,278,195
Accumulated Depreciation		(49,019,013)			(49,019,013)
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>14,259,182</b>	<b>-</b>	<b>-</b>	<b>14,259,182</b>
<b>Total Assets</b>	<b>2,670,512</b>	<b>46,779,103</b>	<b>33,519</b>	<b>231,683</b>	<b>49,714,817</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Loss on Refunding of Debt	8,122	384,276	-	-	392,398
<b>Total Deferred Outflows of Resources</b>	<b>8,122</b>	<b>384,276</b>	<b>-</b>	<b>-</b>	<b>392,398</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,678,634</b>	<b>\$ 47,163,379</b>	<b>\$ 33,519</b>	<b>\$ 231,683</b>	<b>\$ 50,107,215</b>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**COMBINING SCHEDULE OF NET POSITION**  
**AS OF DECEMBER 31, 2014**

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	Combined Total
<b>LIABILITIES</b>					
Current Liabilities (Payable from Unrestricted Assets)					
Accounts Payable	\$ 140,700	\$ 637,202		\$ 765	\$ 778,667
Contracts Payable - Solomon Health Care		25,541,317			25,541,317
Due to County of Bergen	12,164		\$ 33,519		45,683
Payroll Taxes Payable	5,546				5,546
Accrued Liabilities - Landfill Closure/Postclosure				191,037	191,037
Due to Bergen Regional Medical Center Fund	3,734,147				3,734,147
Due to Bergen Equestrian Center	33,519				33,519
Due to General Fund				41,790	41,790
<b>Total Current Liabilities Payable from Unrestricted Assets</b>	<b>3,926,076</b>	<b>26,178,519</b>	<b>33,519</b>	<b>233,592</b>	<b>30,371,706</b>
Current Liabilities (Payable from Restricted Assets)					
Project Bonds Payable	55,890	2,644,110		910,000	3,610,000
Accrued Interest on Bonds	522	24,709		89,477	114,708
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>56,412</b>	<b>2,668,819</b>	<b>-</b>	<b>999,477</b>	<b>3,724,708</b>
<b>Total Current Liabilities</b>	<b>3,982,488</b>	<b>28,847,338</b>	<b>33,519</b>	<b>1,233,069</b>	<b>34,096,414</b>
Non-Current Liabilities					
Project Bonds Payable (Net)	80,939	3,829,128	-	5,346,004	9,256,071
<b>Total Liabilities</b>	<b>4,063,427</b>	<b>32,676,466</b>	<b>33,519</b>	<b>6,579,073</b>	<b>43,352,485</b>
<b>NET POSITION</b>					
Investments in Capital Assets, net of related debt	(128,707)	8,170,220		(6,256,004)	1,785,509
Restricted For:					
Debt Service	34,931	1,652,569		265,417	1,952,917
Bergen Regional Medical Center		4,664,124			4,664,124
Unemployment Trust	3,335				3,335
Unrestricted	(1,294,352)		-	(356,803)	(1,651,155)
<b>Total Net Position</b>	<b>\$ (1,384,793)</b>	<b>\$ 14,486,913</b>	<b>\$ -</b>	<b>\$ (6,347,390)</b>	<b>\$ 6,754,730</b>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	Combined Total
<b>OPERATING REVENUES</b>					
Service Charges - Bergen Regional Medical Center		\$ 198,408,938			\$ 198,408,938
Bergen County Contributions	\$ 287,779	2,791,332		\$ 1,301,963	4,381,074
Soloman Health Group Lease		8,074,826			8,074,826
Soloman Health Group Oversight		360,117			360,117
Grant Proceeds			\$ 17,980		17,980
Miscellaneous	725,632				725,632
<b>Total Operating Revenues</b>	<b>1,013,411</b>	<b>209,635,213</b>	<b>17,980</b>	<b>1,301,963</b>	<b>211,968,567</b>
<b>OPERATING EXPENSES</b>					
Administration					
Salaries and Wages	23,231	399,151			422,382
Fringe Benefits	5,182	111,785			116,967
Other Expenses	1,014,814	50,000			1,064,814
Professional Fees - Ameream	159,242				159,242
Cost of Providing Services					
Other Expenses		201,963,976	12,910		201,976,886
Landfill - Other Expenses				2,149	2,149
Reimbursements to Bergen County		1,228,640	5,070		1,233,710
Depreciation		6,689,068			6,689,068
<b>Total Operating Expenses</b>	<b>1,202,469</b>	<b>210,442,620</b>	<b>17,980</b>	<b>2,149</b>	<b>211,665,218</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(189,058)</b>	<b>(807,407)</b>	<b>-</b>	<b>1,299,814</b>	<b>303,349</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>					
Bond Reserves					-
Interest Income	2,574	7,373		34	9,981
Interest Expense	(7,719)	(365,189)		(329,025)	(701,933)
<b>Total Non-Operating Income (Expenses)</b>	<b>(5,145)</b>	<b>(357,816)</b>	<b>-</b>	<b>(328,991)</b>	<b>(691,952)</b>
<b>CHANGE IN NET POSITION</b>	<b>(194,203)</b>	<b>(1,165,223)</b>	<b>-</b>	<b>970,823</b>	<b>(388,603)</b>
Total Net Position, January 1	(1,190,590)	15,652,136	-	(7,318,213)	7,143,333
Total Net Position, December 31	<u>\$ (1,384,793)</u>	<u>\$ 14,486,913</u>	<u>\$ -</u>	<u>\$ (6,347,390)</u>	<u>\$ 6,754,730</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	Combined Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Customers		\$ 198,408,938			\$ 198,408,938
Cash Received from Bergen County	\$ 287,779	967,458	\$ -	\$ 1,301,963	2,557,200
Cash Received from General Fund					-
Cash Received from Bergen Equestrian Center					-
Cash Received from Soloman Health Group		8,434,943			8,434,943
Cash Received from Grants			17,980		17,980
Cash Received from Miscellaneous Fees	769,275			-	769,275
Cash Received from PSE&G		-			-
Cash Paid to Bergen County		(1,228,640)			(1,228,640)
Cash Paid to General Fund		(91,948)	-		(91,948)
Cash Received from Bergen Regional Medical Center	91,948				91,948
Cash Paid to Suppliers and Others	(1,061,971)	(204,583,403)	(17,980)	(4,792)	(205,668,146)
Cash Paid to Employees	(23,231)	(399,151)	-	-	(422,382)
Net Cash Provided by (Used for) Operating Activities	63,800	1,508,197	-	1,297,171	2,869,168
<b>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</b>					
Proceeds from Bond Reserves	-				-
Principal Payments on Bonds	(54,130)	(2,560,870)		(865,000)	(3,480,000)
Acquisition of Capital Assets		(1,250,424)			(1,250,424)
Interest Paid on Bonds	(4,830)	(228,505)	-	(353,271)	(586,606)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(58,960)	(4,039,799)	-	(1,218,271)	(5,317,030)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received	2,574	7,373	-	34	9,981
Net Cash Provided by Investing Activities	2,574	7,373	-	34	9,981
Net Increase (Decrease) in Cash and Cash Equivalents	7,414	(2,524,229)	-	78,934	(2,437,881)
Cash and Cash Equivalents, January 1	2,484,934	29,887,018		29,169	32,401,121
Cash and Cash Equivalents, December 31	\$ 2,492,348	\$ 27,362,789	\$ -	\$ 108,103	\$ 29,963,240
<b>ANALYSIS OF BALANCE AT DECEMBER 31</b>					
Unrestricted - Cash and Cash Equivalents	\$ 2,451,018	\$ 25,565,262	\$ -	\$ 105,837	\$ 28,122,117
Restricted - Cash and Cash Equivalents	41,330	1,797,527	-	2,266	1,841,123
	\$ 2,492,348	\$ 27,362,789	\$ -	\$ 108,103	\$ 29,963,240

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	Combined Total
Operating Income (Loss)	\$ (189,058)	\$ (807,407)	\$ -	\$ 1,299,814	\$ 303,349
Adjustments to Reconcile Operating Income (Loss) to Net Cash					
Provided by (Used for) Operating Activities:					
Depreciation		6,689,068			6,689,068
(Increase)/Decrease in Accounts Receivable	43,643				43,643
(Increase)/Decrease in Due from Bergen County		(1,823,874)			(1,823,874)
(Increase)/Decrease in Due from General Fund		(91,948)			(91,948)
(Increase)/Decrease in Due from Bergen Equestrian Ctr.					-
Increase/(Decrease) in Accounts Payable	113,581	253,252	(5,070)	(2,643)	359,120
Increase/(Decrease) in Contracts Payable - Soloman Health Care		(2,710,894)			(2,710,894)
Increase/(Decrease) in Due to Bergen County			5,070		5,070
Increase/(Decrease) in Due to General Fund					-
Increase/(Decrease) in Due to Bergen Reg. Med. Ctr.	91,948				91,948
Increase/(Decrease) in Due to Bergen Equestrian Ctr					-
Increase/(Decrease) in Payroll Taxes Payable	3,686				3,686
Total Adjustments	<u>252,858</u>	<u>2,315,604</u>	<u>-</u>	<u>(2,643)</u>	<u>2,565,819</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 63,800</u>	<u>\$ 1,508,197</u>	<u>\$ -</u>	<u>\$ 1,297,171</u>	<u>\$ 2,869,168</u>
<b>Noncash Investing, Capital and Financing Activities</b>					
Purchase of Capital Assets on Account		557,558			557,558
Original Issue Discount	345	16,300			16,645
Original Issue Premium				(10,686)	(10,686)
Deferred Loss on Refunding	2,707	128,092			130,799

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014 Budget	2014 Actual	Variance Excess (Deficit)	2013 Actual
<b>OPERATING REVENUES</b>				
Annual Administration Fees	\$ 188,136	\$ 605,632	\$ 417,496	\$ 202,523
Prior Year Administration Fees			-	16,025
Muni Bank Fees	152,000		(152,000)	45,234
Other - Ameream Reimbursements	<u>2,000</u>	<u>120,000</u>	<u>118,000</u>	<u>300,000</u>
Total Operating Revenues	<u>342,136</u>	<u>725,632</u>	<u>383,496</u>	<u>563,782</u>
<b>NON-OPERATING REVENUES</b>				
Bond Reserves			-	93,863
Bergen County Contributions	290,032	287,779	(2,253)	196,000
Interest on Investments and Deposits	<u>2,400</u>	<u>2,574</u>	<u>174</u>	<u>1,491</u>
Total Non-Operating Revenues	<u>292,432</u>	<u>290,353</u>	<u>(2,079)</u>	<u>291,354</u>
Total Revenues	<u>634,568</u>	<u>1,015,985</u>	<u>381,417</u>	<u>855,136</u>
<b>OPERATING APPROPRIATIONS</b>				
<b>ADMINISTRATION</b>				
Salaries and Wages	22,170	23,231	(1,061)	31,203
Fringe Benefits	10,741	5,182	5,559	6,819
Other Expenses	342,696	1,014,814	(672,118)	561,536
Professional Fees - Ameream	<u>-</u>	<u>159,242</u>	<u>(159,242)</u>	<u>260,758</u>
Total Administration	<u>375,607</u>	<u>1,202,469</u>	<u>(826,862)</u>	<u>860,316</u>
<b>NON-OPERATING APPROPRIATIONS</b>				
Principal Payments on Debt	54,131	54,130	1	59,513
Interest Payments on Debt	<u>4,830</u>	<u>4,830</u>	<u>-</u>	<u>6,036</u>
Total Non-Operating Appropriations	<u>58,961</u>	<u>58,960</u>	<u>1</u>	<u>65,549</u>
<b>ACCUMULATED DEFICIT</b>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total Appropriations	<u>634,568</u>	<u>1,461,429</u>	<u>(826,861)</u>	<u>1,125,865</u>
<b>Total Budgetary Income (Loss) - Balance forward</b>	<u>\$ -</u>	<u>(445,444)</u>	<u>\$ (445,444)</u>	<u>(270,729)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**BUDGETARY BASIS**  
**(With Comparative Amounts for the Year Ended December 31, 2013)**

	2014	2014	Variance	2013
	<u>Budget</u>	<u>Actual</u>	Excess (Deficit)	<u>Actual</u>
Total Budgetary Income (Loss) - Brought forward		\$ (445,444)		\$ (270,729)
<b>Reconciliation of Budgetary Income to</b>				
<b>Change in Net Position - GAAP</b>				
Increases to Budgetary Income:				
Principal Paid on Bonds Payable		54,130		59,513
Accrued Interest Payable - Net		163		139
Accumulated Deficit Budgetary Charge		200,000		200,000
Decreases to Budgetary Income:				
Prior Year Receivables - Administration Fees		-		(16,025)
Interest Expense - Original Issue Discount		(345)		(345)
Interest Expenses - Deferred Loss on Refunding of Debt		<u>(2,707)</u>		<u>(2,708)</u>
<b>Changes in Net Position - GAAP</b>		<u>\$ (194,203)</u>		<u>\$ (30,155)</u>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**BERGEN REGIONAL MEDICAL CENTER**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014 <u>Budget</u>	2014 <u>Actual</u>	Variance Excess (Deficit)	2013 <u>Actual</u>
<b>OPERATING REVENUES</b>				
Service Charges - Bergen Regional Medical Center	\$ 195,000,000	\$ 198,408,938	\$ 3,408,938	\$ 202,999,153
Bergen County Contributions to Operating Costs		1,018,865	1,018,865	1,443,630
Soloman Health Group Lease	7,997,600	8,074,826	77,226	7,014,660
Soloman Health Group Oversight	326,172	360,117	33,945	357,113
Grant Proceeds			-	
Miscellaneous Fees	-	-	-	154,560
Total Operating Revenues	<u>203,323,772</u>	<u>207,862,746</u>	<u>4,538,974</u>	<u>211,969,116</u>
<b>NON-OPERATING REVENUES</b>				
Interest on Investments and Deposits	5,900	7,373	1,473	7,778
Total Non-Operating Revenues	<u>5,900</u>	<u>7,373</u>	<u>1,473</u>	<u>7,778</u>
Total Revenues	<u>203,329,672</u>	<u>207,870,119</u>	<u>4,540,447</u>	<u>211,976,894</u>
<b>OPERATING APPROPRIATIONS</b>				
<b>ADMINISTRATION</b>				
Salaries and Wages	406,735	399,151	7,584	429,026
Fringe Benefits	219,056	111,785	107,271	99,896
Other Expenses	708,110	50,000	658,110	90,500
Total Administration	<u>1,333,901</u>	<u>560,936</u>	<u>772,965</u>	<u>619,422</u>
<b>COST OF PROVIDING SERVICES</b>				
Other Expenses:				
Professional Fees		417,147	(417,147)	1,053,702
Pastoral Care		218,992	(218,992)	88,400
Interlocal Agreement with Bergen County - Lease of Hospital Assets		1,900,034	(1,900,034)	1,900,034
Contract-Management of Hospital Operations to Soloman Health Group, LLC	197,000,034	197,062,262	(62,228)	201,637,195
State of New Jersey Health Care Subsidy		1,346,676	(1,346,676)	1,361,958
Health Benefits for Retirees-Bergen County	-	1,018,865	(1,018,865)	1,443,630
Total Cost of Providing Services	<u>197,000,034</u>	<u>201,963,976</u>	<u>(4,963,942)</u>	<u>207,484,919</u>
<b>NON-OPERATING APPROPRIATIONS</b>				
Principal Payment on Debt	2,560,870	2,560,870	-	2,815,487
Interest Payment on Debt	228,505	228,505	-	285,510
Contributions to Bergen County	-	1,228,640	(1,228,640)	1,309,667
Total Non-Operating Appropriations	<u>2,789,375</u>	<u>4,018,015</u>	<u>(1,228,640)</u>	<u>4,410,664</u>
Total Appropriations	<u>201,123,310</u>	<u>206,542,927</u>	<u>(5,419,617)</u>	<u>212,515,005</u>
<b>Total Budgetary Income - Balance Forward</b>	<b>\$ 2,206,362</b>	<b>1,327,192</b>	<b>\$ (879,170)</b>	<b>(538,111)</b>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**BERGEN REGIONAL MEDICAL CENTER**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014	2014	Variance	2013
	<u>Budget</u>	<u>Actual</u>	Excess (Deficit)	<u>Actual</u>
Total Budgetary Income - Brought forward		\$ 1,327,192		\$ (538,111)
<b>Reconciliation of Budgetary Income to Change in Net Position - GAAP</b>				
Increases to Budgetary Income:				
Bergen County Contribution to Capital Costs		1,772,467		1,740,795
PSE&G Contribution to Capital Costs				138,900
Principal Paid on Bonds Payable		2,560,870		2,815,487
Accrued Interest Payable - Net		7,708		6,543
Decreases to Budgetary Income (Loss):				
Interest Expense - Original Issue Discount		(16,300)		(16,300)
Interest Expense - Deferred Amounts on Refunding of Debt		(128,092)		(128,092)
Depreciation		<u>(6,689,068)</u>		<u>(6,098,245)</u>
<b>Changes in Net Position - GAAP</b>		<b><u>\$ (1,165,223)</u></b>		<b><u>\$ (2,079,023)</u></b>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**BERGEN EQUESTRIAN CENTER**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**BUDGETARY BASIS**

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014 <u>Budget</u>	2014 <u>Actual</u>	Variance Excess (Deficit)	2013 <u>Actual</u>
<b>OPERATING REVENUES</b>				
Bergen County Contributions				\$ 8,280
Grant Proceeds	-	\$ 17,980	\$ 17,980	10,000
Total Operating Revenues	-	17,980	17,980	18,280
<b>NON-OPERATING REVENUES</b>				
Interest on Investments and Deposits	-	-	-	1,096
Total Non-Operating Revenues	-	-	-	1,096
Total Revenues	-	17,980	17,980	19,376
<b>OPERATING APPROPRIATIONS</b>				
<b>ADMINISTRATION</b>				
Salaries and Wages				
Fringe Benefits	-	-	-	-
Total Administration	-	-	-	-
<b>COST OF PROVIDING SERVICES</b>				
Other Expenses	-	12,910	(12,910)	10,770
Total Cost of Providing Services	-	12,910	(12,910)	10,770
<b>NON-OPERATING APPROPRIATIONS</b>				
Contributions to Bergen County	-	5,070	(5,070)	8,606
Total Non-Operating Appropriations	-	5,070	(5,070)	8,606
Total Appropriations	-	17,980	(17,980)	19,376
<b>Total Budgetary Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**BERGEN COUNTY IMPROVEMENT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**OVERPECK LANDFILL**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**BUDGETARY BASIS**  
**(With Comparative Amounts for the Year Ended December 31, 2013)**

	2014 <u>Budget</u>	2014 <u>Actual</u>	Variance Excess (Deficit)	2013 <u>Actual</u>
<b>OPERATING REVENUES</b>				
Bergen County Contributions	\$ 1,349,953	\$ 1,301,963	\$ (47,990)	\$ 1,205,000
Other	<u>2,253</u>	<u>-</u>	<u>(2,253)</u>	<u>389</u>
Total Operating Revenues	<u>1,352,206</u>	<u>1,301,963</u>	<u>(50,243)</u>	<u>1,205,389</u>
<b>NON-OPERATING REVENUES</b>				
Interest on Investments and Deposits	<u>380</u>	<u>34</u>	<u>(346)</u>	<u>309</u>
Total Non-Operating Revenues	<u>380</u>	<u>34</u>	<u>(346)</u>	<u>309</u>
Total Revenues	<u>1,352,586</u>	<u>1,301,997</u>	<u>(50,589)</u>	<u>1,205,698</u>
<b>OPERATING APPROPRIATIONS</b>				
<b>ADMINISTRATION</b>				
Other Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Administration	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>COST OF PROVIDING SERVICES</b>				
Other Expenses	<u>55,000</u>	<u>2,149</u>	<u>52,851</u>	<u>95,987</u>
Total Cost of Providing Services	<u>55,000</u>	<u>2,149</u>	<u>52,851</u>	<u>95,987</u>
<b>NON-OPERATING APPROPRIATIONS</b>				
Principal Payments on Debt	865,000	865,000	-	820,000
Interest Payments on Debt	<u>353,271</u>	<u>353,271</u>	<u>-</u>	<u>397,346</u>
Total Non-Operating Appropriations	<u>1,218,271</u>	<u>1,218,271</u>	<u>-</u>	<u>1,217,346</u>
Total Appropriations	<u>1,273,271</u>	<u>1,220,420</u>	<u>52,851</u>	<u>1,313,333</u>
<b>Total Budgetary Income (Loss)</b>	<u>\$ 79,315</u>	81,577	<u>\$ 2,262</u>	(107,635)

**Reconciliation of Budgetary Income to  
Change in Net Position - GAAP**

Increases to Budgetary Income:

Principal Paid on Bonds Payable	865,000	820,000
Accrued Interest Payable - Net	13,560	12,856
Interest Expense - Original Issue Premium	<u>10,686</u>	<u>10,687</u>

**Changes in Net Position - GAAP**

\$ 970,823	\$ 735,908
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**BERGEN COUNTY IMPROVEMENT AUTHORITY**

**ROSTER OF OFFICIALS**

**AS OF DECEMBER 31, 2014**

Authority Board Members

Position

Kenneth Corrocan	Commissioner – Chairman
Elizabeth Randell, Esq.	Commissioner – Vice Chairman
Louis D’Arminio, Esq. (1/1/14-4/15/14)	Commissioner
Cesars Gamio (4/16/14-12/31/14)	Commissioner
Thomas E. Mason, Jr., Esq.	Commissioner
Philip E. Wilson	Commissioner
Robert S. Garrison	Executive Director
Mauro Raguseo	Deputy Executive Director
Joseph Luppino	Chief Financial Officer
Dominic Novelli	Qualified Purchasing Agent
Thomas H. Bruinooge, Esq. (1/1/14-6/4/14)	General Counsel
Paul T. Fader, Esq. (6/5/14-12/31/14)	General Counsel

**GOVERNMENT AUDITING STANDARDS**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
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GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

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RALPH M. PICONE, CPA, RMA, PSA

**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**

**INDEPENDENT AUDITOR'S REPORT**

Honorable Chairperson and Commissioners  
Bergen County Improvement Authority  
One Bergen County Plaza  
Hackensack, New Jersey

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 of the Bergen County Improvement Authority, as of and for the year ended December 31, 2014, and the related notes to the financial statements, as listed in the table of contents which collectively comprise the Bergen County Improvement Authority's basic financial statements, and have issued our report thereon dated April 29, 2015.

**Internal Control over Financial Reporting**

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

## Compliance and Other Matters

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

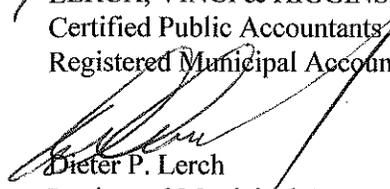
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we have reported to management of the Bergen County Improvement Authority in the Section of our report of audit entitled "General Comments and Recommendations".

## 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 Bergen County Improvement Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Bergen County Improvement Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398

Fair Lawn, New Jersey  
April 29, 2015

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Grant Award Amount</u>	<u>Cash Received</u>	<u>Balance, January 1, 2014</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2014</u>	<u>Cumulative Expenditures</u>
New Jersey Department of Community Affairs ( Office of Recreation) Recreation Opportunities for Individuals with Disabilities	100-022-8050-035	9/1/13-6/30/14	\$ 17,980	\$ 17,980	-	\$ 17,980	\$ 17,980	-	\$ 17,980
<b>Total State Financial Assistance</b>					<u>\$ -</u>	<u>\$ 17,980</u>	<u>\$ 17,980</u>	<u>\$ -</u>	

This schedule is not subject to single audit

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 1 GENERAL**

The accompanying schedule presents the activity of all state financial assistance programs of the Bergen County Improvement Authority. The Authority is defined in Note 1 to the Authority's financial statements. All state financial assistance passed through other government agencies is included on the schedule of expenditures of state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are presented using accrual basis of accounting for proprietary funds as presented by accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Authority's financial statements.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the Authority's financial statements. Financial assistance is reported in the Authority's financial statements described above as follows:

	<u>State</u>	<u>Total Assistance</u>
Bergen Equestrian Center	\$ 17,980	\$ 17,980
	<u>\$ 17,980</u>	<u>\$ 17,980</u>

**NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related state financial reports due to timing differences between the Authority's fiscal year and grant program year.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Part I – Summary of Auditor’s Results**

**Financial Statement Section**

- A) Type of auditor's report issued: Unmodified
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified?            yes     X     no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses?            yes     X     none reported
- C) Noncompliance material to the basic financial statements noted?            yes     X     no

**Federal Awards Section**

**NOT APPLICABLE**

**State Awards Section**

**NOT APPLICABLE**

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

**STATUS OF PRIOR YEAR FINDINGS**

There were none.

**GENERAL COMMENTS AND RECOMMENDATIONS**

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
GENERAL COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Current Year Findings**

1. Outstanding receivable balances remain uncollected from certain issuers for prior years administrative financing fees due to the BCIA.
2. A capital asset management accounting and reporting system is not being maintained for leasehold improvements by project. Furthermore a capital assets ledger is not maintained for major equipment purchases.
3. The Authority has custodial oversight over numerous trustees' bank accounts in connection with conduit financing on behalf of the issuers. Several of these accounts are dormant and have a significant cash balance.

**BERGEN COUNTY IMPROVEMENT AUTHORITY  
GENERAL COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Recommendations**

It is recommended that:

- \* 1. Continued efforts be made to collect prior year administrative financing fees.
- \* 2. A capital asset management accounting and reporting system be implemented to reflect all leasehold improvements and equipment purchases by project.
- 3. The Authority review and clear of record those custodial accounts in connection with conduit financings that are no longer active or required to be held for any legal purpose.

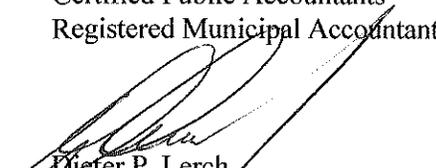
A review was performed on all prior year recommendations. Corrective action was taken on all prior year recommendations except those denoted with an asterisk (\*).

**Appreciation**

We desire to express our appreciation to the Acting Executive Director, Chief Financial Officer, Comptroller and the other Authority staff who assisted us during the course of our audit.

\* \* \* \* \*

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

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants  
  
Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398

Appendix Item d. Bergen Regional Medical Center L.P. Audited  
Financial Statements 2012

**BERGEN REGIONAL MEDICAL CENTER, L.P.**  
**(A NEW JERSEY LIMITED PARTNERSHIP)**

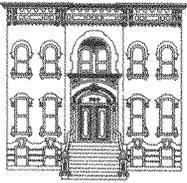
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FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
WITH INDEPENDENT AUDITORS' REPORT

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Statements of Income and Partners' Capital	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 11



**WALQUIST & RENODIN, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
*ESTABLISHED 1902*

**INDEPENDENT AUDITORS' REPORT**

To the Partners of  
Bergen Regional Medical Center, L.P.

We have audited the accompanying balance sheet of Bergen Regional Medical Center, L.P. (the "Management Company") a New Jersey Limited Partnership as of December 31, 2012, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of Bergen Regional Medical Center, L. P. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Bergen Regional Medical Center, L.P. for the year ended December 31, 2011. Those statements were audited by other auditors whose report dated June 28, 2012 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Management Company as of December 31, 2012 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Walquist & Renodin, P.C.*

April 24, 2013

**BERGEN REGIONAL MEDICAL CENTER, L. P.**  
**(A NEW JERSEY LIMITED PARTNERSHIP)**  
**BALANCE SHEET**  
**DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 20,197	\$ 76,097
Patient Escrow Funds	500,810	407,518
Due from Bergen County Improvement Authority	47,772,146	48,516,229
Due from the County of Bergen	355,620	319,889
IGT Settlement Receivable	750,000	2,250,000
Inventory	1,487,318	1,542,031
Prepaid Expenses and Other Current Assets	2,968,832	3,124,904
<b>Total Current Assets</b>	<b>53,854,923</b>	<b>56,236,668</b>
Property and Equipment:		
Property and Equipment - Gross	26,752,084	24,066,345
Less: Accumulated Depreciation and Amortization	20,543,278	18,305,958
<b>Property and Equipment - Net</b>	<b>6,208,806</b>	<b>5,760,387</b>
IGT Settlement Receivable, Net of Current Portion		750,000
Other Assets	182,931	239,949
<b>TOTAL ASSETS</b>	<b>\$ 60,246,660</b>	<b>\$ 62,987,004</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Current Liabilities:		
Current Portion of Note Payable - Bergen County Improvement Authority		\$ 3,500,000
Current Portion of Note and Capital Lease Obligations	\$ 421,851	150,442
Accounts Payable, Accrued Expenses and Other Current Liabilities	7,830,773	9,404,739
Due to Related Parties	3,896,731	4,301,348
Accrued Payment Obligations	6,824,418	7,201,012
Accrued Salaries and Wages	8,552,184	7,836,074
Escrow Funds	500,810	407,518
<b>Total Current Liabilities</b>	<b>28,026,767</b>	<b>32,801,133</b>
Deferred Credit	4,642,938	5,758,243
Notes Payable - Bergen County Improvement Authority, Net of Current Portion	19,780,741	18,334,024
Note and Capital Lease Obligations, Net of Current Portion	1,633,170	296,091
<b>Total Liabilities</b>	<b>54,083,616</b>	<b>57,189,491</b>
Partners' Capital	6,163,044	5,797,513
<b>TOTAL LIABILITIES AND PARTNERS' CAPITAL</b>	<b>\$ 60,246,660</b>	<b>\$ 62,987,004</b>

See Accompanying Notes and Independent Auditors' Report

**BERGEN REGIONAL MEDICAL CENTER, L.P.**  
**(A NEW JERSEY LIMITED PARTNERSHIP)**  
**STATEMENTS OF INCOME AND PARTNERS' CAPITAL**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>REVENUE</b>		
Management Fee	\$ 250,826,853	\$ 248,793,879
Other Revenue	2,637,326	2,834,769
<b>Total Revenue</b>	<u>253,464,179</u>	<u>251,628,648</u>
<b>EXPENSES</b>		
Salaries and Wages	98,305,728	95,278,210
Contracted Labor	643,155	3,161,411
Supplies and Other Expenses	72,676,504	71,512,997
Employee Benefits	17,232,581	14,432,404
Bad Debt Expense	52,864,474	55,611,806
Rent	7,522,648	7,235,510
Depreciation and Amortization	2,237,320	2,366,004
Interest	1,616,238	1,756,376
<b>Total Expenses</b>	<u>253,098,648</u>	<u>251,354,718</u>
Partners' Income Before Other Income and Taxes	365,531	273,930
Other Income - IGT Settlement	<u>                    </u>	<u>3,000,000</u>
Partners' Income Before Taxes	365,531	3,273,930
Partners' Capital, Beginning of Year	<u>5,797,513</u>	<u>2,523,583</u>
<b>Partners' Capital, End of Year</b>	<u>\$ 6,163,044</u>	<u>\$ 5,797,513</u>

See Accompanying Notes and Independent Auditors' Report

**BERGEN REGIONAL MEDICAL CENTER, L.P.**  
**(A NEW JERSEY LIMITED PARTNERSHIP)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING ACTIVITIES:</b>		
Partners' Income Before Taxes	\$ 365,531	\$ 3,273,930
Adjustments to Partners' Income Before Taxes to Reconcile to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,237,320	2,366,004
Amortization of Deferred Credit	(1,115,305)	(1,352,222)
Amortization of Discount on Notes Payable to Bergen County Improvement Authority	1,446,209	1,574,713
Changes in Operating Assets and Liabilities:		
Due from Bergen County Improvement Authority	744,083	2,197,761
Due from the County of Bergen	(35,731)	(72,517)
IGT Settlement Receivable	2,250,000	(3,000,000)
Inventory	54,713	67,981
Prepaid Expenses and Other Current Assets	156,072	(609,813)
Other Assets	57,018	57,018
Accounts Payable, Accrued Expenses and Other Current Liabilities	(1,573,966)	2,261,686
Due to Related Parties	(404,617)	(4,030,229)
Accrued Payment Obligations	(376,594)	(899,169)
Accrued Salaries and Wages	716,109	671,665
<b>Net Cash Provided by Operating Activities</b>	<u>4,520,842</u>	<u>2,506,808</u>
<b>INVESTING ACTIVITIES:</b>		
Acquisition of Property and Equipment	<u>(840,311)</u>	<u>(1,882,031)</u>
<b>FINANCING ACTIVITIES:</b>		
Repayment of Note and Capital Lease Obligations	(236,939)	(187,936)
Decrease in Notes Payable to Bergen County Improvement Authority, Net	<u>(3,499,492)</u>	<u>(498,802)</u>
<b>Net Cash Used in Financial Activities</b>	<u>(3,736,431)</u>	<u>(686,738)</u>
Net Decrease in Cash	(55,900)	(61,961)
Cash, Beginning of Year	<u>76,097</u>	<u>138,058</u>
Cash, End of Year	<u>\$ 20,197</u>	<u>\$ 76,097</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest Paid	<u>\$ 113,780</u>	<u>\$ 98,590</u>

See Accompanying Notes and Independent Auditors' Report

**BERGEN REGIONAL MEDICAL CENTER, L.P.  
(A NEW JERSEY LIMITED PARTNERSHIP)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. Organization and Business**

On December 17, 1997, the Bergen County Improvement Authority ("BCIA") entered into a lease and Operating Agreement (the "Agreement") regarding the management of Bergen Regional Medical Center (previously Bergen Pines County Hospital) (the "Medical Center") with Solomon Health Services, LLC d/b/a Solomon Health Group, LLC ("Solomon"). Solomon assigned its rights and obligations under the Agreement, and all related agreements, to Bergen Regional Medical Center, L.P. (a New Jersey Limited Partnership) ("BRMC" or the "Management Company"). The Agreement commenced on March 15, 1998 and will continue for a 19 year period. Under the terms of the Agreement, the Management Company agreed to pay annual rent to the BCIA for the use of the existing land, property and equipment. Also BRMC agreed to bill on behalf of the BCIA for all services rendered at the Medical Center in the name and tax identification number of the BCIA and to deposit all cash receipts into a BCIA bank account, and the BCIA agreed to pay BRMC a monthly management fee based on aggregate cash received regardless of the date of service (see Note 6). The BCIA remains as the holder of the license, but BRMC manages the Medical Center and is responsible for all expenses and employing all personnel. The Medical Center consists of 173 licensed acute-care medical/surgical beds, a 323 bed psychiatric facility and a 574 bed long-term care facility.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Concentration of Credit Risk**

The Management Company deposits its cash with financial institutions, which at times, exceed Federally insured limits ("FDIC") for interest bearing accounts of \$250,000. Management does not consider this to be significant risk due to the long-standing reputation of these institutions.

**Inventory**

Inventories, which include supplies, are stated at the lower of cost, determined on the first-in, first-out ("FIFO") method or market.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on the straight-line method at rates calculated to absorb the cost of assets by the end of their estimated useful lives.

**Deferred Credit and Unamortized Discount**

Included in long-term liabilities and as a reduction of the long-term payable to the BCIA are a deferred credit and unamortized discount, respectively, which are the result of noninterest bearing loans from the BCIA (see Note 6). The deferred credit is being amortized into income on a straight-line method over the 19 year management agreement, and is recorded as other revenue in the accompanying statement of income. The unamortized discount will be reduced by a charge to interest expense utilizing the effective interest rate over the same period.

**Advertising**

The cost of advertising and promotions are expensed as incurred. Advertising costs charged to operations were not material in 2012 and 2011.

**Income Taxes**

The accompanying financial statements do not contain a provision or credit for income taxes since the proportionate share of BRMC's income or loss is included in the tax returns of the partners.

BRMC follows the accounting guidance dealing with uncertain tax positions. BRMC has no unrecognized tax benefits at December 31, 2012 and 2011. There are no tax related interest and penalties included in the accompanying financial statements.

The Management Company conducts business solely in the U.S. and, as a result, files Federal and New Jersey partnership tax returns. In the normal course of business, the Management Company is subject to examination by taxing authorities. The Management Company's tax returns for years subsequent to 2008 are open, by statute, for review by authorities, however there are currently no audits for any tax periods in progress.

**Revenue**

The Management Company recognizes income from the BCIA based on collections and estimated collections of net patient service revenue of the Medical Center. Net patient service revenue is recognized by the Medical Center in the period services are performed and is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations.

**Recent Accounting Pronouncements**

In August 2010, the FASB issued Accounting Standard Update ("ASU") No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. This ASU requires that healthcare entities do not offset insurance recoveries against any related claim liabilities. This specifically applies to malpractice claims or similar contingent liabilities and was effective for the Management Company's years ended December 31, 2011 and subsequent. As a result of adopting this ASU, the Management Company has recorded a receivable (included in "prepaid expenses and other current assets") of approximately \$1,113,000 and \$1,424,000, respectively, for expected insurance recoveries and a related liability for the accrued claims (included in "accounts payable, accrued expenses and other current liabilities") in the December 31, 2012 and 2011 balance sheet (see Note 5).

**3. Property and Equipment**

Property and equipment consists of the following:

	<b>Estimated Useful Lives</b>	<b>2012</b>	<b>2011</b>
Building Improvements	5 - 25 years	\$ 4,362,652	\$ 3,994,112
Equipment	3 - 15 years	22,389,432	20,072,233
		<u>26,752,084</u>	<u>24,066,345</u>
Less accumulated depreciation and amortization		20,543,278	18,305,958
<b>Totals</b>		<u>\$ 6,208,806</u>	<u>\$ 5,760,387</u>

The buildings and land upon which the Medical Center is located remain under the ownership and control of the BCIA as per the terms of the Agreement (see Note 1). Depreciation expense for the years ended December 31, 2012 and 2011 approximated \$2,237,000 and \$2,366,000, respectively.

**4. Note and Capital Lease Obligations**

BRMC has purchased various equipment through installment note agreements. In addition, BRMC leases certain equipment under agreements that are classified as capital leases. The installment note agreements and capital leases provide for monthly payments, and bear interest rates ranging from 4.06% to 8.25% as of December 31, 2012. The installment note agreements and capital leases expire at various dates through 2017. The obligations are collateralized by the equipment and the capital leases have bargain purchase options at the end of the leases.

Obligations consist of the following as of December 31:

	<b>2012</b>	<b>2011</b>
Total	\$ 2,055,021	\$ 446,533
Less current maturities	<u>421,851</u>	<u>150,442</u>
Obligations net of current maturities	<u>\$ 1,633,170</u>	<u>\$ 296,091</u>

Future minimum payments for each of the next five years as of December 31, 2012 are as follows:

<u>Year</u>	
2013	\$ 506,399
2014	511,869
2015	505,869
2016	497,469
2017	<u>268,039</u>
Total including interest	2,289,645
Less amount representing interest	<u>234,624</u>
Total Note and Capital Lease Obligations	<u>\$ 2,055,021</u>

Assets recorded under the installment note agreements and capital leases are included in property and equipment as follows at December 31, 2012:

Equipment	\$ 2,277,539
Less accumulated amortization	<u>296,182</u>
<b>Net Assets</b>	<u>\$ 1,981,357</u>

**5. Medical Malpractice Claims**

BRMC purchased professional liability insurance to cover medical malpractice claims on an occurrence basis through a commercial carrier. The policy currently provides coverage of \$1,000,000 per occurrence and \$3,000,000 annually in the aggregate. All claims arising prior to March 15, 1998 remain the full responsibility of the County of Bergen. It is the opinion of BRMC's management that adequate insurance is being maintained and that loss, if any, resulting from claims will not have a material adverse effect on BRMC's financial position or results of operations.

Applying guidance in the adoption of a new accounting pronouncement (see Note 2) at December 31, 2011, the Management Company has recorded a receivable (included in "prepaid" expenses and other current assets") of approximately \$1,113,000 and \$1,424,000, respectively, for expected insurance recoveries and a related liability for the accrued claims (included in "accounts payable, accrued expenses and other current liabilities") in its December 31, 2012 and 2011 balance sheet.

**6. Transactions with the County of Bergen and BCIA**

**Use of Facility**

Under the terms of the Agreement, BRMC is to pay the BCIA rent in consideration for the use of the land, property and equipment of BCIA. Rent was adjusted annually for the percentage increase in the Urban Consumer Price Index for the prior 12 month period, through March 14, 2008. Subsequent to March 14, 2008 rent is adjusted annually for the percentage increase in the Urban Consumer Price Index for the prior 12 month period or 4%, whichever is greater. From the inception of the Agreement in 1998 through December 31, 2012 BRMC has incurred \$89,664,485 in rent expense to the BCIA. BRMC's future minimum lease payments to the BCIA through 2017 total approximately \$35,000,000, which would result in cumulative rent payments to BCIA of approximately \$124,000,000 over the full term of the Agreement.

**Due from BCIA**

Cash flow obligations of BRMC are funded by the BCIA on a monthly basis, equal to \$9,000,000 per month, plus or minus the prior month's cash receipts from collections of patient accounts and other receipts, which are either in excess of or below \$9,000,000. Amounts due from the BCIA, including estimated collections of net patient service revenue of the Medical Center, at December 31, 2012 and 2011 amounted to \$47,772,146 and \$48,516,229, respectively.

**Due from the County of Bergen**

The Medical Center provides certain patient services to county prisoners as well as other services which are reimbursed directly to BRMC by the County of Bergen. The amount receivable from the County of Bergen at December 31, 2012 and 2011 was \$355,620 and \$319,889, respectively.

**IGT Settlement**

A settlement was reached in September 2011 between BRMC and the BCIA and the County of Bergen, obligating the County of Bergen to remit to BRMC \$3,000,000 of Medicaid reimbursements received by the County of Bergen during the period 2002-2004. Such payments related to the State of New Jersey Intergovernmental Transfer Program ("IGT"). A cash payment from the County of Bergen of \$1,500,000 was paid in February 2012. The remainder of the settlement was and will be treated as reductions to BRMC's payments to the BCIA for its annual rent commitment (See Note 9) in the amount of \$750,000 in 2012 and 2013, respectively.

**Note Payable - Bergen County Improvement Authority**

BRMC entered into a promissory note with the BCIA as part of the Agreement, which provided a \$6,000,000 working capital loan to BRMC, that was non-interest bearing through March 2006 and thereafter, bears interest at an annual rate of one-half of the yearly increase, if any, in the Urban Consumer Price Index. Principal payments commenced in March 2007 in installments of \$500,000 per year through 2011. The note was fully paid with a balloon payment of \$3,500,000 made on March 14, 2012. An interest rate of 7.5% has been used to impute the unamortized discount.

BRMC entered into a promissory note with the BCIA as part of the Agreement, whereby the aggregate amount of revenue, receipts and other payments (reimbursement or otherwise) received from Medicaid, Medicare or other third-party payor sources with respect to the provision of services at Bergen Pines County Hospital prior to the Agreement date (and therefore the property of the BCIA) would not have to be remitted back to the BCIA until March 14, 2020. The note is non-interest bearing through March 2015 and, thereafter, bears interest at an annual rate of one-half of the yearly increase, if any, in the Urban Consumer Price Index. An interest rate of 7.5% has been used to impute the unamortized discount. Under the terms of the note, the Management Company is required to maintain a minimum receivable balance.

The following is a summary of the amounts due to the BCIA, unamortized discount and deferred credit:

	Due to BCIA			Deferred Credit
	Notes Payable	Unamortized Discount	Net Amount Due	
Balance - January 1, 2011	\$ 31,133,238	\$ (10,375,125)	\$20,758,113	\$ 7,110,465
2011 reduction	(498,802)	(445)	(499,247)	445
2011 amortization		1,575,158	1,575,158	(1,352,667)
Balance - December 31, 2011	30,634,436	(8,800,412)	21,834,024	5,758,243
2012 reduction	(3,499,492)	(33,628)	(3,533,120)	33,628
2012 amortization		1,479,837	1,479,837	(1,148,933)
Balance - December 31, 2012	<u>\$ 27,134,944</u>	<u>\$ (7,354,203)</u>	<u>\$19,780,741</u>	<u>\$ 4,642,938</u>

**7. Related Party Transactions**

BRMC entered into an agreement in 2005 with Solomon Healthcare Group, LLC ("Solomon Healthcare") for management consulting. Such fees approximated 5.5% of revenues in 2012 and 2011. Common ownership interests exist in Solomon Healthcare and BRMC.

BRMC entered into an agreement in 2007 with International Information Technology, L.P. ("IIT") for information technology. Such fees amounted to \$1,000,000 per month in 2012 and 2011. Common ownership interests exist in IIT and BRMC.

**8. Employee Benefit Plan**

BRMC sponsors a contributory 401(k) plan covering substantially all employees. For the years ended December 31, 2012 and 2011, employees contributing up to 4% of salary are entitled to receive a matching contribution from BRMC equal to 50%, such that the matching contribution may equal up to 2% of an employee's salary. BRMC's matching contribution amounted to \$543,209 and \$477,026 in 2012 and 2011, respectively.

**9. Commitments and Contingencies**

**Self-Insured**

Effective June 1, 2005, BRMC self-insures a portion of certain insurable risks, consisting primarily of workers' compensation and employee medical claims. For 2012 and 2011, the self-insured retentions were \$400,000 per occurrence for workers' compensation with an aggregate of \$1,000,000 per year. Through July 31, 2008, the self-insured retention was \$150,000 per person for employee medical with an aggregate of \$850,000 per lifetime. Effective August 1, 2008, BRMC is responsible for all medical claims. BRMC records its estimated ultimate liability for reported claims plus an estimate for claims incurred but not reported. Accruals for self-insurance claims are included in accounts payable and accrued expenses and as of December 31, 2012 and 2011 amounted to \$2,295,787 and \$1,904,852, respectively.

**Line of Credit**

As a condition to the Agreement, BRMC maintains a \$13,000,000 secured revolving line of credit arrangement with a bank that is available to BRMC during the period of the Agreement, to provide funds in support of satisfying the obligations under the terms of the agreement. The line of credit expires on September 27, 2013. No portion of the line of credit was utilized during 2012 and 2011.

**Accrued Payment Obligations**

The BCIA has agreements with third-party payors that provide payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed cost, discounted charges and per diem payments. Management fee revenue is reported at the estimated net amount realized from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on the accompanying balance sheets as accrued payment obligations on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Other Commitments**

As described in Note 6, BRMC has an annual rental commitment to BCIA for the term of the Agreement which relates to the use of the Medical Center facility and equipment. BRMC has the responsibility to keep the property in good, safe order and maintain, repair and replace items at its own cost. Any capital improvements needed will be approved and funded by BCIA. Rent expense amounted to \$7,522,648 and \$7,235,510, respectively.

Future minimum lease payments are as follows:

<b>Year Ending December 31,</b>	<b>Amount</b>
2013	\$7,764,255
2014	8,074,825
2015	8,397,818
2016	8,733,731
Thereafter	1,834,224
Total	<u>\$ 34,804,853</u>

**Union Contracts**

BRMC has contracts with several unions covering substantially all employees which expire at various dates beginning in May 2013.

**Litigation**

BRMC is a defendant in claims and legal actions arising in the normal course of business. Management believes that the losses resulting from these matters, if any, would be covered under BRMC's professional and general liability insurance (see Note 5) and would not have a material adverse effect on BRMC's financial position or results of operations.

BRMC is presently a defendant in an action (Bergen County Improvement Authority v. Bergen Regional Medical Center, LP, Civ. Action No. 07680-12 (DMC-MF)) by the BCIA to compel BRMC to provide access to certain records, which the BCIA claims will further their decision-making process as to the operation of the Medical Center beyond March 14, 2017. In an amendment to the BCIA claim in March 2012, the BCIA also claims that it had been billed for certain services related to work on elevators at the Medical Center that were not performed. BRMC vigorously disputes these allegations, and has filed counterclaims for the BCIA's breach of its contractual obligations to BRMC. BRMC has submitted this claim to its insurance carrier. Management and its attorneys are currently reviewing these claims and believe it will not have a material adverse effect on BRMC's financial position or results of operations.

**10. Fair Value of Financial Statements**

The carrying values of BRMC's financial instruments as of December 31, 2012 and 2011 including, due from Bergen County Improvement Authority and County of Bergen, accrued payment obligations and accounts payable, accrued expenses and capital leases approximate their fair value due to the relatively short maturity of these instruments. The fair value of the long-term debt approximates the carrying value of long-term debt because the carrying value is based on imputed interest rates that approximate the interest rates at which the Management Company could borrow under similar terms as of December 31, 2012.

**11. Subsequent Events**

The Management Company has evaluated subsequent events occurring after the balance sheet date through the date of April 24, 2013, which is the date the financial statements were available to be issued. Based on this evaluation, the Management Company has determined that no subsequent events have occurred, which require disclosure in the financial statements.

Appendix Item e. Bergen Regional Medical Center L.P. Audited  
Financial Statements 2014

**BERGEN REGIONAL MEDICAL CENTER, L.P.**  
**(A NEW JERSEY LIMITED PARTNERSHIP)**

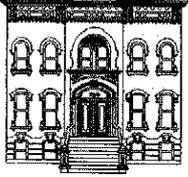
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FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
WITH INDEPENDENT AUDITOR'S REPORT

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**WALQUIST & RENODIN, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
*ESTABLISHED 1902*

**INDEPENDENT AUDITOR'S REPORT**

To the Partners of  
Bergen Regional Medical Center, L.P.

We have audited the accompanying balance sheet of Bergen Regional Medical Center, L.P. (the "Management Company") a New Jersey Limited Partnership as of December 31, 2014 and 2013, and the related statement of income and partners' capital and cash flows for the years then ended, and the related notes to the financial statements.

**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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Management Company as of December 31, 2014 and 2013 and its results of operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Walquist & Renodin, P.C.*

May 5, 2015

**BERGEN REGIONAL MEDICAL CENTER, L. P.**  
**(A NEW JERSEY LIMITED PARTNERSHIP)**  
**BALANCE SHEET**  
**DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 14,265	\$ 36,065
Patient Escrow Funds	595,089	509,574
Due from Bergen County Improvement Authority	48,669,585	46,091,879
Due from the County of Bergen	505,261	325,421
Inventory	2,242,718	1,992,660
Prepaid Expenses and Other Current Assets	2,931,384	3,148,940
<b>Total Current Assets</b>	54,958,302	52,104,539
Property and Equipment:		
Property and Equipment - Gross	30,925,349	28,575,809
Less: Accumulated Depreciation and Amortization	24,067,511	22,404,767
<b>Property and Equipment - Net</b>	6,857,838	6,171,042
Other Assets	68,895	125,914
<b>TOTAL ASSETS</b>	\$ 61,885,035	\$ 58,401,495
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Current Liabilities:		
Current Portion of Note and Capital Lease Obligations	\$ 458,408	442,447
Accounts Payable, Accrued Expenses and Other Current Liabilities	6,606,008	6,032,839
Due to Related Parties	4,112,098	4,369,889
Accrued Payment Obligations	8,004,891	5,957,987
Accrued Salaries and Wages	9,705,050	8,825,698
Escrow Funds	595,089	509,574
<b>Total Current Liabilities</b>	29,481,544	26,138,434
Deferred Credit	2,452,344	3,547,665
Notes Payable - Bergen County Improvement Authority	22,976,768	21,319,112
Note and Capital Lease Obligations, Net of Current Portion	737,017	1,195,424
<b>Total Liabilities</b>	55,647,673	52,200,635
Partners' Capital	6,237,362	6,200,860
<b>TOTAL LIABILITIES AND PARTNERS' CAPITAL</b>	\$ 61,885,035	\$ 58,401,495

See Accompanying Notes and Independent Auditor's Report

**BERGEN REGIONAL MEDICAL CENTER, L.P.  
(A NEW JERSEY LIMITED PARTNERSHIP)  
STATEMENTS OF INCOME AND PARTNERS' CAPITAL  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>REVENUE</b>		
Management Fee	\$ 251,482,929	\$ 245,661,163
Other Revenue	2,520,425	2,658,213
<b>Total Revenue</b>	<u>254,003,354</u>	<u>248,319,376</u>
<b>EXPENSES</b>		
Salaries and Wages	99,462,051	98,642,639
Contracted Labor	95,104	243,692
Supplies and Other Expenses	71,990,397	73,193,874
Employee Benefits	18,925,835	17,608,396
Bad Debt Expense	51,896,763	47,202,444
Rent	8,131,843	7,821,273
Depreciation and Amortization	1,662,744	1,861,489
Interest	1,802,115	1,707,753
<b>Total Expenses</b>	<u>253,966,852</u>	<u>248,281,560</u>
Partners' Income Before Taxes	36,502	37,816
Partners' Capital, Beginning of Year	<u>6,200,860</u>	<u>6,163,044</u>
<b>Partners' Capital, End of Year</b>	<u>\$ 6,237,362</u>	<u>\$ 6,200,860</u>

See Accompanying Notes and Independent Auditor's Report

**BERGEN REGIONAL MEDICAL CENTER, L.P.**  
**(A NEW JERSEY LIMITED PARTNERSHIP)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING ACTIVITIES:</b>		
Partners' Income Before Taxes	\$ 36,502	\$ 37,816
Adjustments to Partners' Income Before Taxes to Reconcile to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,662,744	1,861,489
Amortization of Deferred Credit	(1,095,322)	(1,095,273)
Amortization of Discount on Notes Payable to Bergen County Improvement Authority	1,657,656	1,538,189
Changes in Operating Assets and Liabilities:		
Due from Bergen County Improvement Authority	(2,577,706)	1,680,267
Due from the County of Bergen	(179,840)	30,199
IGT Settlement Receivable	-	750,000
Inventory	(250,059)	(505,342)
Prepaid Expenses and Other Current Assets	217,557	(180,108)
Other Assets	57,019	57,018
Accounts Payable, Accrued Expenses and Other Current Liabilities	573,169	(1,797,934)
Due to Related Parties	(257,791)	473,158
Accrued Payment Obligations	2,046,904	(866,431)
Accrued Salaries and Wages	879,352	273,514
<b>Net Cash Provided by Operating Activities</b>	<b>2,770,185</b>	<b>2,256,562</b>
<b>INVESTING ACTIVITIES:</b>		
Acquisition of Property and Equipment	(2,349,540)	(1,823,726)
<b>FINANCING ACTIVITIES:</b>		
Repayment of Note and Capital Lease Obligations	(442,445)	(417,150)
Decrease in Notes Payable to Bergen County Improvement Authority, Net	-	182
<b>Net Cash Used in Financing Activities</b>	<b>(442,445)</b>	<b>(416,968)</b>
Net (Decrease) Increase in Cash	(21,800)	15,868
Cash, Beginning of Year	36,065	20,197
Cash, End of Year	\$ 14,265	\$ 36,065
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest Paid	\$ 69,422	\$ 97,694

See Accompanying Notes and Independent Auditor's Report

**BERGEN REGIONAL MEDICAL CENTER, L.P.**  
**(A NEW JERSEY LIMITED PARTNERSHIP)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**1. Organization and Business**

On December 17, 1997, the Bergen County Improvement Authority ("BCIA") entered into a Lease and Operating Agreement (the "Agreement") regarding the management of Bergen Regional Medical Center (previously Bergen Pines County Hospital) (the "Medical Center") with Solomon Health Services, LLC d/b/a Solomon Health Group, LLC ("Solomon"). Solomon assigned its rights and obligations under the Agreement, and all related agreements, to Bergen Regional Medical Center, L.P. (a New Jersey Limited Partnership) ("BRMC" or the "Management Company"). The Agreement commenced on March 15, 1998 and will continue for a 19 year period. Under the terms of the Agreement, the Management Company agreed to pay annual rent to the BCIA for the use of the exiting land, property and equipment. Also BRMC agreed to bill on behalf of the BCIA for all services rendered at the Medical Center in the name and tax identification number of the BCIA and to deposit all cash receipts into a BCIA bank account, and the BCIA agreed to pay BRMC a monthly management fee based on aggregate cash received regardless of the date of service (see Note 6). The BCIA remains as the holder of the license, but BRMC manages the Medical Center and is responsible for all expenses and employing all personnel. The Medical Center consists of 173 licensed acute-care medical/surgical beds, a 323 bed psychiatric facility and a 574 bed long-term care facility.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Concentration of Credit Risk**

The Management Company deposits its cash with financial institutions, which at times, exceed Federally insured limits ("FDIC") for interest bearing accounts of \$250,000. Management does not consider this to be significant risk due to the long-standing reputation of these institutions.

**Inventory**

Inventories, which include supplies, are stated at the lower of cost, determined on the first-in, first-out ("FIFO") method or market.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on the straight-line method at rates calculated to absorb the cost of assets by the end of their estimated useful lives.

**Deferred Credit and Unamortized Discount**

Included in long-term liabilities and as a reduction of the long-term payable to the BCIA are a deferred credit and unamortized discount, respectively, which are the result of noninterest bearing loans from the BCIA (see Note 6). The deferred credit is being amortized into income on a straight-line method over the 19 year management agreement, and is recorded as other revenue in the accompanying statement of income. The unamortized discount will be reduced by a charge to interest expense utilizing the effective interest rate over the same period.

**Advertising**

The cost of advertising and promotions are expensed as incurred. Advertising costs charged to operations were not material in 2014 and 2013.

**Income Taxes**

The accompanying financial statements do not contain a provision or credit for income taxes since the proportionate share of BRMC's income or loss is included in the tax returns of the partners.

BRMC follows the accounting guidance dealing with uncertain tax positions. BRMC has no unrecognized tax benefits at December 31, 2014 and 2013. There are no tax related interest and penalties included in the accompanying financial statements.

The Management Company conducts business solely in the U.S. and, as a result, files Federal and New Jersey partnership tax returns. In the normal course of business, the Management Company is subject to examination by taxing authorities. The Management Company's tax returns for years subsequent to 2010 are open, by statute, for review by authorities, however there are currently no audits for any tax periods in progress.

**Revenue**

The Management Company recognizes income from the BCIA based on collections and estimated collections of net patient service revenue of the Medical Center. Net patient service revenue is recognized by the Medical Center in the period services are performed and is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits and reviews.

**Accounting Pronouncements**

In August 2010, the FASB issued Accounting Standard Update ("ASU") No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. This ASU requires that healthcare entities do not offset insurance recoveries against any related claim liabilities. This specifically applies to malpractice claims or similar contingent liabilities and was effective for the Management Company's years ended December 31, 2011 and subsequent. As a result of adopting this ASU, the Management Company has recorded a receivable (included in "prepaid expenses and other current assets") of approximately \$1,057,000 and \$1,240,000, respectively, for expected insurance recoveries and a related liability for the accrued claims (included in "accounts payable, accrued expenses and other current liabilities") in the December 31, 2014 and 2013 balance sheet (see Note 5).

**3. Property and Equipment**

Property and equipment consists of the following:

	<b>Estimated Useful Lives</b>	<b>2014</b>	<b>2013</b>
Building Improvements	5 - 25 years	\$ 6,541,991	\$ 5,460,770
Equipment	3 - 15 years	<u>24,383,358</u>	<u>23,115,039</u>
		30,925,349	28,575,809
Less accumulated depreciation and amortization		<u>24,067,511</u>	<u>22,404,767</u>
Totals		<u>\$ 6,857,838</u>	<u>\$ 6,171,041</u>

The buildings and land upon which the Medical Center is located remain under the ownership and control of the BCIA as per the terms of the Agreement (see Note 1). Depreciation expense for the years ended December 31, 2014 and 2013 approximated \$1,663,000 and \$1,861,000, respectively.

**4. Note and Capital Lease Obligations**

BRMC has purchased various equipment through installment note agreements. In addition, BRMC leases certain equipment under agreements that are classified as capital leases. The installment note agreements and capital leases provide for monthly payments, and bear interest rates ranging from 4.06% to 8.25% as of December 31, 2014. The installment note agreements and capital leases expire at various dates through 2017. The obligations are collateralized by the equipment and the capital leases have bargain purchase options at the end of the leases.

Obligations consist of the following as of December 31:

	<b>2014</b>	<b>2013</b>
Total	\$ 1,195,425	\$ 1,637,871
Less current maturities	<u>458,408</u>	<u>442,447</u>
Obligations net of current maturities	<u>\$ 737,017</u>	<u>\$ 1,195,424</u>

Future minimum payments for each of the next three years as of December 31, 2014 are as follows:

<u>Year</u>	
2015	\$ 505,869
2016	\$ 497,469
2017	\$ 268,003
Total including interest	<u>1,271,341</u>
Less amount representing interest	<u>75,917</u>
Total Note and Capital Lease Obligations	<u>\$ 1,195,424</u>

Assets recorded under the installment note agreements and capital leases are included in property and equipment as follows at December 31, 2014:

Equipment	\$ 2,277,538
Less accumulated amortization	<u>1,239,624</u>
Net Assets	<u>\$ 1,037,914</u>

**5. Medical Malpractice Claims**

BRMC purchased professional liability insurance to cover medical malpractice claims on an occurrence basis through a commercial carrier. The policy currently provides coverage of \$1,000,000 per occurrence and \$3,000,000 annually in the aggregate. All claims arising prior to March 15, 1998 remain the full responsibility of the County of Bergen. It is the opinion of BRMC's management that adequate insurance is being maintained and that loss, if any, resulting from claims will not have a material adverse effect on BRMC's financial position or results of operations.

Applying guidance in the adoption of a new accounting pronouncement (see Note 2) at December 31, 2011, the Management Company has recorded a receivable (included in "prepaid expenses and other current assets") of approximately \$1,057,000 and \$1,240,000, respectively, for expected insurance recoveries and a related liability for the accrued claims (included in "accounts payable, accrued expenses and other current liabilities") in its December 31, 2014 and 2013 balance sheet.

**6. Transactions with the County of Bergen and BCIA**

**Use of Facility**

Under the terms of the Agreement, BRMC is to pay the BCIA rent in consideration for the use of the land, property and equipment of BCIA. Rent was adjusted annually for the percentage increase in the Urban Consumer Price Index for the prior 12 month period, through March 14, 2008. Subsequent to March 14, 2008 rent is adjusted annually for the percentage increase in the Urban Consumer Price Index for the prior 12 month period or 4%, whichever is greater. From the inception of the Agreement in 1998 through December 31, 2014, BRMC has incurred \$105,617,601 in rent expense to the BCIA. BRMC's future minimum lease payments to the BCIA through 2017 total approximately \$19,000,000, which would result in cumulative rent payments to BCIA of approximately \$124,000,000 over the full term of the Agreement.

**Due from BCIA**

Cash flow obligations of BRMC are funded by the BCIA on a monthly basis, equal to \$9,000,000 per month, plus or minus the prior month's cash receipts from collections of patient accounts and other receipts, which are either in excess of or below \$9,000,000. Amounts due from the BCIA, including estimated collections of net patient service revenue of the Medical Center, at December 31, 2014 and 2013 amounted to \$48,669,585 and \$46,091,879 respectively.

**Due from the County of Bergen**

The Medical Center provides certain patient services to county prisoners as well as other services which are reimbursed directly to BRMC by the County of Bergen. The amount receivable from the County of Bergen at December 31, 2014 and 2013 was \$505,261 and \$325,421, respectively.

**IGT Settlement**

A settlement was reached in September 2011 between BRMC and the BCIA and the County of Bergen, obligating the County of Bergen to remit to BRMC \$3,000,000 of Medicaid reimbursements received by the County of Bergen during the period 2002-2004. Such payments related to the State of New Jersey Intergovernmental Transfer Program ("IGT"). A cash payment from the County of Bergen of \$1,500,000 was paid in February 2012. The remainder of the settlement was treated as reductions to BRMC's payments to the BCIA for its annual rent commitment (See Note 9) in the amount of \$750,000 in 2012 and 2013, respectively.

**Note Payable - Bergen County Improvement Authority**

BRMC entered into a promissory note with the BCIA as part of the Agreement, which provided a \$6,000,000 working capital loan to BRMC, that was non-interest bearing through March 2006 and thereafter, bore interest at an annual rate of one-half of the yearly increase, if any, in the Urban Consumer Price Index. Principal payments commenced in March 2007 in installments of \$500,000 per year through 2011. The note was fully paid with a balloon payment of \$3,500,000 made on March 14, 2012. An interest rate of 7.5% had been used to impute the unamortized discount.

BRMC entered into a promissory note with the BCIA as part of the Agreement, whereby the aggregate amount of revenue, receipts and other payments (reimbursement or otherwise) received from Medicaid, Medicare or other third-party payor sources with respect to the provision of services at Bergen Pines County Hospital prior to the Agreement date (and therefore the property of the BCIA) would not have to be remitted back to the BCIA until March 14, 2020. The note is non-interest bearing through March 2015 and, thereafter, bears interest at an annual rate of one-half of the yearly increase, if any, in the Urban Consumer Price Index. An interest rate of 7.5% has been used to impute the unamortized discount. Under the terms of the note, the Management Company is required to maintain a minimum receivable balance.

The following is a summary of the amounts due to the BCIA, unamortized discount and deferred credit:

	Due to BCIA			Deferred Credit
	Notes Payable	Unamortized Discount	Net Amount Due	
Balance - January 1, 2013	\$ 27,134,944	\$ (7,354,203)	\$19,780,741	\$ 4,642,938
2013 addition	182	(49)	133	49
2013 amortization		1,538,238	1,538,238	(1,095,322)
Balance - December 31, 2013	27,135,126	(5,816,014)	21,319,112	3,547,665
2014 addition				
2014 amortization		1,657,656	1,657,656	(1,095,321)
Balance - December 31, 2014	\$ 27,135,126	\$ (4,158,358)	\$22,976,768	\$ 2,452,344

**7. Related Party Transactions**

BRMC entered into an agreement in 2005 with Solomon Healthcare Group, LLC ("Solomon Healthcare") for management consulting. Such fees approximated 5.6% of revenues in 2014 and 2013. Common ownership interests exist in Solomon Healthcare and BRMC.

BRMC entered into an agreement in 2007 with International Information Technology, L.P. ("IIT") for information technology. Such fees amounted to \$1,000,000 per month in 2014 and 2013. Common ownership interests exist in IIT and BRMC.

**8. Employee Benefit Plan**

BRMC sponsors a contributory 401(k) plan covering substantially all employees. For the years ended December 31, 2014 and 2013, employees contributing up to 4% of salary are entitled to receive a matching contribution from BRMC equal to 50%, such that the matching contribution may equal up to 2% of an employee's salary. BRMC's matching contribution amounted to \$515,826 and \$552,928 in 2014 and 2013, respectively.

## 9. Commitments and Contingencies

### Self-Insured

Effective June 1, 2005, BRMC self-insures a portion of certain insurable risks, consisting primarily of workers' compensation and employee medical claims. For 2014 and 2013, the self-insured retentions were \$400,000 per occurrence for workers' compensation with an aggregate of \$1,000,000 per year. Through July 31, 2008, the self-insured retention was \$150,000 per person for employee medical with an aggregate of \$850,000 per lifetime. Effective August 1, 2008, BRMC is responsible for all medical claims. BRMC records its estimated ultimate liability for reported claims plus an estimate for claims incurred but not reported. Accruals for self-insurance claims are included in accounts payable and accrued expenses and as of December 31, 2014 and 2013 amounted to \$1,485,008 and \$1,510,588, respectively.

### Line of Credit

As a condition to the Agreement, BRMC maintains a \$13,000,000 secured revolving line of credit arrangement with a bank that is available to BRMC during the period of the Agreement, to provide funds in support of satisfying the obligations under the terms of the agreement. The line of credit expires on September 27, 2015. No portion of the line of credit was utilized during 2014 and 2013.

### Accrued Payment Obligations

The BCIA has agreements with third-party payors that provide payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed cost, discounted charges and per diem payments. Management fee revenue is reported at the estimated net amount realized from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on the accompanying balance sheets as accrued payment obligations on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

### Other Commitments

As described in Note 6, BRMC has an annual rental commitment to BCIA for the term of the Agreement which relates to the use of the Medical Center facility and equipment. BRMC has the responsibility to keep the property in good, safe order and maintain, repair and replace items at its own cost. Any capital improvements needed will be approved and funded by BCIA. Rent expense in 2014 and 2013 amounted to \$8,131,843 and \$7,821,273, respectively.

Future minimum lease payments are as follows:

Year Ending December 31,	Amount
2015	\$ 8,397,818
2016	8,733,731
2017	1,834,224
Total	<u>\$ 18,965,773</u>

### Union Contracts

BRMC has contracts with several unions covering substantially all employees which expire at various dates beginning in May 2016.

**Litigation**

BRMC is a defendant in claims and legal actions arising in the normal course of business. Management believes that the losses resulting from these matters, if any, would be covered under BRMC's professional and general liability insurance (see Note 5) and would not have a material adverse effect on BRMC's financial position or results of operations.

BRMC is presently a defendant in an action (Bergen County Improvement Authority v. Bergen Regional Medical Center, LP, Civ. Action No. 07680-12 (DMC-MF)) by the BCIA to compel BRMC to provide access to certain records, which the BCIA claims will further their decision-making process as to the operation of the Medical Center beyond March 14, 2017. In an amendment to the BCIA claim in March 2012, the BCIA also claimed that it had been billed for certain services related to work on elevators at the Medical Center that were not performed. BRMC vigorously disputes these allegations, and has filed counterclaims for the BCIA's breach of its contractual obligations to BRMC. BRMC has submitted this claim to its insurance carrier. Management and its attorneys are currently reviewing these claims and believe it will not have a material adverse effect on BRMC's financial position or results of operations.

**10. Fair Value of Financial Statements**

The carrying values of BRMC's financial instruments as of December 31, 2014 and 2013 including, due from Bergen County Improvement Authority and County of Bergen, accrued payment obligations and accounts payable, accrued expenses and capital leases approximate their fair value due to the relatively short maturity of these instruments. The fair value of the long-term debt approximates the carrying value of long-term debt because the carrying value is based on imputed interest rates that approximate the interest rates at which the Management Company could borrow under similar terms as of December 31, 2014.

**11. Subsequent Events**

The Management Company has evaluated subsequent events occurring after the balance sheet date through the date of May 5, 2015, which is the date the financial statements were available to be issued. Based on this evaluation, the Management Company has determined that no subsequent events have occurred, which require disclosure in the financial statements.

Appendix Item f.      BRMC Analysis of Cash Receipts For the Period of  
January – December 2010 Received from  
Country Treasurer

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## BRMC Analysis of Cash Receipts For the Period of January – December 2010 Received from Country Treasurer

BERGEN REGIONAL MEDICAL CENTER ANALYSIS OF CASH RECEIPTS FOR THE PERIOD OF JANUARY 1 - DECEMBER 31, 2010													
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
	CASH												
LONG TERM CARE	\$4,279,758	\$4,791,798	\$4,160,324	\$4,716,895	\$4,152,476	\$4,636,782	\$4,643,829	\$4,746,587	\$4,549,859	\$4,419,911	\$4,541,797	\$4,621,179	\$4,264,696
LONG TERM CARE PHARMACY	\$405,142	\$306,619	\$541,836	\$461,876	\$404,627	\$446,969	\$369,463	\$450,513	\$399,197	\$443,360	\$454,830	\$427,348	\$ 1,110,800
GERIATRIC PSYCH	514,761	323,257	307,995	336,258	271,149	255,899	222,771	149,479	267,628	220,606	235,263	254,525	3,369,591
<b>TOTALS - KEANE SYSTEM</b>	<b>5,199,661</b>	<b>5,420,674</b>	<b>5,010,155</b>	<b>5,515,030</b>	<b>4,828,251</b>	<b>5,341,650</b>	<b>5,236,063</b>	<b>5,346,579</b>	<b>5,216,285</b>	<b>5,087,877</b>	<b>5,231,890</b>	<b>5,303,052</b>	<b>62,785,384</b>
MEDICARE - ACUTE MEDICINE	122,276	285,817	194,519	164,716	203,030	146,014	275,653	260,104	218,740	219,990	56,695	303,374	2,489,929
COMMERCIAL/BOBP - ACUTE MEDICINE	229,969	104,808	276,755	445,300	322,527	534,751	354,031	396,063	205,810	346,389	347,997	373,807	3,838,205
MEDICARE - CH 180 BH	545,452	500,303	393,916	404,394	309,366	408,370	392,113	462,669	468,874	347,696	282,162	513,259	5,027,613
COMMERCIAL/BOBP - BH	262,890	340,134	513,995	988,542	810,376	576,267	592,191	765,346	666,429	509,972	489,501	646,101	7,161,744
<b>TOTAL CHAPTER 180</b>	<b>1,160,587</b>	<b>1,231,562</b>	<b>1,379,185</b>	<b>2,002,962</b>	<b>1,844,299</b>	<b>1,655,402</b>	<b>1,613,988</b>	<b>1,884,182</b>	<b>1,580,558</b>	<b>1,424,047</b>	<b>1,215,356</b>	<b>1,836,581</b>	<b>18,617,884</b>
PPFS - ACUTE MEDICINE (MEDICARE)	310,124	430,596	569,540	710,640	416,966	438,078	654,500	554,291	702,989	542,238	678,765	177,110	6,165,637
SHARE MEDICAD	245,556	292,336	436,332	591,150	229,888	231,591	395,007	219,277	319,498	165,744	172,544	150,016	3,459,711
DISTINCT PART (MEDICARE) - BH	475,240	952,739	1,522,771	1,549,092	967,476	1,574,380	1,431,007	1,369,696	1,615,148	1,137,045	1,345,697	1,465,347	15,405,642
PRISONERS	861	157,875	203,183	124,424	107,961	170,601	103,717	129,372	122,172	133,421	509	178,999	1,433,116
RECOVERY OF BAD DEBTS	970	925	314	1,445	895	1,289	941	967	1,076	945	1,165	805	11,748
MEDICAD OME & MEDICARE PASS THRU	104,524	104,524	74,320	133,780	104,050	111,628	104,346	75,859	95,747	77,102	77,102	129,258	1,192,240
SUBSIDY	(12,532)	19,610	(4,631)	(3,962)	(10,490)	27,297	39,062	(73,196)	(29,346)	(2,548)	(16,915)	(8,138)	(75,588)
<b>TOTALS - INPATIENT</b>	<b>2,855,330</b>	<b>3,190,368</b>	<b>4,181,614</b>	<b>5,099,520</b>	<b>3,461,056</b>	<b>4,220,366</b>	<b>4,342,648</b>	<b>4,160,451</b>	<b>4,386,927</b>	<b>3,497,994</b>	<b>3,274,243</b>	<b>3,925,979</b>	<b>46,230,399</b>
OUTPATIENT	473,634	427,424	459,865	522,201	463,140	542,865	594,535	762,099	531,756	520,668	523,526	522,163	6,344,150
<b>TOTALS - ACUTE/PSYCH PARAGON SYSTEM</b>	<b>2,753,164</b>	<b>3,617,793</b>	<b>4,641,478</b>	<b>5,621,721</b>	<b>3,924,196</b>	<b>4,763,232</b>	<b>4,937,183</b>	<b>4,922,551</b>	<b>4,918,683</b>	<b>4,018,562</b>	<b>3,997,831</b>	<b>4,452,132</b>	<b>52,574,549</b>
CHARITY CARE	2,852,452	2,852,452	2,495,896	2,852,452	2,852,452	1,782,782	3,128,238	3,128,238	3,128,238	3,128,238	3,128,238	6,296,476	37,586,152
IS ASSESSMENT	(45,456)	(45,456)	(45,456)	(45,456)	(45,456)	(45,456)	(45,456)	(45,456)	(45,456)	(78,915)	(111,356)	(111,356)	(713,786)
HOSPITAL RELIEF FUND	1,813,379	1,659,904	1,659,904	1,659,904	1,659,904	1,659,904	1,156,317	1,156,317	1,156,317	1,156,317	1,156,317	1,156,317	17,050,803
SUBSIDY REVENUE	4,620,375	4,466,300	4,110,344	4,466,300	4,466,300	3,397,232	4,238,080	4,238,080	4,238,080	4,205,640	4,173,199	7,301,437	53,523,167
PSYCH COST SHARING	1,454,027	903,464	547,754	-	1,692,983	708,450	3,841,868	4,693,969	3,274,155	4,598,042	6,590,457	30,864,696	80,864,696
<b>TOTALS - SUBSIDY &amp; REIMBURSEMENT</b>	<b>4,820,375</b>	<b>5,930,327</b>	<b>5,013,808</b>	<b>5,014,684</b>	<b>4,468,300</b>	<b>5,080,115</b>	<b>4,946,530</b>	<b>8,079,948</b>	<b>8,741,648</b>	<b>7,479,795</b>	<b>8,771,241</b>	<b>15,851,884</b>	<b>83,987,865</b>
LONG-TERM CARE	-	-	-	-	156,527	80,452	-	17,625	-	-	(412,527)	-	(311,006)
ACUTE & PSYCH - 3rd Party- PIV-Pikals	-	-	-	-	197,857	438,202	(78,958)	614,659	-	(89,250)	737,616	-	(63,874)
ACUTE/PSYCH	-	-	-	-	-	-	-	-	-	-	-	-	2,109,576
<b>TOTALS - 3rd PARTY SETTLEMENTS/3RD ADJ.</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>354,384</b>	<b>518,654</b>	<b>(78,958)</b>	<b>632,285</b>	<b>-</b>	<b>(89,250)</b>	<b>325,289</b>	<b>(63,874)</b>	<b>1,798,570</b>
CAFETERIA	46,357	43,599	56,424	50,009	45,958	53,680	47,599	52,915	49,606	49,736	51,925	47,334	595,102
PHYSICIAN BILLING	122,169	138,876	115,401	121,810	131,098	102,679	144,561	152,794	135,419	122,717	152,823	59,576	1,569,325
COUNTY SERVICES	-	56,042	28,021	28,021	-	56,042	28,021	28,021	28,021	28,021	28,021	28,021	336,252
BANK INTEREST	-	-	-	-	-	-	-	-	-	-	-	-	-
MISCELLANEOUS	43,651	20,988	34,114	73,047	40,911	110,372	37,085	70,168	43,922	42,034	54,795	120,205	691,152
<b>TOTALS - OTHER REVENUES</b>	<b>212,297</b>	<b>259,317</b>	<b>233,960</b>	<b>272,867</b>	<b>217,967</b>	<b>322,773</b>	<b>257,236</b>	<b>303,899</b>	<b>256,968</b>	<b>312,508</b>	<b>287,555</b>	<b>254,536</b>	<b>3,191,872</b>
<b>TOTAL OPERATING RECEIPTS</b>	<b>12,791,407</b>	<b>15,218,771</b>	<b>14,895,401</b>	<b>16,424,322</b>	<b>13,791,700</b>	<b>16,026,484</b>	<b>15,298,074</b>	<b>19,488,262</b>	<b>19,133,684</b>	<b>16,804,532</b>	<b>16,613,806</b>	<b>25,737,740</b>	<b>204,266,243</b>
OPERATING RECEIPTS (Non-above)	\$ 12,791,407	\$ 15,218,771	\$ 14,895,401	\$ 16,424,322	\$ 13,791,700	\$ 16,026,484	\$ 15,298,074	\$ 19,488,262	\$ 19,133,684	\$ 16,804,532	\$ 16,613,806	\$ 25,737,740	\$ 204,266,243
NON-OPERATING RECEIPTS	72,737	69,736	96,766	59,185	40,363	77,663	51,362	104,130	134,966	86,471	99,266	69,476	975,712
<b>TOTAL CASH RECEIPTS</b>	<b>12,864,144</b>	<b>15,288,507</b>	<b>14,992,166</b>	<b>16,483,487</b>	<b>13,841,063</b>	<b>16,104,147</b>	<b>15,349,436</b>	<b>19,592,392</b>	<b>19,268,250</b>	<b>16,894,064</b>	<b>18,713,092</b>	<b>25,807,216</b>	<b>205,263,955</b>

Appendix Item g. BRMC Analysis of Cash Receipts For the Period of  
January – December 2011 Received from  
Country Treasurer

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## BRMC Analysis of Cash Receipts For the Period of January – December 2011 Received from Country Treasurer

BERGEN REGIONAL MEDICAL CENTER													
ANALYSIS OF CASH RECEIPTS													
FOR THE PERIOD OF JANUARY 1 - DECEMBER 30, 2011													
	JANUARY CASH	FEBRUARY CASH	MARCH CASH	APRIL CASH	MAY CASH	JUNE CASH	JULY CASH	AUGUST CASH	SEPTEMBER CASH	OCTOBER CASH	NOVEMBER CASH	DECEMBER CASH	TOTAL CASH
LONG TERM CARE	\$4,520,253	\$5,145,047	\$4,201,465	\$4,607,967	\$4,824,278	\$4,819,740	\$4,455,948	\$4,860,031	\$4,743,905	\$4,361,549	\$4,509,796	\$4,525,144	\$5,575,123
LONG TERM CARE PHARMACY	\$420,614	\$393,718	\$502,047	\$464,049	\$405,891	\$454,851	\$441,697	\$442,344	\$464,467	\$385,371	\$479,855	\$422,066	\$2,276,970
GERIATRIC PSYCH.	274,311	205,154	192,753	172,345	293,854	337,549	247,386	279,542	390,483	271,222	364,418	239,399	\$3,268,417
<b>TOTALS - KEANE SYSTEM</b>	<b>5,215,178</b>	<b>5,743,919</b>	<b>4,896,265</b>	<b>5,244,362</b>	<b>5,524,023</b>	<b>5,612,140</b>	<b>5,145,031</b>	<b>5,581,917</b>	<b>5,598,855</b>	<b>5,018,142</b>	<b>5,354,070</b>	<b>5,186,609</b>	<b>64,120,511</b>
MEDICAID - ACUTE MEDICINE	190,351	157,914	305,258	167,915	150,607	194,187	124,507	125,096	388,780	163,394	168,761	370,099	2,506,967
COMMERCIAL/BC/SP - ACUTE MEDICINE	153,147	200,415	332,415	531,971	347,827	360,766	160,924	263,118	256,970	196,779	216,050	131,917	3,142,298
MEDICAID - CH 160 BH	289,744	327,995	518,399	459,728	445,989	205,990	414,842	477,254	268,131	246,333	339,286	370,672	4,363,974
COMMERCIAL/BC/SP - BH	616,119	585,753	990,051	845,415	735,536	759,983	636,199	542,274	735,383	566,421	653,690	475,334	7,751,156
<b>TOTAL CHAPTER 160</b>	<b>1,249,360</b>	<b>1,272,076</b>	<b>2,136,123</b>	<b>1,805,029</b>	<b>1,679,958</b>	<b>1,519,326</b>	<b>1,236,471</b>	<b>1,407,751</b>	<b>1,669,264</b>	<b>1,162,527</b>	<b>1,277,787</b>	<b>1,348,022</b>	<b>17,764,254</b>
(PPS) - ACUTE MEDICINE (MEDICARE)	434,300	452,304	792,042	477,525	446,977	651,753	525,914	768,123	772,045	447,277	260,625	601,167	6,630,453
SHARE MEDICAID	261,250	224,842	621,798	218,716	460,445	287,923	614,853	257,195	458,477	274,672	160,758	265,779	4,106,707
DISTINCT PART (MEDICARE) - BH	693,396	1,339,566	1,426,916	746,633	1,077,819	1,592,753	1,722,474	1,796,969	1,500,422	1,047,333	896,175	1,223,963	15,067,259
PRISONERS	75,691	26,596	251,400	51,792	66,525	47,594	166,176	86,650	102,612	72,282	47,841	4,439	1,040,769
RECOVERY OF BAD DEBTS	6,250	533	-	483	301	204	236	11	334	220	103	49	8,724
MEDICAID GME & MEDICARE PASS THRU	86,172	86,172	86,172	86,172	86,736	130,104	117,661	117,661	117,661	160,621	307,012	134,091	1,516,235
SUBSIDY	(59,775)	(954)	2,611	(14,393)	(8,573)	82,134	(67,635)	10,301	16,978	(24,225)	3,510	25,298	(45,722)
<b>TOTALS - INPATIENT</b>	<b>2,755,844</b>	<b>3,401,126</b>	<b>5,319,063</b>	<b>3,372,347</b>	<b>3,829,189</b>	<b>4,291,980</b>	<b>4,339,149</b>	<b>4,444,562</b>	<b>4,637,794</b>	<b>3,141,107</b>	<b>2,955,811</b>	<b>3,602,740</b>	<b>46,088,719</b>
OUTPATIENT	459,205	483,505	516,594	599,397	590,967	599,728	602,155	656,744	627,618	523,359	602,547	490,005	6,751,825
<b>TOTALS - ACUTE/PSYCH PARAGON SYSTEM</b>	<b>3,215,049</b>	<b>3,884,631</b>	<b>5,835,657</b>	<b>3,971,745</b>	<b>4,420,156</b>	<b>4,891,708</b>	<b>4,940,304</b>	<b>5,100,306</b>	<b>5,265,412</b>	<b>3,664,466</b>	<b>3,558,357</b>	<b>4,092,745</b>	<b>52,840,544</b>
CHARITY CARE	-	3,128,238	3,128,238	3,128,238	3,128,238	3,128,242	2,827,338	2,827,338	2,827,338	-	6,758,024	3,103,176	6,206,351
SI ASSESSMENT	(111,356)	(111,356)	(111,356)	(111,356)	(111,356)	(111,356)	(110,618)	(110,618)	(110,618)	(110,618)	(110,618)	(110,618)	(1,331,844)
HOSPITAL RELIEF FUND	1,013,781	1,013,781	1,013,781	1,013,781	1,013,781	1,013,781	1,189,785	1,189,785	1,189,785	1,189,785	1,189,785	1,189,785	13,221,396
SUBSIDY REVENUE	902,425	4,030,663	4,030,663	4,030,663	4,030,663	4,030,667	3,906,505	3,906,505	1,079,167	7,837,191	4,182,343	7,285,518	49,252,973
PSYCH COST SHARING	-	-	1,594,999	453,695	1,225,933	782,845	-	4,104,042	3,000,995	3,081,159	4,134,154	8,030,692	26,506,114
<b>TOTALS - SUBSIDY &amp; REIMBURSEMENT</b>	<b>902,425</b>	<b>4,030,663</b>	<b>5,725,662</b>	<b>4,484,358</b>	<b>5,256,596</b>	<b>4,813,112</b>	<b>3,906,505</b>	<b>8,010,547</b>	<b>4,090,162</b>	<b>10,918,359</b>	<b>8,316,487</b>	<b>15,315,210</b>	<b>75,761,087</b>
LONG-TERM CARE	-	-	-	-	-	125,878	-	81,717	-	-	-	8,395	215,990
ACUTE & PSYCH	-	-	-	1,974	-	255,251	-	492,587	-	-	(233,769)	-	516,043
OUTPATIENT	-	(1,357,735)	-	-	-	-	(551,554)	-	(90,205)	-	-	-	(1,999,615)
<b>TOTALS - 3rd PARTY SETTLEMENTS/PPY ADJ.</b>	<b>-</b>	<b>(1,357,735)</b>	<b>-</b>	<b>1,974</b>	<b>-</b>	<b>381,129</b>	<b>(551,554)</b>	<b>574,304</b>	<b>(90,205)</b>	<b>-</b>	<b>(225,374)</b>	<b>-</b>	<b>(1,267,582)</b>
CAPITEX	48,327	47,601	54,421	45,930	45,452	47,935	41,719	46,521	46,614	44,642	45,769	45,604	561,537
PHYSICIAN BILLING	139,099	183,846	220,073	141,785	183,747	195,739	162,037	133,181	114,978	185,337	143,317	128,453	1,931,591
COUNTY SERVICES	-	57,033	28,516	28,516	28,516	28,516	28,516	28,516	28,516	28,516	28,516	28,516	342,196
BANK INTEREST	-	-	-	-	-	-	-	-	-	-	-	-	-
MISCELLANEOUS	85,582	32,821	30,524	47,594	41,862	114,987	73,727	55,220	53,413	52,897	38,217	54,221	681,765
<b>TOTALS - OTHER REVENUES</b>	<b>274,008</b>	<b>321,301</b>	<b>333,534</b>	<b>263,626</b>	<b>300,277</b>	<b>367,177</b>	<b>305,959</b>	<b>263,438</b>	<b>243,522</b>	<b>311,392</b>	<b>255,820</b>	<b>256,785</b>	<b>3,517,089</b>
<b>TOTAL OPERATING RECEIPTS</b>	<b>9,696,659</b>	<b>12,622,779</b>	<b>16,791,118</b>	<b>13,966,264</b>	<b>15,501,053</b>	<b>16,085,267</b>	<b>13,746,286</b>	<b>19,530,512</b>	<b>15,097,625</b>	<b>19,912,350</b>	<b>17,299,370</b>	<b>24,852,366</b>	<b>194,971,648</b>
OPERATING RECEIPTS (from above)	\$ 9,696,659	\$ 12,622,779	\$ 16,791,118	\$ 13,966,264	\$ 15,501,053	\$ 16,085,267	\$ 13,746,286	\$ 19,530,512	\$ 15,097,625	\$ 19,912,350	\$ 17,299,370	\$ 24,852,366	\$ 194,971,648
NON-OPERATING RECEIPTS	163,385	106,240	50,474	52,207	143,354	73,233	72,838	65,766	91,623	96,151	82,782	99,969	1,098,042
<b>TOTAL CASH RECEIPTS</b>	<b>9,860,044</b>	<b>12,729,019</b>	<b>16,841,592</b>	<b>14,018,471</b>	<b>15,644,407</b>	<b>16,158,500</b>	<b>13,819,123</b>	<b>19,696,278</b>	<b>15,189,247</b>	<b>20,008,501</b>	<b>17,382,152</b>	<b>24,952,335</b>	<b>196,069,690</b>

BCIA-05-00087

Appendix Item h. BRMC Analysis of Cash Receipts For the Period of  
January – December 2012 Received from  
Country Treasurer

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# BRMC Analysis of Cash Receipts For the Period of January – December 2012 Received from Country Treasurer

BERGEN REGIONAL MEDICAL CENTER ANALYSIS OF CASH RECEIPTS FOR THE PERIOD OF JANUARY 1 - DECEMBER 31, 2012													
	JANUARY CASH	FEBRUARY CASH	MARCH CASH	APRIL CASH	MAY CASH	JUNE CASH	JULY CASH	AUGUST CASH	SEPTEMBER CASH	OCTOBER CASH	NOVEMBER CASH	DECEMBER CASH	TOTAL CASH
LONG TERM CARE	\$4,223,206	\$4,248,174	\$3,906,370	\$4,610,467	\$4,186,256	\$4,249,326	\$4,339,117	\$3,852,475	\$4,217,751	\$4,378,320	\$4,384,697	\$4,508,246	\$51,104,404
LONG TERM CARE PHARMACY	\$412,195	406,323	423,053	408,259	446,363	\$405,108	\$421,670	\$402,665	\$368,357	\$437,054	\$416,831	\$365,141	\$4,313,039
GERIATRIC PSYCH	363,411	269,674	231,930	226,609	190,399	250,680	320,124	211,346	269,571	255,447	176,446	186,654	2,953,730
<b>TOTALS - KEANE SYSTEM</b>	<b>4,988,812</b>	<b>4,924,170</b>	<b>4,561,353</b>	<b>5,245,335</b>	<b>4,822,918</b>	<b>4,905,114</b>	<b>5,080,911</b>	<b>4,466,206</b>	<b>4,855,679</b>	<b>5,071,821</b>	<b>4,977,974</b>	<b>5,060,061</b>	<b>58,971,174</b>
MEDICAID - ACUTE MEDICINE	136,287	160,761	134,341	121,774	104,041	158,851	154,595	232,620	116,538	144,433	216,424	150,335	1,831,001
COMMERCIAL/PSY - ACUTE MEDICINE	348,532	318,995	155,750	358,122	342,159	137,612	169,670	221,108	276,906	300,536	146,583	169,253	2,864,688
MEDICAID - CH 140 BH	280,073	446,435	210,545	215,243	445,958	361,848	365,695	636,178	352,693	117,929	329,997	820,417	4,583,002
COMMERCIAL/PSY - BH	673,483	568,556	735,963	572,065	451,784	311,924	695,932	457,787	376,763	459,203	368,982	320,311	5,962,553
<b>TOTAL CHAPTER 140</b>	<b>1,458,335</b>	<b>1,484,728</b>	<b>1,236,600</b>	<b>1,267,204</b>	<b>1,353,842</b>	<b>870,256</b>	<b>1,308,082</b>	<b>1,647,885</b>	<b>1,122,901</b>	<b>1,022,168</b>	<b>1,082,088</b>	<b>1,468,318</b>	<b>15,281,348</b>
(IPB) - ACUTE MEDICINE (MEDICARE)	204,946	263,678	296,616	877,909	967,294	492,575	231,614	841,785	640,363	414,440	490,731	754,100	6,376,251
SHARE MEDICAID	92,613	174,257	142,796	290,502	206,574	175,004	286,503	451,652	336,743	201,202	495,664	1,140,382	3,987,342
DISTINCT PART (MEDICARE) - BH	530,462	1,744,814	1,206,430	1,595,832	1,315,547	1,446,298	743,555	1,580,576	1,287,231	1,258,828	1,557,084	1,317,682	15,584,349
PRISONERS	156,868	-	185,325	72,564	-	232,552	-	142,120	-	-	-	-	79,458
RECOVERY OF BAD DEBTS	223	211	159	136	11	124	52	162	162	115	-	182	1,375
MEDICAID GME & MEDICARE PASS-THRU	134,091	134,091	136,690	135,931	188,434	136,928	135,931	135,931	135,931	188,434	140,566	182,751	1,786,709
SUBSIDY	16,153	(80,319)	9,656	(10,349)	(38,355)	5,123	10,828	(7,842)	(127,474)	241,744	(119,479)	(30,982)	(131,083)
<b>TOTALS - INPATIENT</b>	<b>2,573,902</b>	<b>3,731,500</b>	<b>3,216,380</b>	<b>4,229,733</b>	<b>3,783,848</b>	<b>3,457,839</b>	<b>2,804,774</b>	<b>4,691,525</b>	<b>3,355,857</b>	<b>3,408,972</b>	<b>3,735,636</b>	<b>4,905,899</b>	<b>43,536,964</b>
OUTPATIENT	476,727	481,192	717,771	544,475	567,491	499,154	502,020	820,831	607,339	607,339	481,336	494,473	5,749,191
<b>TOTALS - ADULT PSYCH PARAGON SYSTEM</b>	<b>3,060,629</b>	<b>4,212,692</b>	<b>3,934,151</b>	<b>4,774,208</b>	<b>4,351,339</b>	<b>3,956,993</b>	<b>3,306,794</b>	<b>5,512,356</b>	<b>3,963,196</b>	<b>4,016,311</b>	<b>4,217,072</b>	<b>5,400,372</b>	<b>60,886,054</b>
CHARITY CARE	-	3,103,176	3,103,176	3,103,176	3,103,176	3,103,176	2,836,560	2,836,560	6,780,072	3,113,298	6,226,596	37,308,966	37,308,966
53 ASSESSMENT	(110,618)	(110,618)	(110,618)	(110,618)	(110,618)	(110,618)	(114,552)	(114,552)	(114,552)	(114,552)	(114,552)	(114,552)	(1,361,020)
HOSPITAL RELIEF FUND	1,185,719	1,185,719	1,185,719	1,185,719	1,185,719	1,185,722	1,187,752	1,187,752	1,187,752	1,187,752	1,187,752	1,187,752	14,240,829
SUBSIDY REVENUE	1,075,101	4,178,277	4,178,277	4,178,277	4,178,277	4,178,280	3,909,760	3,909,760	1,073,200	7,853,272	4,186,498	7,299,796	50,198,775
PSYCH COST SHARING	-	2,336,030	511,101	1,824,031	1,693,026	1,716,619	2,171,165	5,256,800	3,279,906	4,428,026	5,716,444	8,904,538	37,837,369
<b>TOTALS - SUBSIDY &amp; REIMBURSEMENT</b>	<b>1,876,181</b>	<b>6,614,867</b>	<b>4,869,378</b>	<b>6,002,308</b>	<b>6,871,363</b>	<b>6,894,988</b>	<b>6,888,946</b>	<b>8,168,880</b>	<b>4,562,708</b>	<b>12,281,268</b>	<b>8,862,942</b>	<b>16,204,524</b>	<b>88,998,131</b>
LONG-TERM CARE	33,529	(44,766)	(38,985)	(129,310)	(120,888)	(126,543)	(117,481)	(9,144)	(86,134)	-	-	103,109	(639,721)
ACUTE & PSYCH	-	-	-	-	-	-	-	216,902	-	-	-	-	320,011
OUTPATIENT	-	398,145	-	-	-	-	-	-	-	(115,657)	-	-	252,478
<b>TOTALS - 3rd PARTY SETTLEMENTS/PSY ADL</b>	<b>33,529</b>	<b>353,379</b>	<b>(38,985)</b>	<b>(129,310)</b>	<b>(120,888)</b>	<b>(126,543)</b>	<b>(117,481)</b>	<b>207,758</b>	<b>(86,134)</b>	<b>(115,657)</b>	<b>103,109</b>	<b>-</b>	<b>572,269</b>
CAFE/TERA	47,597	44,610	49,857	44,924	46,923	44,512	43,536	43,811	36,883	41,696	45,429	38,475	538,252
PHYSICIAN BILLING	122,717	145,810	127,243	107,990	157,710	118,995	150,224	101,678	73,420	138,741	141,263	111,983	1,457,584
COUNTY SERVICES	-	58,716	29,358	29,358	-	58,716	29,358	29,358	29,358	29,358	29,358	29,358	352,295
BANK INTEREST	-	-	-	-	-	-	-	-	-	-	-	-	-
MISCELLANEOUS	116,716	761,105	52,746	97,266	81,353	59,652	94,709	28,092	49,423	29,345	9,562	47,965	1,427,834
<b>TOTALS - OTHER REVENUES</b>	<b>287,030</b>	<b>1,010,240</b>	<b>269,206</b>	<b>279,638</b>	<b>286,888</b>	<b>281,876</b>	<b>317,827</b>	<b>202,888</b>	<b>188,683</b>	<b>288,040</b>	<b>226,812</b>	<b>227,701</b>	<b>3,808,078</b>
<b>TOTAL OPERATING RECEIPTS</b>	<b>\$ 8,446,181</b>	<b>\$ 17,014,848</b>	<b>\$ 13,466,732</b>	<b>\$ 16,172,280</b>	<b>\$ 15,218,768</b>	<b>\$ 14,812,638</b>	<b>\$ 14,888,986</b>	<b>\$ 19,658,618</b>	<b>\$ 13,283,672</b>	<b>\$ 21,482,803</b>	<b>\$ 18,428,808</b>	<b>\$ 26,882,447</b>	<b>\$ 201,482,203</b>
OPERATING RECEIPTS (From above)	\$ 8,446,181	\$ 17,014,848	\$ 13,466,732	\$ 16,172,280	\$ 15,218,768	\$ 14,812,638	\$ 14,888,986	\$ 19,658,618	\$ 13,283,672	\$ 21,482,803	\$ 18,428,808	\$ 26,882,447	\$ 201,482,203
NON-OPERATING RECEIPTS	80,630	98,718	108,276	147,421	110,560	97,727	71,665	97,013	77,693	98,520	72,090	87,897	1,088,315
<b>TOTAL CASH RECEIPTS</b>	<b>\$ 8,526,811</b>	<b>\$ 17,113,566</b>	<b>\$ 13,575,008</b>	<b>\$ 16,319,701</b>	<b>\$ 15,329,328</b>	<b>\$ 15,010,365</b>	<b>\$ 14,960,651</b>	<b>\$ 19,855,631</b>	<b>\$ 13,361,365</b>	<b>\$ 21,581,323</b>	<b>\$ 18,500,898</b>	<b>\$ 26,970,344</b>	<b>\$ 202,570,518</b>

BCIA-05-000090

Appendix Item i. BRMC Analysis of Cash Receipts For the Period of  
January – December 2013 Received from  
Country Treasurer

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**BRMC Analysis of Cash Receipts For the Period of January – December 2013 Received from Country Treasurer**

<b>BERGEN REGIONAL MEDICAL CENTER ANALYSIS OF CASH RECEIPTS FOR THE PERIOD OF JANUARY 1 - DECEMBER 31, 2012</b>													
	JANUARY CASH	FEBRUARY CASH	MARCH CASH	APRIL CASH	MAY CASH	JUNE CASH	JULY CASH	AUGUST CASH	SEPTEMBER CASH	OCTOBER CASH	NOVEMBER CASH	DECEMBER CASH	TOTAL CASH
LONG TERM CARE	\$4,223,206	\$4,248,174	\$3,906,370	\$4,610,467	\$4,186,256	\$4,249,326	\$4,339,117	\$3,852,475	\$4,217,751	\$4,378,320	\$4,384,697	\$4,508,246	\$1,104,404
LONG TERM CARE PHARMACY	\$412,195	\$406,323	\$423,053	\$408,259	\$446,363	\$405,108	\$421,670	\$402,685	\$368,357	\$437,054	\$416,831	\$365,141	\$4,913,039
GERIATRIC PSYCH	363,411	269,674	231,960	236,809	190,399	250,680	330,134	211,346	269,571	356,447	176,446	186,664	2,953,730
<b>TOTALS - KEANE SYSTEM</b>	<b>4,998,812</b>	<b>4,924,171</b>	<b>4,561,383</b>	<b>5,255,535</b>	<b>4,822,918</b>	<b>4,905,114</b>	<b>5,090,911</b>	<b>4,466,806</b>	<b>4,855,679</b>	<b>5,071,821</b>	<b>4,977,974</b>	<b>5,080,051</b>	<b>55,971,174</b>
MEDICAID - ACUTE MEDICINE	136,287	160,761	134,341	121,774	104,041	158,851	154,595	232,620	116,538	144,433	216,424	150,335	1,831,001
COMMERCIAL/BCSP - ACUTE MEDICINE	348,692	318,386	155,758	358,122	242,159	137,612	189,870	221,108	276,906	300,538	146,683	168,253	2,864,688
MEDICAID - CH 160 BH	280,073	446,426	210,545	215,243	445,958	361,848	365,695	636,178	352,693	117,929	329,597	820,417	4,583,002
COMMERCIAL/BCSP - BH	673,493	559,555	735,863	672,055	451,784	311,504	695,933	457,787	376,763	455,203	358,982	320,311	5,982,653
<b>TOTAL CHAPTER 160</b>	<b>1,438,545</b>	<b>1,484,728</b>	<b>1,236,699</b>	<b>1,267,204</b>	<b>1,348,942</b>	<b>870,234</b>	<b>1,306,082</b>	<b>1,647,883</b>	<b>1,122,901</b>	<b>1,022,188</b>	<b>1,082,688</b>	<b>1,468,318</b>	<b>16,381,243</b>
IPPS - ACUTE MEDICINE (MEDICARE)	204,946	263,678	296,616	877,909	867,294	482,575	231,814	841,785	640,363	414,440	480,731	754,100	5,376,251
SHARE MEDICAID	50,462	174,297	142,796	290,502	206,974	175,004	286,503	451,662	336,743	201,202	485,664	1,143,382	3,987,342
DISTINCT PART (MEDICARE) - BH	158,968	-	185,325	72,564	-	232,552	-	142,120	-	82,106	118,984	79,458	1,070,577
RECOVERY OF BAD DEBTS	223	211	159	136	11	124	52	-	162	115	-	182	1,375
MEDICAID ONE & MEDICARE PASS THRU	134,091	134,091	138,690	135,931	188,434	135,828	135,931	135,931	135,931	188,434	140,566	182,751	1,786,708
SUSPENSE	16,163	(80,319)	9,856	(10,346)	(38,355)	5,123	(8,828)	(7,842)	(127,474)	241,744	(119,479)	(30,982)	(131,083)
<b>TOTALS - INPATIENT</b>	<b>2,573,902</b>	<b>3,731,500</b>	<b>3,216,980</b>	<b>4,225,733</b>	<b>3,783,848</b>	<b>3,457,839</b>	<b>2,804,774</b>	<b>4,691,525</b>	<b>3,595,857</b>	<b>3,408,972</b>	<b>3,735,836</b>	<b>4,305,899</b>	<b>43,936,864</b>
OUTPATIENT	476,727	481,152	717,771	544,476	567,491	499,154	592,030	820,811	556,381	607,339	481,336	454,473	5,749,191
<b>TOTALS - ACUTEPSYCH PARAGON SYSTEM</b>	<b>3,050,629</b>	<b>4,212,652</b>	<b>3,934,751</b>	<b>4,770,209</b>	<b>4,351,339</b>	<b>3,956,993</b>	<b>3,396,794</b>	<b>5,512,336</b>	<b>4,152,238</b>	<b>4,016,311</b>	<b>4,218,672</b>	<b>4,760,372</b>	<b>60,686,054</b>
CHARITY CARE	-	3,103,176	3,103,176	3,103,176	3,103,176	3,103,176	2,836,560	2,836,560	-	6,780,072	3,113,298	6,226,596	37,308,966
SA ABSESSMENT	(110,618)	(110,618)	(110,618)	(110,618)	(110,618)	(110,618)	(114,552)	(114,552)	(114,552)	(114,552)	(114,552)	(114,552)	(1,361,020)
HOSPITAL RELIEF FUND	1,185,719	1,185,719	1,185,719	1,185,719	1,185,719	1,185,722	1,187,752	1,187,752	1,187,752	1,187,752	1,187,752	1,187,752	14,240,529
SUBSIDY REVENUE	1,075,101	4,178,277	4,178,277	4,178,277	4,178,277	4,178,280	3,809,760	3,809,760	1,073,200	7,853,272	4,186,438	7,259,756	50,158,775
PSYCH COST SHARING	-	2,336,050	511,101	1,824,031	1,693,026	1,716,619	2,171,185	5,256,800	3,279,506	4,428,026	5,716,444	8,304,528	37,837,356
<b>TOTALS - SUBSIDY &amp; REIMBURSEMENT</b>	<b>1,075,101</b>	<b>6,614,867</b>	<b>4,888,378</b>	<b>6,002,308</b>	<b>6,871,303</b>	<b>6,884,888</b>	<b>6,080,946</b>	<b>8,188,680</b>	<b>4,362,708</b>	<b>12,261,288</b>	<b>8,802,842</b>	<b>18,204,324</b>	<b>88,038,131</b>
LONG-TERM CARE	33,529	(44,796)	(38,985)	(129,310)	(120,888)	(125,543)	(117,481)	(9,144)	(86,134)	-	103,109	-	(639,721)
ACUTE & PSYCH	-	-	-	-	-	-	-	-	-	-	-	-	320,011
OUTPATIENT	-	398,145	-	-	-	-	-	-	-	(115,657)	-	-	282,478
<b>TOTALS - 3rd PARTY SETTLEMENTS/PSY ADJ.</b>	<b>33,529</b>	<b>353,379</b>	<b>(38,985)</b>	<b>(129,310)</b>	<b>(120,888)</b>	<b>(125,543)</b>	<b>(117,481)</b>	<b>207,768</b>	<b>(86,134)</b>	<b>(115,657)</b>	<b>103,109</b>	<b>-</b>	<b>(87,232)</b>
CAFETERIA	47,597	44,610	49,857	44,924	46,923	44,512	43,536	43,811	36,883	41,696	45,429	38,475	528,252
PHYSICIAN BILLING	122,717	145,810	127,243	107,990	157,710	118,995	150,224	101,678	73,420	138,741	141,263	111,903	1,497,694
COUNTY SERVICES	-	58,716	29,358	29,358	-	58,716	29,358	29,358	29,358	29,358	29,358	29,358	352,295
BANK INTEREST	-	-	-	-	-	-	-	-	-	-	-	-	-
MISCELLANEOUS	116,716	761,105	52,746	97,266	81,353	59,652	94,709	28,092	49,423	29,245	9,562	47,965	1,427,834
<b>TOTALS - OTHER REVENUES</b>	<b>287,030</b>	<b>1,010,240</b>	<b>269,206</b>	<b>279,638</b>	<b>286,886</b>	<b>281,876</b>	<b>317,827</b>	<b>202,938</b>	<b>189,683</b>	<b>288,040</b>	<b>226,812</b>	<b>227,761</b>	<b>3,808,678</b>
<b>TOTAL OPERATING RECEIPTS</b>	<b>8,446,101</b>	<b>17,014,849</b>	<b>13,406,732</b>	<b>18,172,280</b>	<b>16,210,768</b>	<b>14,912,638</b>	<b>14,888,986</b>	<b>19,668,618</b>	<b>13,283,672</b>	<b>21,482,803</b>	<b>18,428,808</b>	<b>28,382,447</b>	<b>201,482,203</b>
OPERATING RECEIPTS (from above)	\$ 8,446,101	\$ 17,014,849	\$ 13,406,732	\$ 18,172,280	\$ 16,210,768	\$ 14,912,638	\$ 14,888,986	\$ 19,668,618	\$ 13,283,672	\$ 21,482,803	\$ 18,428,808	\$ 28,382,447	\$ 201,482,203
NON-OPERATING RECEIPTS	90,658	80,718	108,376	147,421	110,590	97,727	71,685	97,013	77,893	96,520	72,036	87,557	1,088,315
<b>TOTAL CASH RECEIPTS</b>	<b>8,536,740</b>	<b>17,114,667</b>	<b>13,514,108</b>	<b>18,319,701</b>	<b>16,321,318</b>	<b>15,010,295</b>	<b>14,960,611</b>	<b>19,865,631</b>	<b>13,341,465</b>	<b>21,661,823</b>	<b>18,488,845</b>	<b>28,980,004</b>	<b>202,661,618</b>

Appendix Item j. BRMC Analysis of Cash Receipts For the Period of  
January – December 2014 Received from  
Country Treasurer

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# BRMC Analysis of Cash Receipts For the Period of January – December 2014 Received from Country Treasurer

<b>BERGEN REGIONAL MEDICAL CENTER ANALYSIS OF CASH RECEIPTS FOR THE PERIOD OF JANUARY - DECEMBER 2014</b>													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
LONG TERM CARE	4,481,913.88	4,518,888.04	4,332,778.38	4,525,315.81	4,387,873.13	4,587,143.59	4,394,386.81	4,172,136.08	4,972,488.32	4,488,331.08	4,282,246.79	4,142,917.24	82,853,884.87
LONG TERM CARE PHARMACY	361,838.82	343,773.41	363,280.73	427,588.80	376,380.70	380,085.78	436,454.85	386,542.88	386,095.18	444,883.92	347,876.18	482,286.80	4,743,788.41
GERIATRIC PSYCH	188,787.28	187,877.19	185,135.48	228,280.87	278,812.87	273,281.88	351,291.88	351,745.88	385,138.88	328,887.18	223,848.24	384,487.38	3,174,842.88
<b>TOTALS -NABE SYSTEM</b>	<b>4,790,918.88</b>	<b>4,748,288.64</b>	<b>4,698,264.48</b>	<b>4,991,194.88</b>	<b>4,993,998.48</b>	<b>4,998,298.48</b>	<b>4,982,968.48</b>	<b>4,884,388.21</b>	<b>5,387,888.48</b>	<b>4,922,822.48</b>	<b>4,638,887.18</b>	<b>4,897,881.82</b>	<b>89,473,118.88</b>
MEDICAD - ACUTE MEDICINE	130,181.78	81,435.23	136,282.72	226,385.61	414,388.88	414,388.79	102,743.48	118,889.87	276,783.34	84,335.88	700,237.38	229,180.88	2,911,838.88
COMMERCIAL(C.S.P.) - ACUTE MEDICINE	188,081.82	187,287.82	87,421.23	(80,234.87)	528,185.87	107,424.42	132,882.84	138,388.84	158,848.79	154,988.78	49,078.28	178,888.88	1,488,344.88
PRO - ACUTE MEDICARE - MEDICINE	782,214.44	854,785.19	888,833.73	1,287,828.88	1,488,274.19	871,861.88	1,136,228.38	884,814.48	1,102,870.18	1,088,870.11	882,332.88	987,827.27	11,881,482.48
SHARP MEDICAD	1918,882.82	581,072.88	881,547.21	24,784.88	8,847.87	2,888.88	382,787.27	1,888,888.88	188,888.88	323,788.88	682,777.88	128,841.88	8,588,788.88
MEDICAD - CHRONIC BEHAVIORAL HEALTH	211,881.85	118,888.84	188,813.78	228,788.32	473,145.17	332,888.38	388,827.38	33,248.88	247,731.21	388,888.88	308,888.88	17,244.78	2,887,223.88
COMMERCIAL(C.S.P.) - BEHAVIORAL HEALTH	477,427.88	284,378.88	884,184.47	31,782.38	384,228.63	333,273.73	388,221.88	388,488.84	321,387.28	447,388.88	234,888.14	444,188.79	8,810,887.88
DISTRICT PART (MEDICARE) - BEHAVIORAL HEALTH	1,248,888.21	1,227,848.88	1,132,881.45	1,222,447.27	1,388,888.48	848,712.21	1,388,754.83	1,382,888.91	888,883.33	1,174,237.84	887,447.38	1,288,888.91	14,838,881.22
PROSICERS	238,188.77	44,228.88	0.00	102,427.88	48,883.88	87,783.32	41,889.73	0.00	118,388.24	188,888.74	83,782.12	448.87	884,188.88
MEDICAD (GME) & MEDICARE PASS THRU	(982,488.87)	84,488.88	84,488.88	138,282.88	88,073.88	88,288.88	78,887.88	78,887.88	218,127.88	87,488.88	87,488.88	88,814.88	388,142.32
SURPRISE	(7,328.88)	54,843.88	21,478.81	4,848.38	(88,888.74)	(8,288.18)	138,778.48	38,224.32	(28,812.88)	71,784.48	81,018.88	138,848.18	487,884.88
RECOVERY OF BAD DEBTS	188.21	0.00	0.00	0.00	0.00	0.00	88.82	0.00	0.00	0.00	0.00	0.00	88.82
TOTALS - INPATIENT	3,284,484.84	3,888,282.88	3,414,888.21	3,482,181.84	4,138,482.84	3,284,882.21	4,332,884.88	4,482,884.88	3,818,272.32	3,918,271.98	3,888,888.88	3,888,282.88	44,888,278.88
OUTPATIENT REVENUE	482,288.87	888,274.82	881,818.32	882,282.32	738,882.21	888,871.48	788,781.48	882,887.22	882,788.88	888,411.72	888,888.91	921,877.82	8,822,888.84
<b>TOTALS - ACUTE/PSYCH (PARAGON SYSTEM)</b>	<b>3,688,788.81</b>	<b>4,887,887.78</b>	<b>4,298,714.84</b>	<b>4,374,484.88</b>	<b>4,877,484.38</b>	<b>3,818,882.88</b>	<b>4,828,886.72</b>	<b>4,888,888.88</b>	<b>4,678,778.32</b>	<b>4,884,488.88</b>	<b>4,888,888.88</b>	<b>4,888,888.88</b>	<b>82,818,188.88</b>
CHARITY CARE	0.00	3,078,828.88	3,078,828.88	3,078,828.88	3,078,828.88	3,078,828.88	3,078,828.88	3,078,828.88	3,078,828.88	3,078,828.88	3,078,828.88	3,078,828.88	35,888,824.32
DSRP	1,187,782.88	1,038,348.88	1,112,848.88	1,112,848.88	1,112,848.88	1,112,848.88	782,148.88	782,148.88	782,148.88	782,148.88	782,148.88	782,148.88	11,788,288.88
SI ASSESSMENT	(112,441.88)	(112,441.88)	(112,441.88)	(112,441.88)	(112,441.88)	(112,441.88)	(112,441.88)	(112,441.88)	(112,441.88)	(112,441.88)	(112,441.88)	(112,441.88)	(1,288,278.88)
SUBSIDY REVENUE	1,878,211.88	4,082,482.88	4,078,128.88	4,078,128.88	4,078,128.88	4,078,128.88	4,078,128.88	4,078,128.88	4,078,128.88	4,078,128.88	4,078,128.88	4,078,128.88	48,278,211.88
PSYCHOLOGIST SERVICES	0.00	0.00	1,388,888.88	1,388,888.88	1,388,888.88	1,388,888.88	1,388,888.88	1,388,888.88	1,388,888.88	1,388,888.88	1,388,888.88	1,388,888.88	16,888,211.88
<b>TOTALS - SUBSIDY &amp; REIMBURSEMENT</b>	<b>1,878,211.88</b>	<b>4,082,482.88</b>	<b>4,078,128.88</b>	<b>48,278,211.88</b>									
LONG TERM CARE	0.00	7,888.84	(7,871.82)	787.22	(884,138.88)	0.00	0.00	188,888.88	(2,871.88)	188,848.78	12,412.48	0.00	13,774.47
ACUTE & PSYCH	(218,887.88)	0.00	0.00	(28,232.88)	(218,888.82)	18,848.88	0.00	788,882.88	(2,888.88)	0.00	0.00	0.00	48,881.88
OUTPATIENT	(88,888.88)	0.00	0.00	0.00	0.00	0.00	0.00	(12,888.88)	0.00	0.00	0.00	0.00	(88,888.88)
SI/PARTY SETTLEMENTS/P.Y. ADJUSTMENTS	(884,481.88)	7,888.84	(7,871.82)	(188,448.88)	(884,138.88)	18,848.88	0.00	881,871.88	(2,888.88)	188,848.78	12,412.48	0.00	(48,881.88)
PHYSICIAN'S INCOME	188,278.84	188,278.84	188,278.84	188,278.84	188,278.84	188,278.84	188,278.84	188,278.84	188,278.84	188,278.84	188,278.84	188,278.84	2,288,278.84
CATERING & COFFEE SHOP	37,888.82	34,881.27	40,881.23	41,281.18	38,788.78	38,788.78	38,788.78	38,788.78	38,788.78	38,788.78	38,788.78	38,788.78	488,278.84
COUNTY - AUXILIARY SERVICES	30,278.38	0.00	30,278.38	60,788.78	30,278.38	30,278.38	30,278.38	30,278.38	30,278.38	30,278.38	30,278.38	30,278.38	384,848.88
MISCELLANEOUS	84,288.88	88,847.88	18,278.88	78,881.13	81,284.88	127,828.18	77,814.88	48,484.71	88,187.12	87,888.84	43,284.27	788,488.72	1,884,128.88
<b>TOTALS - OTHER REVENUES</b>	<b>318,882.82</b>	<b>388,788.17</b>	<b>288,818.88</b>	<b>324,928.88</b>	<b>348,278.73</b>	<b>387,882.81</b>	<b>387,882.88</b>	<b>214,212.88</b>	<b>388,881.88</b>	<b>314,878.38</b>	<b>228,888.77</b>	<b>888,888.87</b>	<b>3,877,488.88</b>
<b>SUB TOTAL - OPERATING RECEIPTS</b>	<b>8,828,281.82</b>	<b>13,884,788.44</b>	<b>14,878,488.19</b>	<b>16,778,428.88</b>	<b>18,712,213.88</b>	<b>16,788,887.38</b>	<b>18,748,737.88</b>	<b>18,788,881.11</b>	<b>17,884,488.84</b>	<b>18,848,848.88</b>	<b>18,828,781.28</b>	<b>18,818,787.84</b>	<b>187,418,278.88</b>
NON-OPERATING RECEIPTS	80,444.18	88,273.21	70,784.11	71,288.84	82,188.81	48,178.88	88,881.21	102,188.88	72,422.37	118,428.84	87,888.28	84,478.82	887,425.14
<b>TOTAL CASH RECEIPTS</b>	<b>8,908,725.99</b>	<b>13,973,061.65</b>	<b>14,949,272.30</b>	<b>16,849,717.72</b>	<b>18,794,402.69</b>	<b>16,837,066.26</b>	<b>18,837,619.09</b>	<b>18,891,069.99</b>	<b>17,956,911.21</b>	<b>18,967,277.72</b>	<b>18,916,269.56</b>	<b>18,903,266.66</b>	<b>188,305,704.02</b>
<small>*Includes Bank Interest</small>	8,907,887.87	13,972,184.08	14,948,393.43	16,848,828.88	18,793,513.78	16,836,288.18	18,836,730.21	18,889,881.11	17,956,032.33	18,966,388.84	18,915,380.68	18,902,387.78	187,988,887.87

BCIA-05-000092

Cash Receipts, January 2014

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Appendix Item k. Hospital Charity Care Subsidies; SFY2017 Charity  
Care Subsidy Allocation (Sourced From  
Department of Health)

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State of New Jersey Department of Health Website; Hospital Charity Care Subsidies; SFY2014  
Charity Care Subsidy Allocation

NJ DOH - SFY 2017  
Hospital Funding Pool Summary

Hospital Name	SFY 2016			SFY 2017			Difference
	CC \$502M	GME \$127.3M	Total	CC \$352M	GME \$188M*	Total	
AtlantiCare Regional Medical Center	\$23,405,811	\$1,703,183	\$25,108,994	\$14,976,712	\$2,402,905	\$17,379,617	(\$7,729,377)
Bayshore Community Hospital	\$56,266	\$0	\$56,266	\$16,142	\$0	\$16,142	(\$40,124)
Bergen Regional Medical Center	\$36,527,371	\$41,920	\$36,569,292	\$19,867,865	\$21,285	\$19,889,149	(\$16,680,142)
Cape Regional Medical Center	\$587,324	\$0	\$587,324	\$515,498	\$0	\$515,498	(\$71,826)
Capital Health Medical Center - Hopewell	\$2,178,584	\$38,962	\$2,217,545	\$2,359,849	\$66,665	\$2,426,514	\$208,968
Capital Health Regional Medical Center	\$20,911,397	\$1,151,568	\$22,062,965	\$17,724,888	\$1,561,995	\$19,286,883	(\$2,776,101)
CarePoint Health - Bayonne Medical Center	\$1,838,633	\$0	\$1,838,633	\$1,262,464	\$0	\$1,262,464	(\$576,169)
CarePoint Health - Christ Hospital	\$10,323,304	\$472,316	\$10,795,621	\$8,446,840	\$835,545	\$9,282,385	(\$1,513,236)
CarePoint Health - Hoboken University Medical Center	\$8,293,511	\$1,392,758	\$9,686,269	\$5,792,511	\$1,924,301	\$7,716,812	(\$1,969,457)
CentraState Medical Center	\$787,490	\$162,220	\$949,710	\$1,079,402	\$209,815	\$1,289,216	\$339,507
Chilton Medical Center	\$69,665	\$0	\$69,665	\$19,242	\$0	\$19,242	(\$50,422)
Clara Maass Medical Center	\$4,548,835	\$0	\$4,548,835	\$1,786,193	\$0	\$1,786,193	(\$2,762,642)
Community Medical Center	\$740,165	\$0	\$740,165	\$52,304	\$0	\$52,304	(\$687,861)
Cooper Hospital/University MC	\$34,117,453	\$14,363,684	\$48,481,137	\$21,494,073	\$25,242,307	\$46,736,380	(\$1,744,758)
Deborah Heart and Lung Center	\$2,735,757	\$233,378	\$2,969,135	\$816,237	\$544,294	\$1,360,531	(\$1,608,604)
East Orange General Hospital	\$7,722,404	\$0	\$7,722,404	\$6,706,858	\$0	\$6,706,858	(\$1,015,547)
Englewood Hospital and Medical Center	\$246,065	\$587,844	\$833,909	\$1,445,532	\$676,144	\$2,121,676	\$1,287,766
Hackensack UMC - Mountainside	\$55,919	\$787,266	\$843,185	\$124,885	\$1,003,422	\$1,128,306	\$285,122
Hackensack UMC - Passack Valley	\$3,106	\$0	\$3,106	\$6,317	\$0	\$6,317	\$3,211
Hackensack University Medical Center	\$1,024,562	\$6,085,043	\$7,109,605	\$7,999,807	\$8,510,404	\$16,510,212	\$9,400,606
Hackettstown Regional Medical Center	\$27,617	\$0	\$27,617	\$9,582	\$0	\$9,582	(\$18,035)
Holy Name Medical Center	\$103,944	\$0	\$103,944	\$611,004	\$0	\$611,004	\$507,060
Hunterdon Medical Center	\$1,636,184	\$177,180	\$1,813,364	\$309,206	\$254,599	\$563,805	(\$1,249,559)
Inspira Medical Center - Elmer	\$293,287	\$0	\$293,287	\$156,486	\$0	\$156,486	(\$136,801)
Inspira Medical Center - Vineland	\$2,993,510	\$1,684,999	\$4,678,508	\$4,811,010	\$7,279,491	\$12,090,501	\$7,411,992
Inspira Medical Center - Woodbury	\$1,732,363	\$243,288	\$1,975,650	\$23,016	\$464,829	\$487,845	(\$1,487,805)
Jersey City Medical Center	\$37,589,209	\$5,741,843	\$43,331,052	\$32,410,408	\$7,117,921	\$39,528,329	(\$3,802,723)
Jersey Shore University Medical Center	\$5,028,774	\$3,712,538	\$8,741,312	\$1,043,566	\$5,306,148	\$6,349,714	(\$2,391,599)
JFK Medical Center/A M Yelencsics	\$3,945,829	\$567,215	\$4,513,044	\$3,102,947	\$702,455	\$3,805,401	(\$707,643)
Kennedy Health System	\$9,375,178	\$2,906,994	\$12,282,171	\$2,481,566	\$4,973,290	\$7,454,856	(\$4,827,315)
Lourdes Medical Center of Burlington Cty.	\$3,273,881	\$125,543	\$3,399,424	\$793,774	\$269,261	\$1,063,035	(\$2,336,390)
Meadowlands Hospital Medical Center	\$17,499	\$871,634	\$889,133	\$7,508	\$1,469,211	\$1,476,719	\$587,586
Memorial Hospital of Salem County	\$18,963	\$0	\$18,963	\$4,588	\$0	\$4,588	(\$14,375)
Monmouth Medical Center	\$5,953,102	\$7,334,971	\$13,288,073	\$1,968,671	\$9,542,205	\$11,510,876	(\$1,777,196)
Monmouth Medical Center - Southern	\$8,046,099	\$0	\$8,046,099	\$2,618,096	\$0	\$2,618,096	(\$5,428,003)
Morristown Medical Center	\$402,219	\$1,825,259	\$2,227,478	\$174,717	\$1,281,790	\$1,456,507	(\$770,971)

Appendix Item I. DSRIP Dec DY4 Payment Worksheets (Sourced  
From Department of Health)

## State of New Jersey Department of Health Website – DSRIP Dec DY4 Payment Worksheets

ProviderID	HospitalName	DY4 Target Funding	UPP Cave-out (15%)	Adjusted DY4 Target (Less UPP Cave-out)	Stage 1 and 2 Target (50%)	Monthly Payment Advance (50% / 12 = 4.1667%)	July 2015 Payment	August 2015 Payment
4139003	BERGEN REGIONAL MEDICAL CENTER	\$ 14,046,926.88	\$ 2,107,039.03	\$ 11,939,887.85	\$ 5,969,949.92	\$ 497,499.31	\$ 497,499	\$ 497,499
0353240	UNIVERSITY HOSPITAL	\$ 13,516,857.20	\$ 2,027,528.58	\$ 11,489,328.62	\$ 5,744,664.31	\$ 478,725.86	\$ 478,726	\$ 478,726
4135008	NEWARK BETH ISRAEL MEDICAL CENTER	\$ 12,336,507.59	\$ 1,850,476.14	\$ 10,486,031.45	\$ 5,243,015.73	\$ 436,921.47	\$ 436,921	\$ 436,921
4136403	SAINT JOSEPH'S REGIONAL MEDICAL CENTER	\$ 10,705,203.50	\$ 1,605,780.53	\$ 9,099,422.98	\$ 4,549,711.49	\$ 379,145.66	\$ 379,146	\$ 379,146
4136900	TRINITAS REGIONAL MEDICAL CENTER	\$ 9,421,728.97	\$ 1,413,259.35	\$ 8,008,469.62	\$ 4,004,234.81	\$ 333,688.90	\$ 333,689	\$ 333,689
3675807	MONMOUTH MEDICAL CENTER	\$ 7,642,525.90	\$ 1,146,378.88	\$ 6,496,147.01	\$ 3,248,073.51	\$ 270,674.96	\$ 270,675	\$ 270,675
4139801	JERSEY CITY MEDICAL CENTER	\$ 7,596,118.79	\$ 1,139,417.82	\$ 6,456,700.97	\$ 3,228,350.49	\$ 269,031.36	\$ 269,031	\$ 269,031
4139402	ATLANTIC CARE REGIONAL MEDICAL CENTER	\$ 6,676,137.99	\$ 1,001,420.70	\$ 5,674,717.29	\$ 2,837,358.64	\$ 236,448.45	\$ 236,448	\$ 236,448
4140508	SAINT MICHAEL'S MEDICAL CENTER	\$ 6,635,156.28	\$ 995,273.44	\$ 5,639,882.84	\$ 2,819,941.42	\$ 234,997.00	\$ 234,997	\$ 234,997
4140206	KENNEDY HOSPITALS/UMC	\$ 6,402,388.51	\$ 960,358.28	\$ 5,442,030.23	\$ 2,721,015.12	\$ 226,753.07	\$ 226,753	\$ 226,753
4136004	COOPER HOSPITAL / DENVERVILLE	\$ 6,122,061.54	\$ 918,309.23	\$ 5,203,752.31	\$ 2,601,876.15	\$ 216,824.75	\$ 216,825	\$ 216,825
0469351	MONMOUTH MEDICAL CENTER-SOUTHERN CAMPUS	\$ 5,530,995.81	\$ 829,649.37	\$ 4,701,346.44	\$ 2,350,673.22	\$ 195,891.00	\$ 195,891	\$ 195,891
3674509	SAINTE PETER'S UNIVERSITY HOSPITAL	\$ 4,969,596.80	\$ 745,439.52	\$ 4,224,157.28	\$ 2,112,078.64	\$ 176,008.52	\$ 176,008	\$ 176,008
3674509	INSPIRA MEDICAL CENTER-VINELAND	\$ 4,532,170.82	\$ 679,825.62	\$ 3,852,345.20	\$ 1,926,172.60	\$ 160,515.67	\$ 160,516	\$ 160,516
4137701	R. W. JOHNSON UNIVERSITY HOSPITAL	\$ 4,350,233.26	\$ 652,534.99	\$ 3,697,698.27	\$ 1,848,849.14	\$ 154,071.99	\$ 154,072	\$ 154,072
3676609	CAPITAL HEALTH REGIONAL MEDICAL CENTER	\$ 3,927,127.18	\$ 589,069.08	\$ 3,338,058.10	\$ 1,669,029.05	\$ 139,086.87	\$ 139,087	\$ 139,087
3675700	JERSEY SHORE UNIVERSITY MEDICAL CENTER	\$ 3,535,340.57	\$ 530,301.09	\$ 3,005,039.49	\$ 1,502,519.74	\$ 125,210.98	\$ 125,211	\$ 125,211
4135504	CLARA MAASS MEDICAL CENTER	\$ 3,529,680.02	\$ 529,452.09	\$ 3,000,227.93	\$ 1,500,114.26	\$ 125,010.52	\$ 125,011	\$ 125,011
4140001	EAST ORANGE GENERAL HOSPITAL	\$ 2,687,749.65	\$ 403,162.45	\$ 2,284,587.20	\$ 1,142,293.60	\$ 95,191.89	\$ 95,192	\$ 95,192
4137809	RARITAN BAY MEDICAL CENTER	\$ 2,444,505.59	\$ 366,675.84	\$ 2,077,829.75	\$ 1,038,914.87	\$ 86,576.93	\$ 86,577	\$ 86,577
4137108	OUR LADY OF LOURDES MEDICAL CENTER	\$ 2,428,853.24	\$ 364,372.99	\$ 2,064,480.25	\$ 1,032,262.63	\$ 86,022.57	\$ 86,023	\$ 86,023
4135300	SAINT MARY'S HOSPITAL	\$ 2,302,213.36	\$ 345,331.70	\$ 1,956,879.66	\$ 978,438.83	\$ 81,537.30	\$ 81,537	\$ 81,537
0295655	CAREPOINT HEALTH-CHRIST HOSPITAL	\$ 2,203,816.04	\$ 330,572.41	\$ 1,873,243.64	\$ 936,621.82	\$ 78,052.44	\$ 78,052	\$ 78,052
3675203	LOURDES MEDICAL CENTER OF BURLINGTON COUNTY	\$ 2,047,576.43	\$ 307,136.46	\$ 1,740,439.97	\$ 870,219.98	\$ 72,518.91	\$ 72,519	\$ 72,519
4138201	CAPITAL HEALTH MEDICAL CENTER HOPEWELL	\$ 1,898,860.43	\$ 284,829.06	\$ 1,614,031.37	\$ 807,015.68	\$ 67,251.84	\$ 67,252	\$ 67,252
3674100	HACKENSACK UNIVERSITY MEDICAL CENTER	\$ 1,479,693.56	\$ 221,954.03	\$ 1,257,739.52	\$ 628,869.76	\$ 52,406.23	\$ 52,406	\$ 52,406
4136608	SAINT FRANCIS MEDICAL CENTER	\$ 1,250,987.19	\$ 187,648.08	\$ 1,063,339.12	\$ 531,669.56	\$ 44,306.15	\$ 44,306	\$ 44,306
0287481	HOBOKEN UNIVERSITY MEDICAL CENTER	\$ 1,093,707.73	\$ 158,096.16	\$ 895,651.57	\$ 447,825.78	\$ 37,319.11	\$ 37,319	\$ 37,319
4135105	PALISADES MEDICAL CENTER	\$ 897,626.79	\$ 134,644.02	\$ 762,982.77	\$ 381,491.39	\$ 31,791.20	\$ 31,791	\$ 31,791
3674304	VIRTVIA-WEST JERSEY HEALTH SYSTEM	\$ 887,512.19	\$ 754,385.36	\$ 133,126.83	\$ 377,192.68	\$ 31,433.97	\$ 31,433	\$ 31,433
3676102	INSPIRA MEDICAL CENTER-WOODBURY	\$ 763,136.07	\$ 114,470.41	\$ 648,665.66	\$ 324,333.83	\$ 27,027.95	\$ 27,028	\$ 27,028
4138902	VIRTVIA-MEMORIAL HOSPITAL OF BURLINGTON COUNTY	\$ 710,516.12	\$ 106,572.42	\$ 603,943.70	\$ 301,969.35	\$ 25,164.31	\$ 25,164	\$ 25,164
3675904	SAINT BARNABAS MEDICAL CENTER	\$ 462,214.27	\$ 69,332.14	\$ 392,882.13	\$ 196,441.07	\$ 16,370.22	\$ 16,370	\$ 16,370
3674606	COMMUNITY MEDICAL CENTER	\$ 452,606.24	\$ 67,890.94	\$ 384,715.31	\$ 192,357.65	\$ 16,029.99	\$ 16,030	\$ 16,030
4136101	MORRISTOWN MEMORIAL HOSPITAL	\$ 451,595.08	\$ 67,739.26	\$ 383,855.82	\$ 191,937.91	\$ 15,994.12	\$ 15,994	\$ 15,994
4141008	CENTRAL STATE MEDICAL CENTER	\$ 425,803.50	\$ 63,870.53	\$ 361,932.98	\$ 180,966.49	\$ 15,080.66	\$ 15,081	\$ 15,081
3676803	JFK MEDICAL CENTER/ANTHONY M. YELNICKS	\$ 404,104.19	\$ 61,215.63	\$ 342,888.56	\$ 173,444.28	\$ 14,453.81	\$ 14,454	\$ 14,454
4138309	ENGLWOOD HOSPITAL AND MEDICAL CENTER	\$ 404,564.13	\$ 60,684.62	\$ 343,879.51	\$ 171,939.76	\$ 14,328.43	\$ 14,328	\$ 14,328
4135709	CAPE REGIONAL MEDICAL CENTER	\$ 306,963.16	\$ 46,044.47	\$ 260,918.68	\$ 130,453.34	\$ 10,871.70	\$ 10,872	\$ 10,872
4135601	UNIVERSITY MEDICAL CENTER AT PRINCETON	\$ 298,877.88	\$ 44,830.78	\$ 254,047.10	\$ 127,020.55	\$ 10,585.13	\$ 10,585	\$ 10,585
035-4945	HACKENSACK UMC- MOUNTAINSIDE HOSPITAL	\$ 277,126.92	\$ 41,569.04	\$ 235,557.88	\$ 117,779.94	\$ 9,815.59	\$ 9,815	\$ 9,815
3674801	OVERLOOK HOSPITAL	\$ 264,483.43	\$ 39,672.51	\$ 224,810.92	\$ 112,403.46	\$ 9,367.20	\$ 9,367	\$ 9,367
0167011	BAYONNE MEDICAL CENTER	\$ 250,000.00	\$ 37,500.00	\$ 212,500.00	\$ 106,250.00	\$ 8,854.24	\$ 8,854	\$ 8,854
0398330	CHILTON MEMORIAL HOSPITAL	\$ 250,000.00	\$ 37,500.00	\$ 212,500.00	\$ 106,250.00	\$ 8,854.24	\$ 8,854	\$ 8,854
3675602	INSPIRA MEDICAL CENTER-ELMER	\$ 250,000.00	\$ 37,500.00	\$ 212,500.00	\$ 106,250.00	\$ 8,854.24	\$ 8,854	\$ 8,854
0257109	NEWTON MEMORIAL HOSPITAL	\$ 250,000.00	\$ 37,500.00	\$ 212,500.00	\$ 106,250.00	\$ 8,854.24	\$ 8,854	\$ 8,854
3676901	RWJ UNIVERSITY HOSPITAL AT HAMILTON	\$ 250,000.00	\$ 37,500.00	\$ 212,500.00	\$ 106,250.00	\$ 8,854.24	\$ 8,854	\$ 8,854
0282871	SAINT LUKE'S WARREN HOSPITAL	\$ 250,000.00	\$ 37,500.00	\$ 212,500.00	\$ 106,250.00	\$ 8,854.24	\$ 8,854	\$ 8,854
<b>Total</b>		<b>\$ 162,540,908.38</b>	<b>\$ 24,381,136.41</b>	<b>\$ 138,159,771.97</b>	<b>\$ 69,079,886.49</b>	<b>\$ 5,756,703.26</b>	<b>\$ 5,756,701</b>	<b>\$ 5,756,701</b>

The payments below represent advance payments that will be reconciled with amounts earned based on Stage 1 and 2 quarterly progress reports. The payments have been rounded to the nearest dollar.

Appendix Item m. Urban Health Institute 2014 Year-End Oversight  
Report

# Bergen County Improvement Authority

## Bergen Regional Medical Center

### 2014 Year-End Oversight Report

- Section 1: Bed Distribution, Volume, and Utilization, Exhibits 1-8**
- Section 2: Bergen County LTC Utilization, Exhibit 9**
- Section 3: Psychiatric Utilization, Exhibits 10-12**
- Section 4: Ambulatory Care and Emergency Room, Exhibit 13**

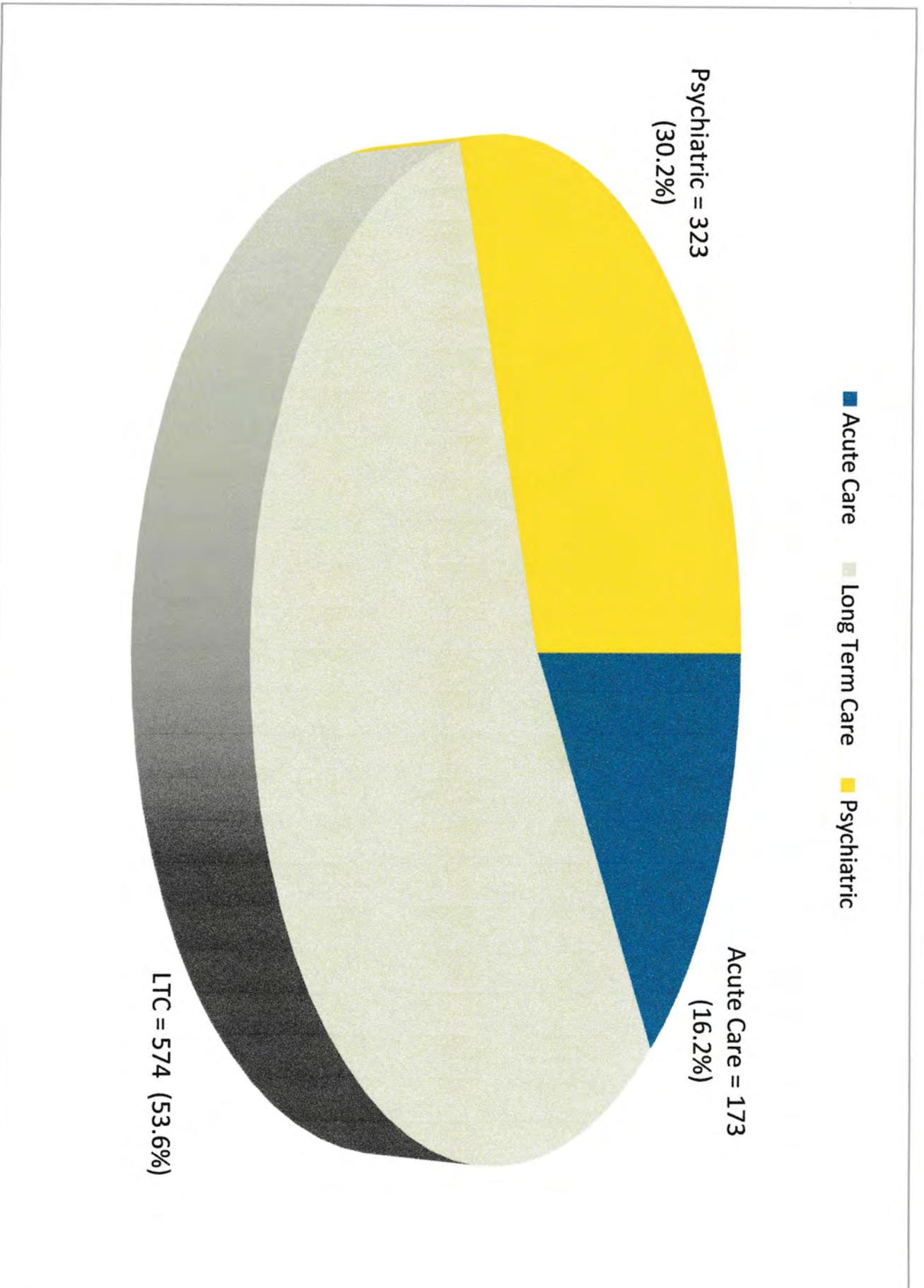
# **SECTION 1**

## **Bergen Regional Medical Center**

**Bed and Volume Distribution and Utilization Trends  
1996-2014**

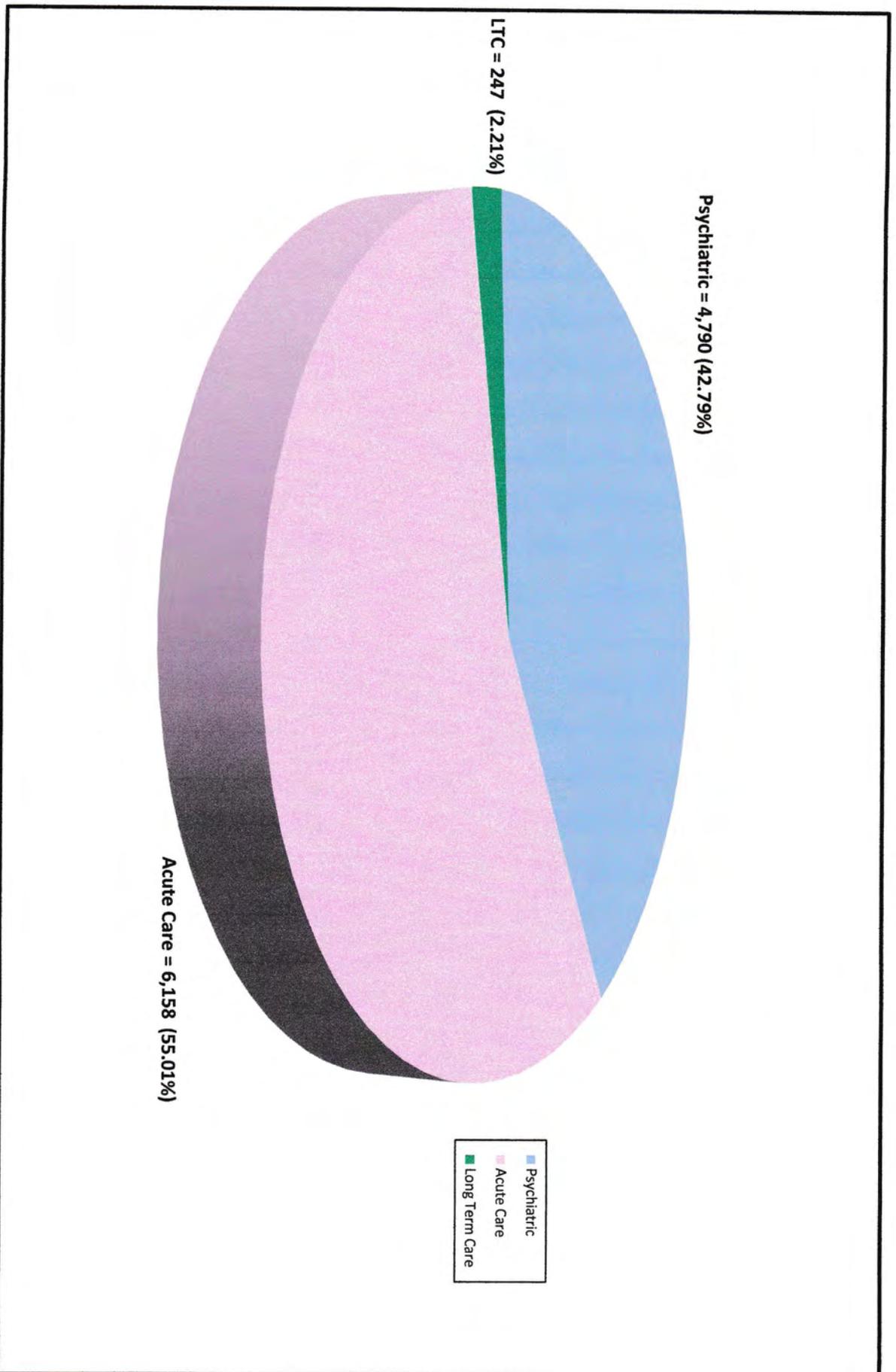
# BRMC Total Licensed Beds

Exhibit 1



BCIA-14-000074

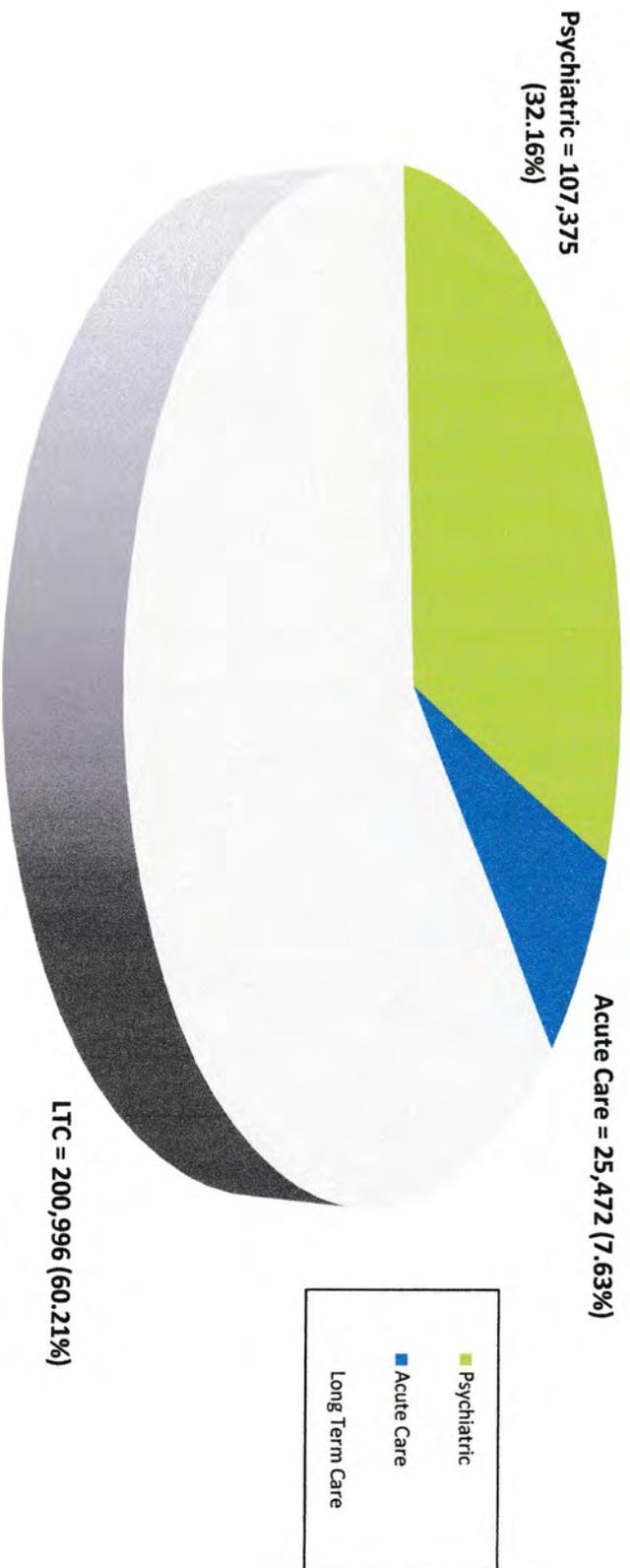
# 2014 Admissions by Service



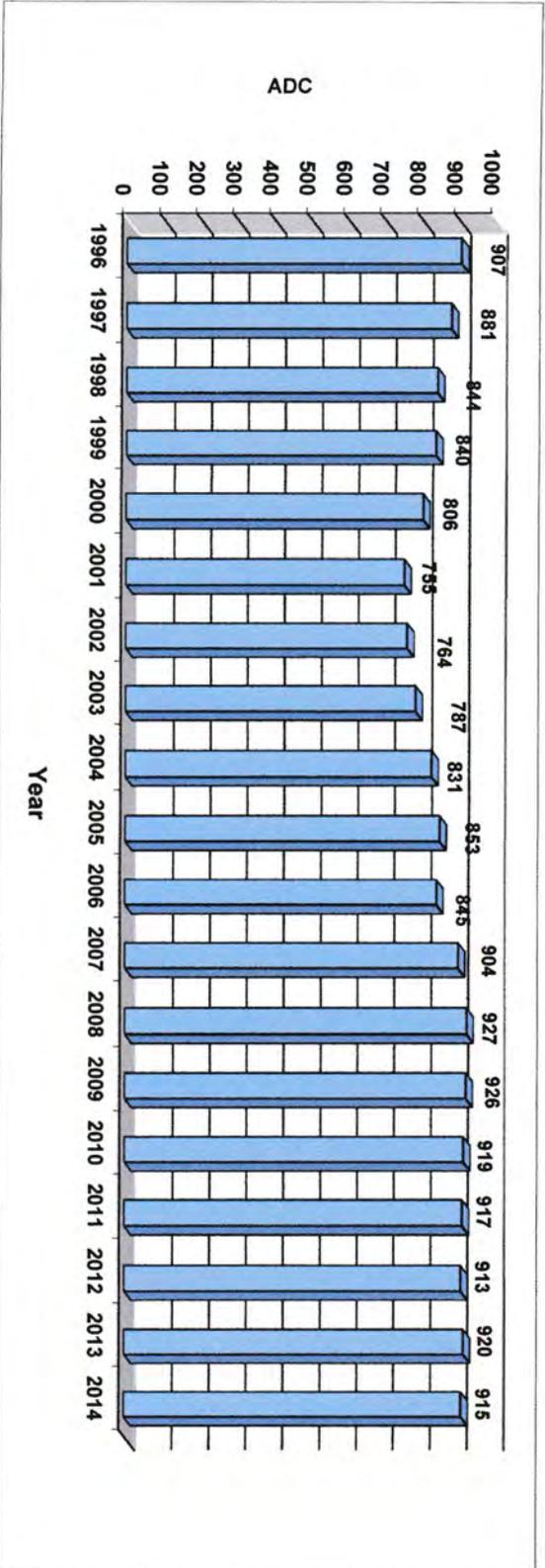
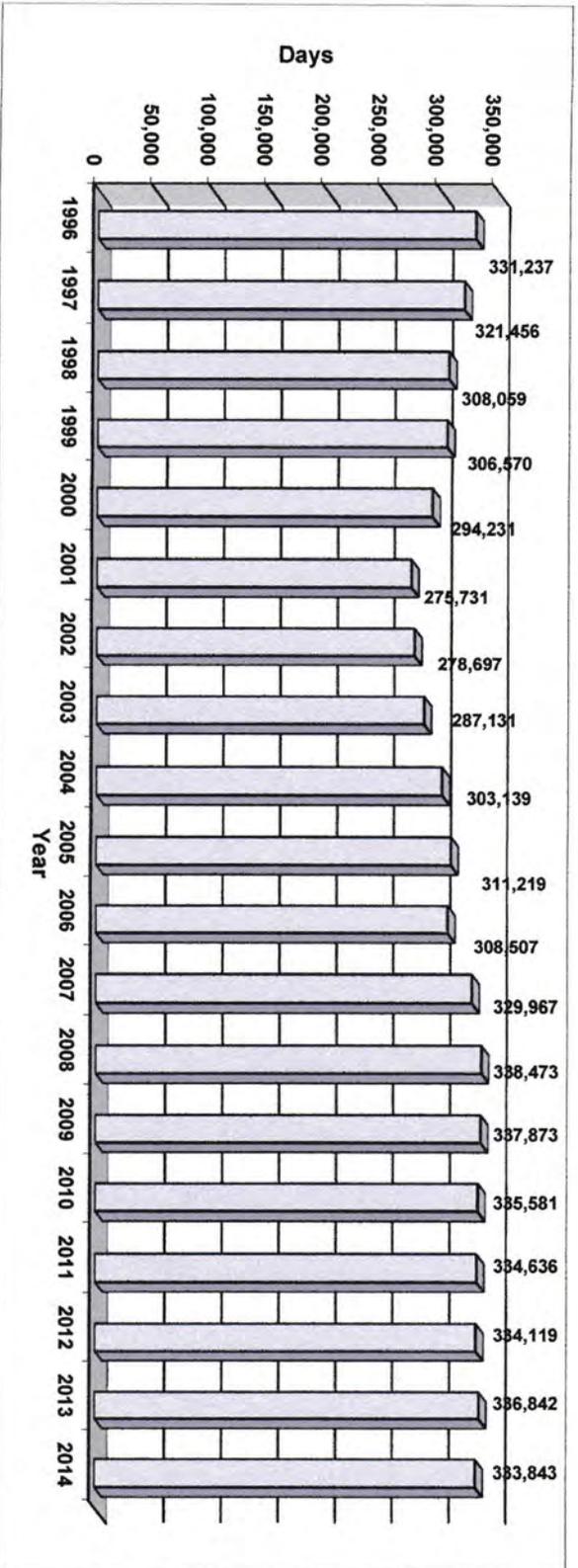
Source: BRMC

Prepared by: Urban Health Institute

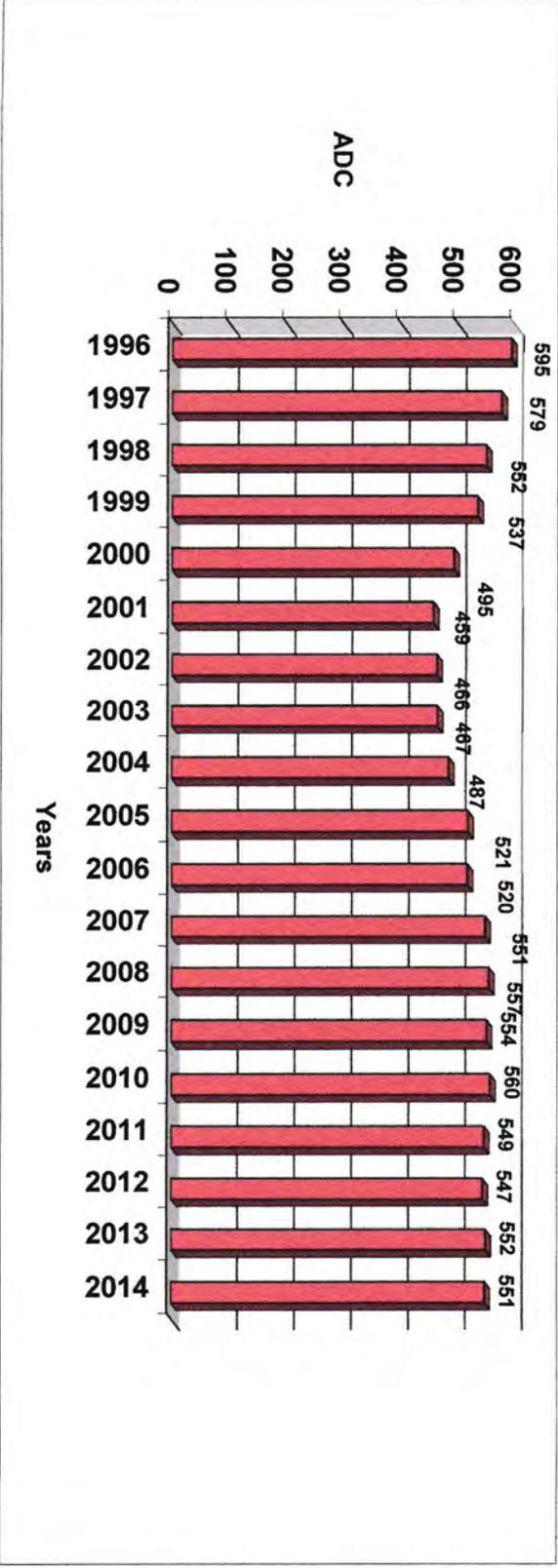
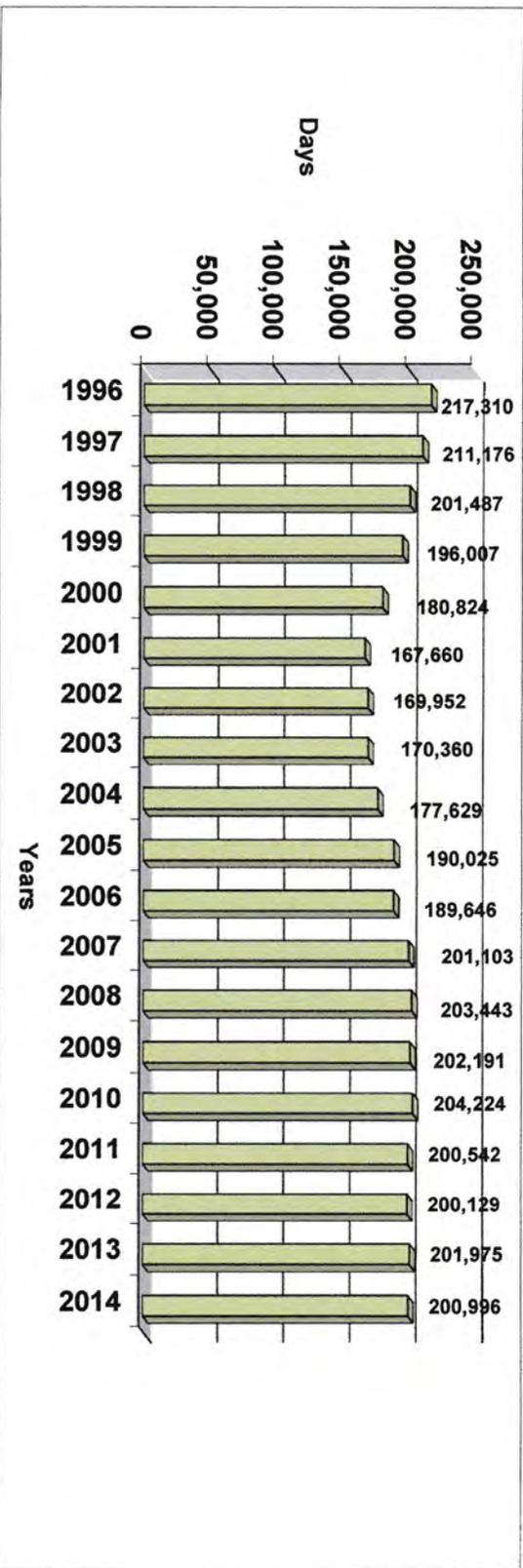
# 2014 Patient Days by Service



**Overall - Days and average daily census (ADC) remained stable in 2014, decreasing only slightly.**



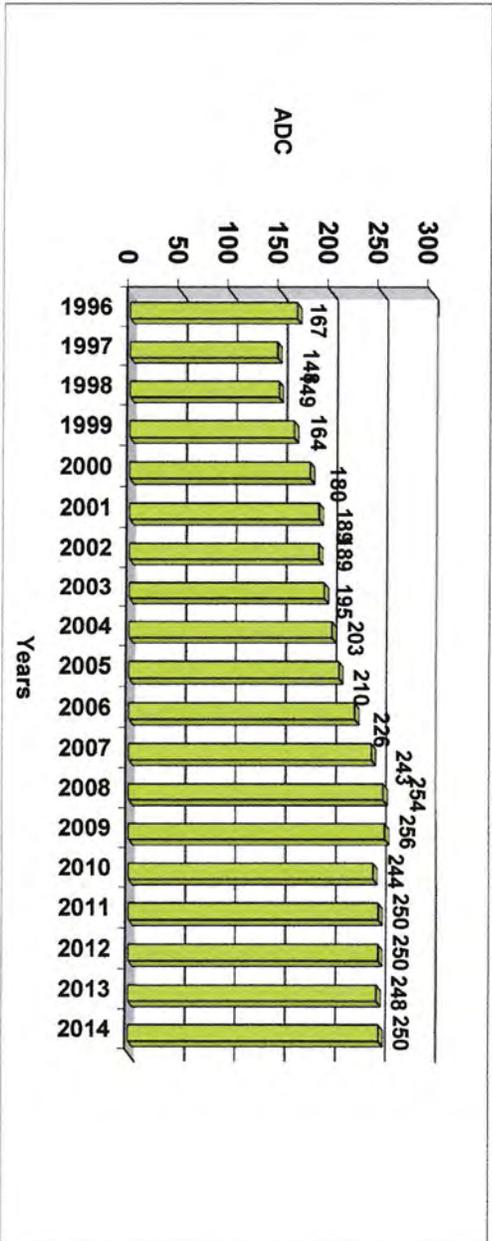
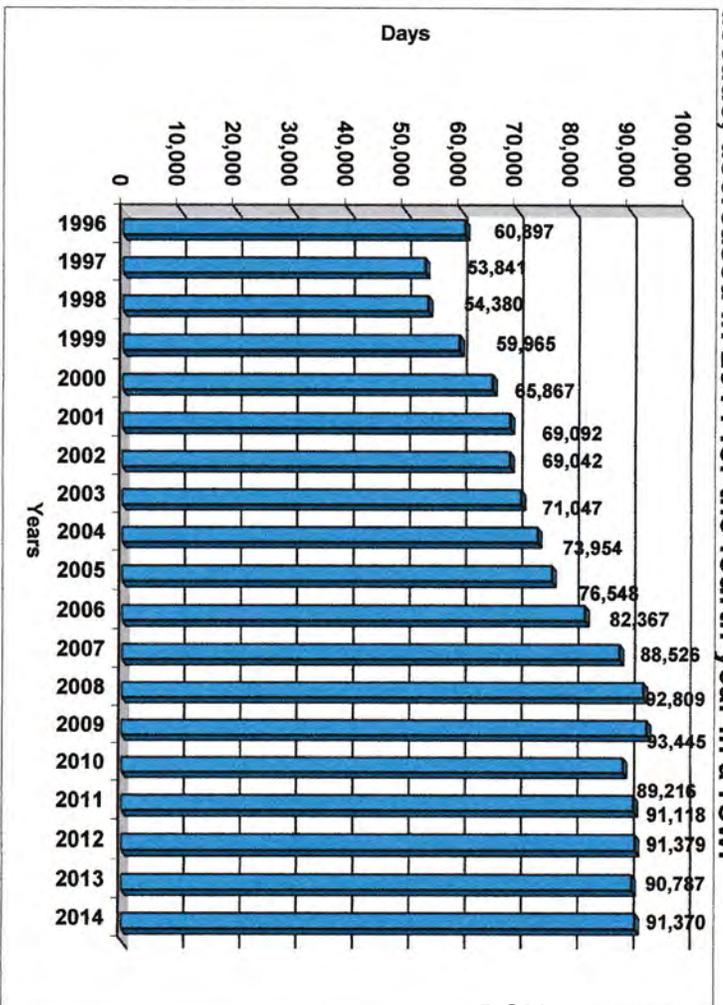
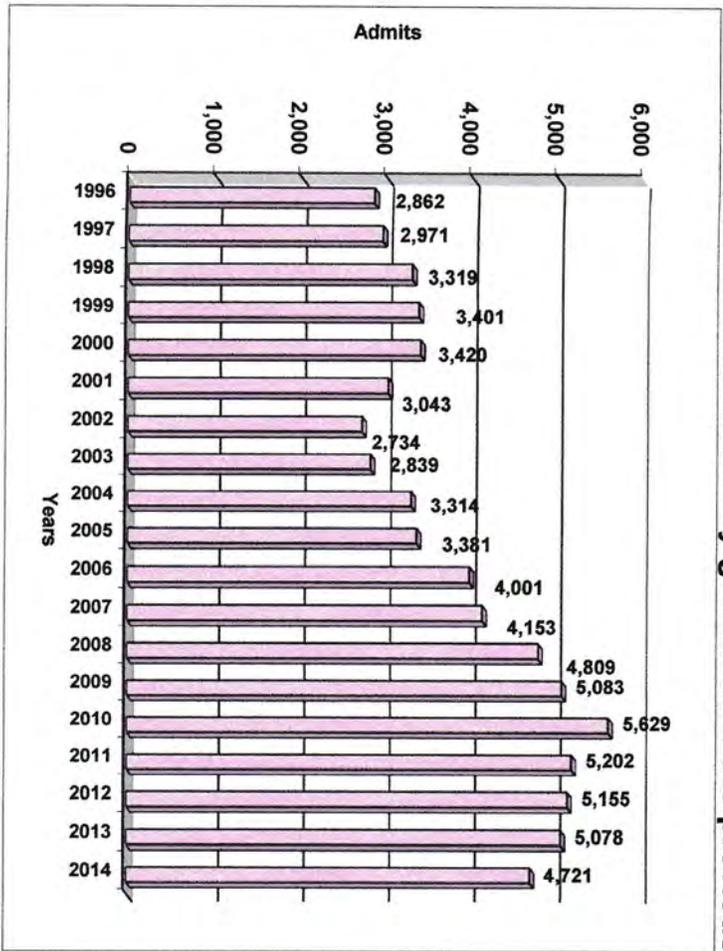
**Long term care continues to be the largest service at BRMC. 2014 days and ADC were down slightly.**



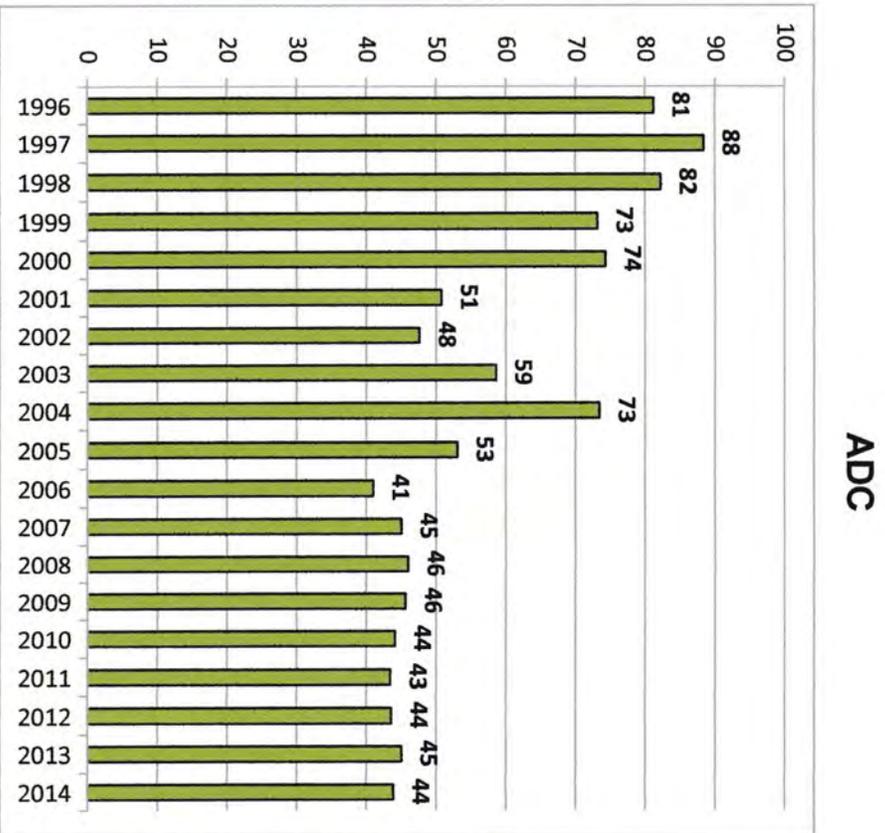
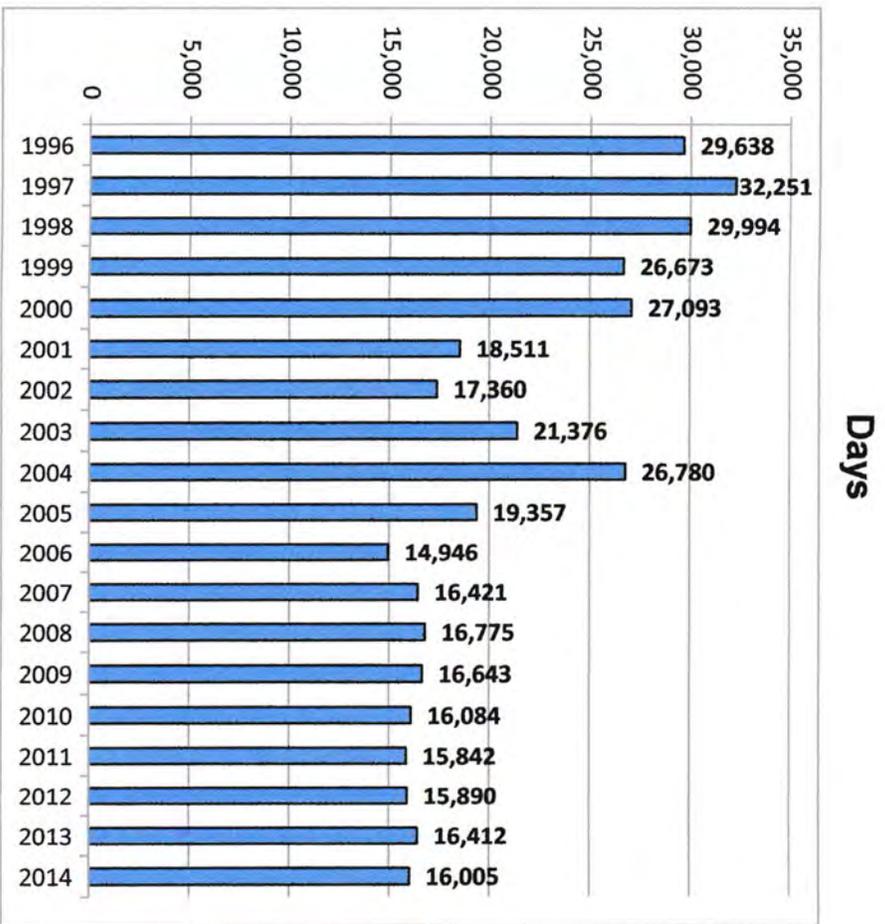
Source: BRMC

Prepared by: Urban Health Institute

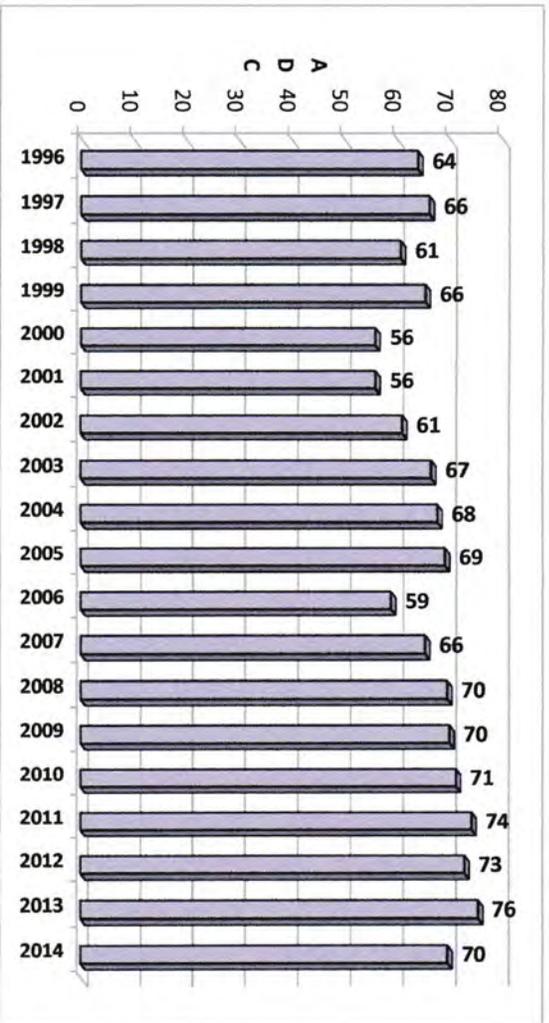
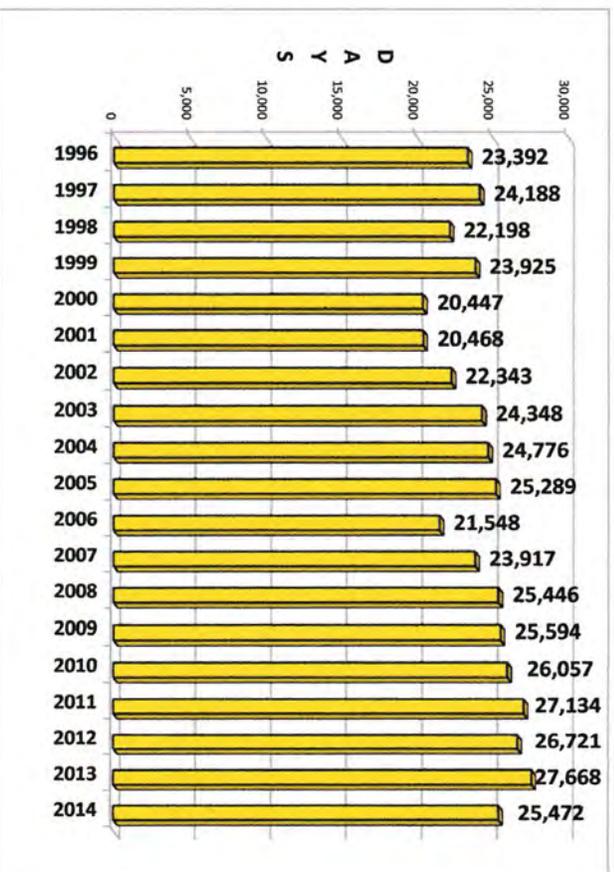
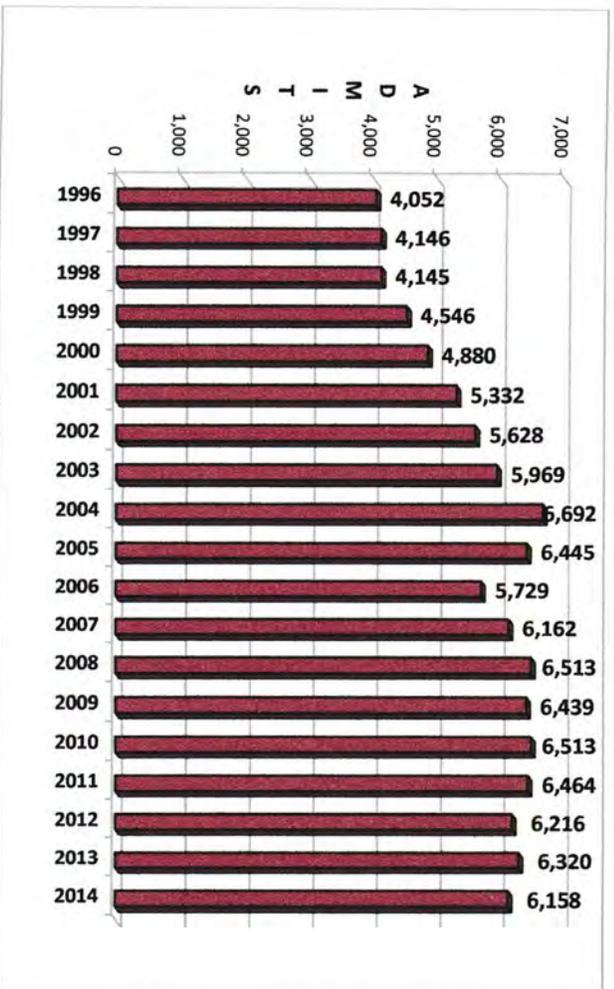
**Psychiatry continues to be the second largest service at BRMC in terms of days. The service, which showed steady growth over the previous decade, decreased in 2014 for the fourth year in a row.**



**Long-term Psychiatry (a subset of psychiatry) was stable in 2014.**



**Acute Care**, which includes the **Addiction Treatment Unit**, remains the smallest service at BRMC in terms of days. **Utilization in 2014 decreased slightly over the previous year.** The ATU accounted for some 75% of acute care admissions.



# **SECTION 2**

## **Long-Term Care Facilities Comparative Occupancies**

**Bergen County, 2013\***

\*2014 Data not yet available

**Bergen Regional Medical Center**  
**Bergen County Long-Term Care Facilities Occupancy**  
**2013\***

<b>Name of Facility</b>	<b>Licensed Beds</b>	<b>Medicaid Occupancy**</b>	<b>Total Occupancy with Bed Holds</b>
Jewish Home at Rockleigh	180	43.36%	98.60%
Actors Fund	82	65.92%	97.89%
Bergen Regional Medical Center	562	88.47%	97.52%
Christian Health Care Center	254	34.72%	94.23%
Teaneck Nursing Center	107	90.48%	94.17%
Care One at Wellington	128	26.78%	93.90%
Buckingham at Norwood	240	68.42%	92.52%
Alaris at Rochelle park	240	85.60%	92.35%
Inglenoor Center	62	41.39%	92.25%
Bergen County Health Care Center	110	68.32%	92.16%
Maywood Center for Health and Rehab	120	47.21%	91.61%
Oradell Health Care Center	154	37.13%	91.44%
Maple Glen Center	161	64.91%	91.25%
Woodcrest Health Care Center	236	69.41%	90.88%
Ridgewood Center	90	58.29%	90.52%
Emerson Health Care Center	155	61.06%	90.42%
Care One at Valley	120	27.79%	89.92%
County Manor Rehab	69	51.68%	86.06%
Chateau at Rochelle Park	62	0.58%	83.76%
Dellridge Health & Rehab Center	96	32.65%	83.09%
Armenian Nursing & Rehab Center	86	71.59%	82.57%
Woodcliff Lake Health & Rehabilitation	114	37.18%	82.34%
Plaza Regency at Park Ridge	210	67.28%	78.93%
Allendale Nursing Home, Inc.	120	42.17%	77.21%
Oakland Care Center	215	76.06%	73.26%
Regent Care Center	180	65.98%	70.38%

\*\*Medicaid occupancy of 88.47% reflects the safety net role of Bergen Regional. The Medical Center serves an exceptionally high percentage of low income people covered by Medicaid, compared to most other LTC facilities in Bergen County.

# **SECTION 3**

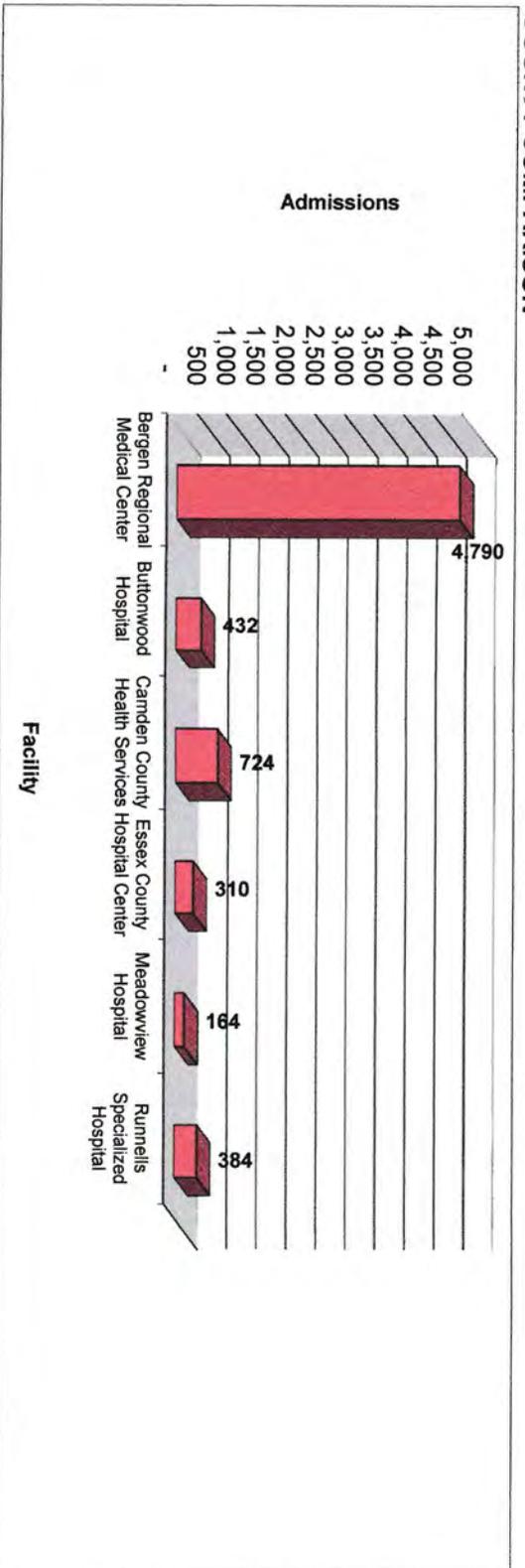
## **BRMC Psychiatric Care**

Utilization and Comparisons to Other Psychiatric Hospitals

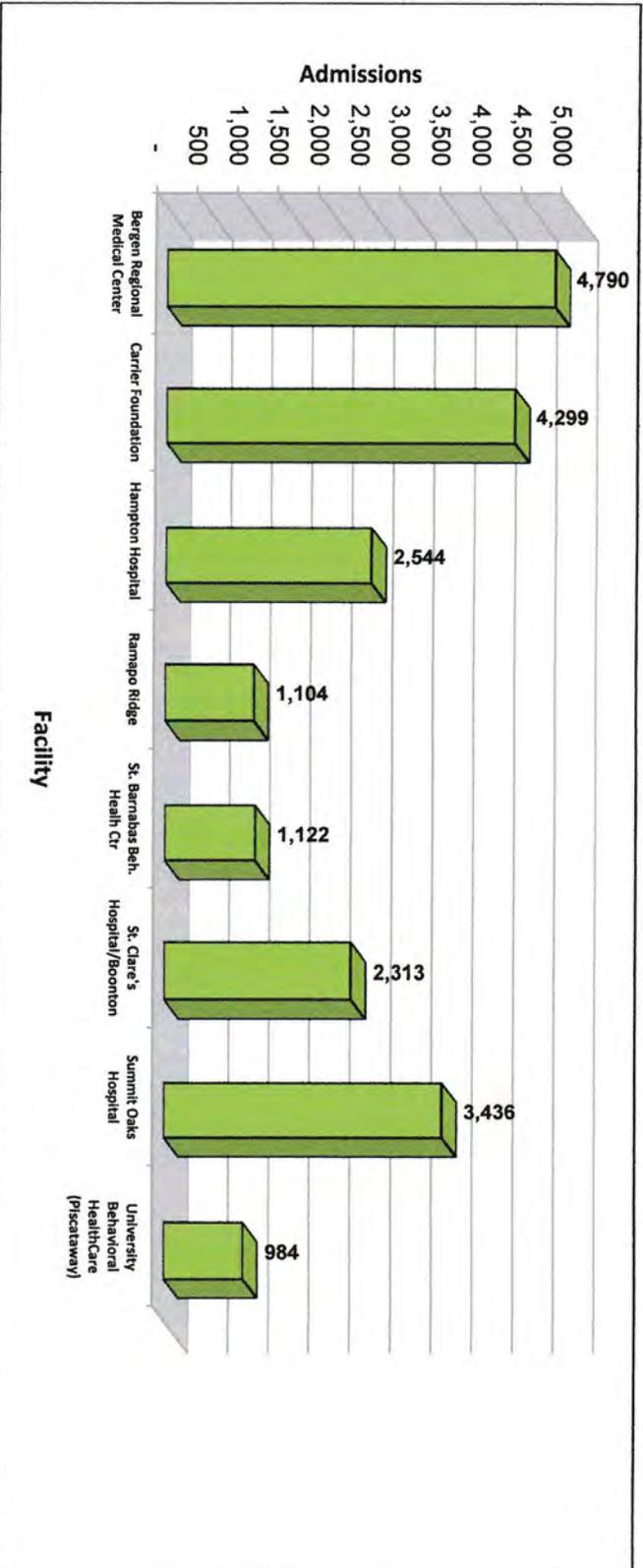
2014

In 2014, BRMC had 4,790 admissions and continued to have the most of any county or private psychiatric hospital in New Jersey.

COUNTY COMPARISON

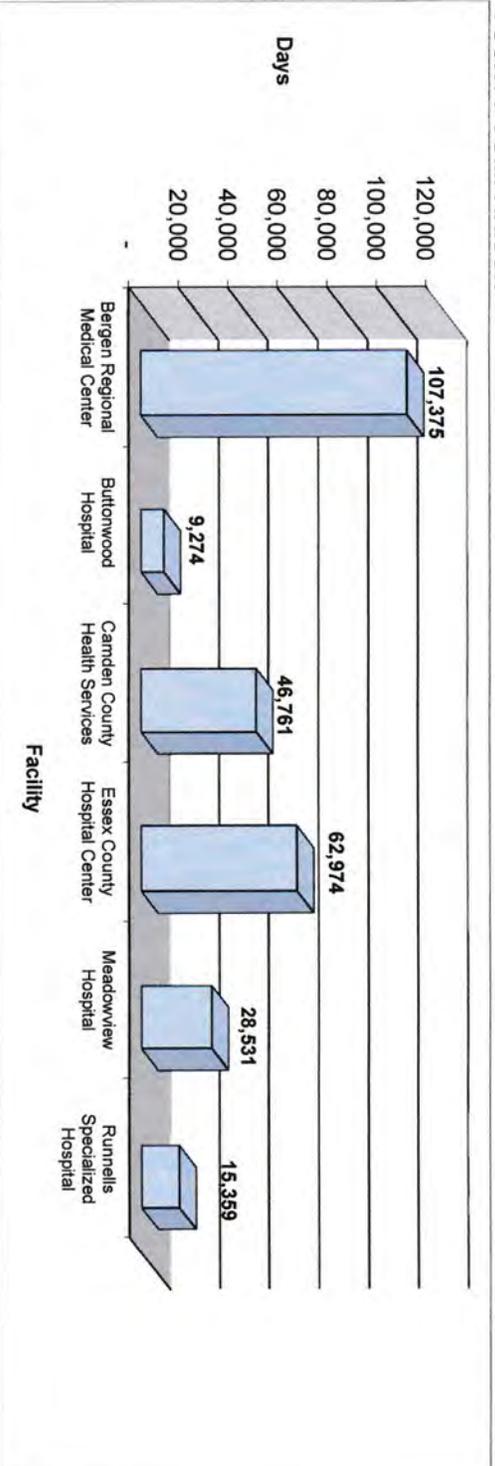


PRIVATE COMPARISON

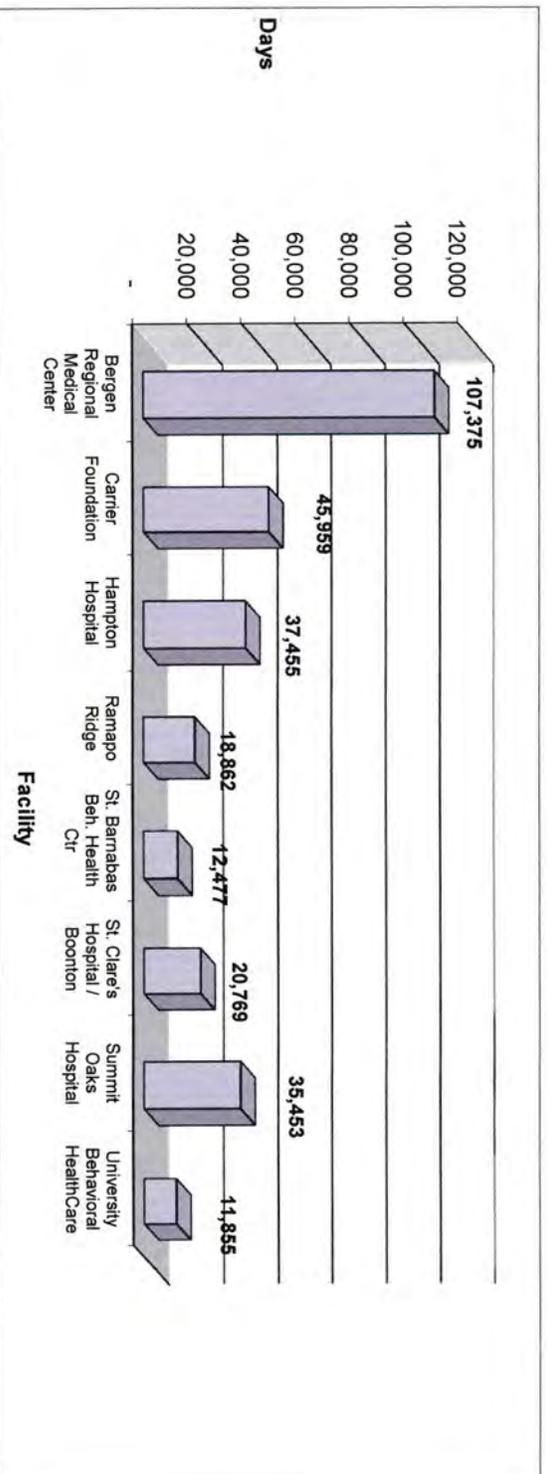


**BRMC reported 107,375 psychiatric days in 2014, again more than any other county or private psychiatric hospital in New Jersey.**

**COUNTY COMPARISON**



**PRIVATE COMPARISON**



**Psychiatric Hospitals in New Jersey\***  
**Summary of Admissions, ALOS, and Occupancy**  
**2014**

	County	Licensed Beds	Admits	Days	ALOS**	2014 Occupancy Rate
<b>Public Psychiatric Hospitals</b>						
Bergen Regional Medical Center	Bergen	323	4,790	107,375	22.4	91.1%
Buttonwood Hospital	Burlington	30	432	3,274	7.6	29.9%
Camden County Health Services	Camden	158	724	46,761	64.6	81.1%
Essex County Hospital Center	Essex	180	310	62,974	203.1	95.9%
Meadowview Hospital	Hudson	174	164	28,531	174.0	44.9%
Runnells Specialized Hospital	Union	44	384	15,359	40.0	95.6%

	County	Licensed Beds	Admits	Days	ALOS	2014 Occupancy Rate
<b>Private Psychiatric Hospitals</b>						
Carrier Foundation	Somerset	281	4,299	45,959	10.7	44.8%
Hampton Hospital	Burlington	100	2,544	37,455	14.7	102.6%
Ramapo Ridge	Bergen	58	1,104	18,862	17.1	89.1%
St. Barnabas Behavioral Health Center	Ocean	40	1,122	12,477	11.1	85.5%
St. Clare's Hospital - Boonton	Morris	86	2,313	20,769	9.0	66.2%
Summit Oaks Hospital	Union	106	3,436	35,453	10.3	91.6%
University Behavioral HealthCare (Piscataway)	Middlesex	64	984	11,855	12.0	50.7%

\*Excludes state psychiatric hospitals

\*\* Average Length of Stay (ALOS) is shorter at Bergen Regional due to its role of providing more short-term units than three of the other five county psychiatric hospitals. BRMC's ALOS tracks more closely to the short-stay treatments at the private psychiatric hospitals.

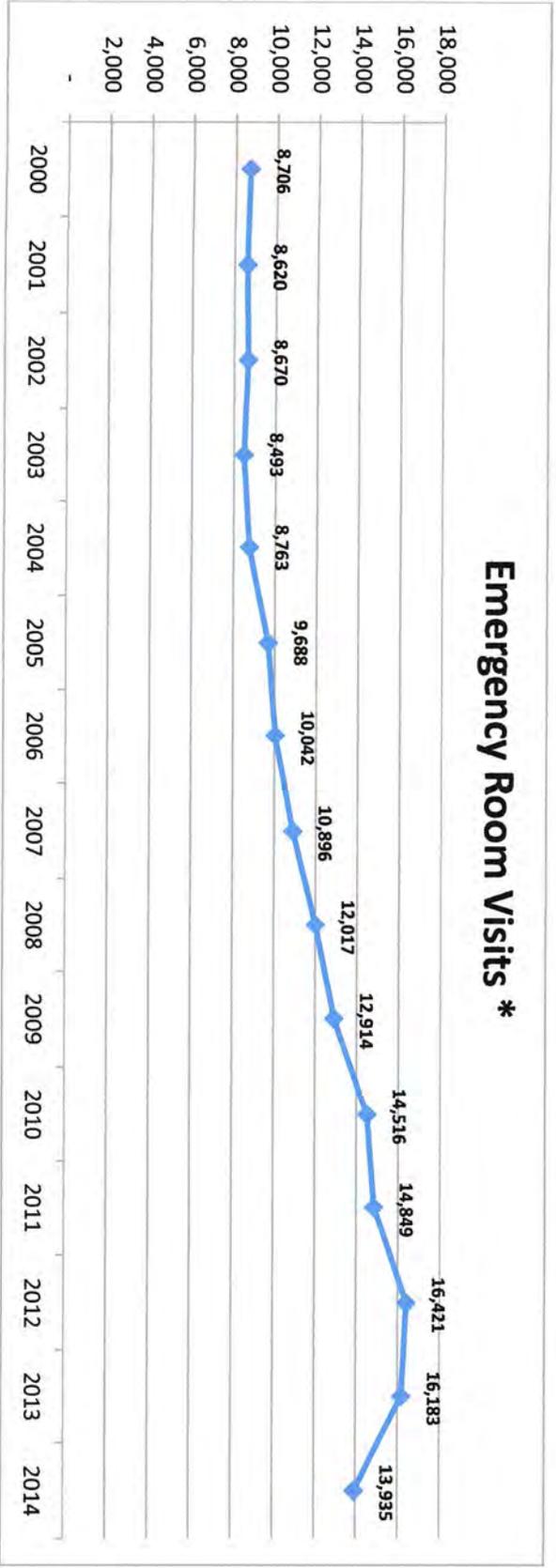
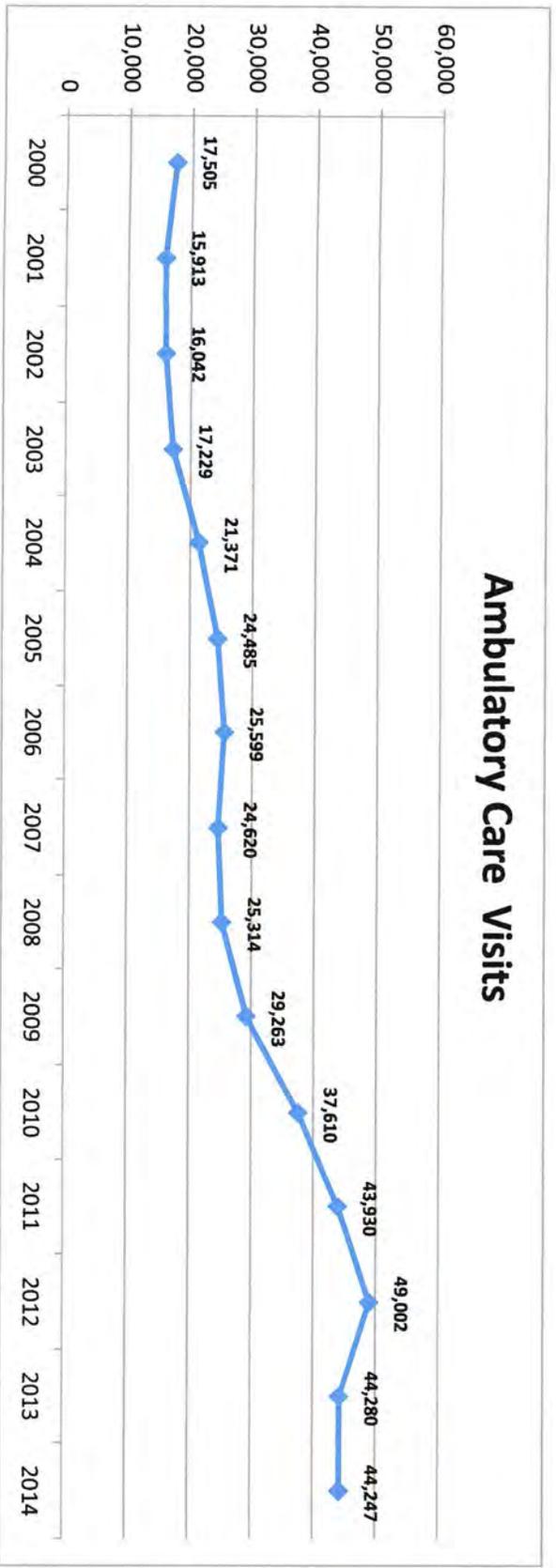
# **SECTION 4**

**BRMC**

**Ambulatory Care and ER Gross Visits**

**2000-2014**

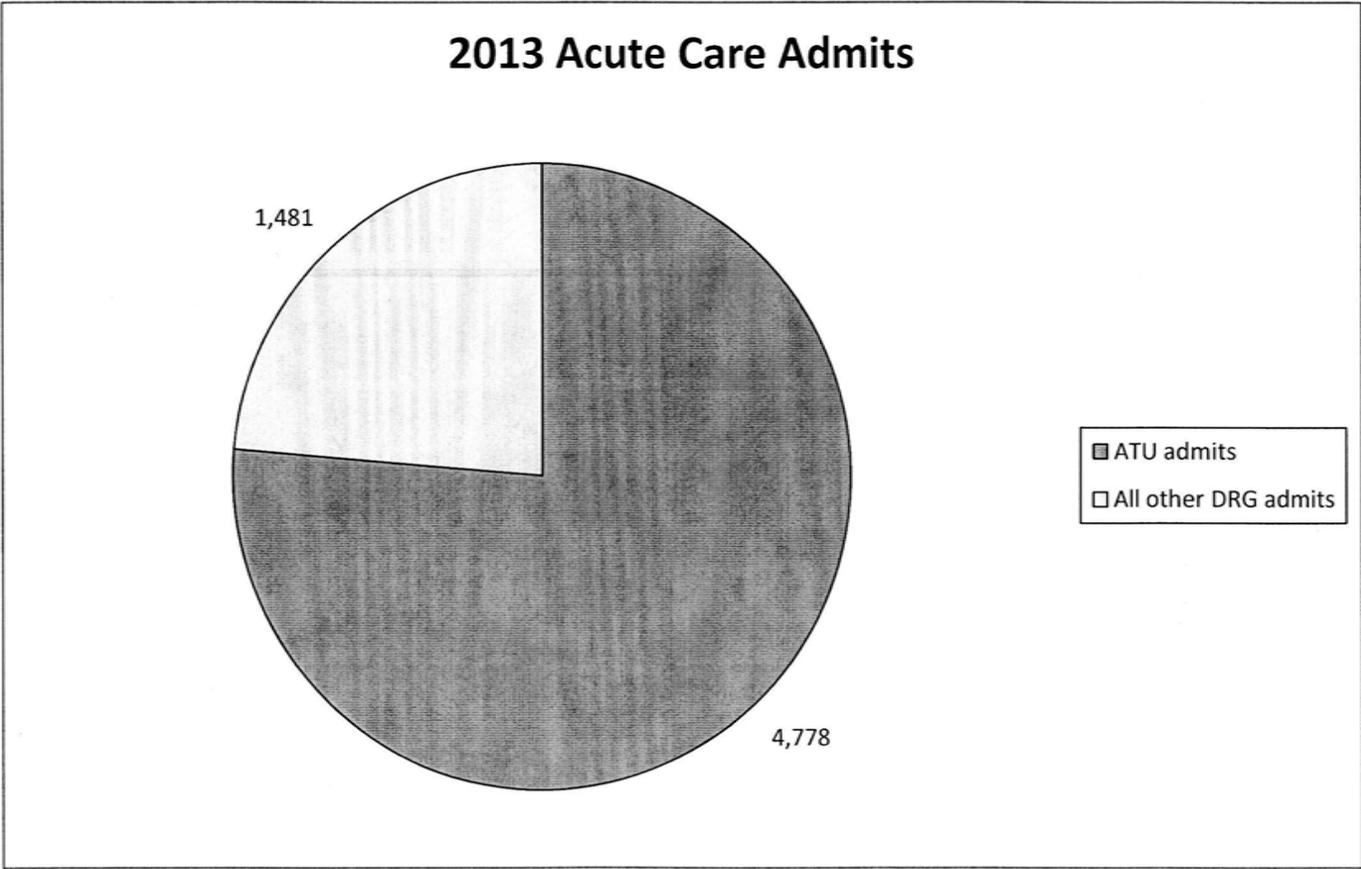
**Ambulatory Care and Emergency Room Visits have increased steadily over the past decade, leveling off in 2013 and again in 2014.**



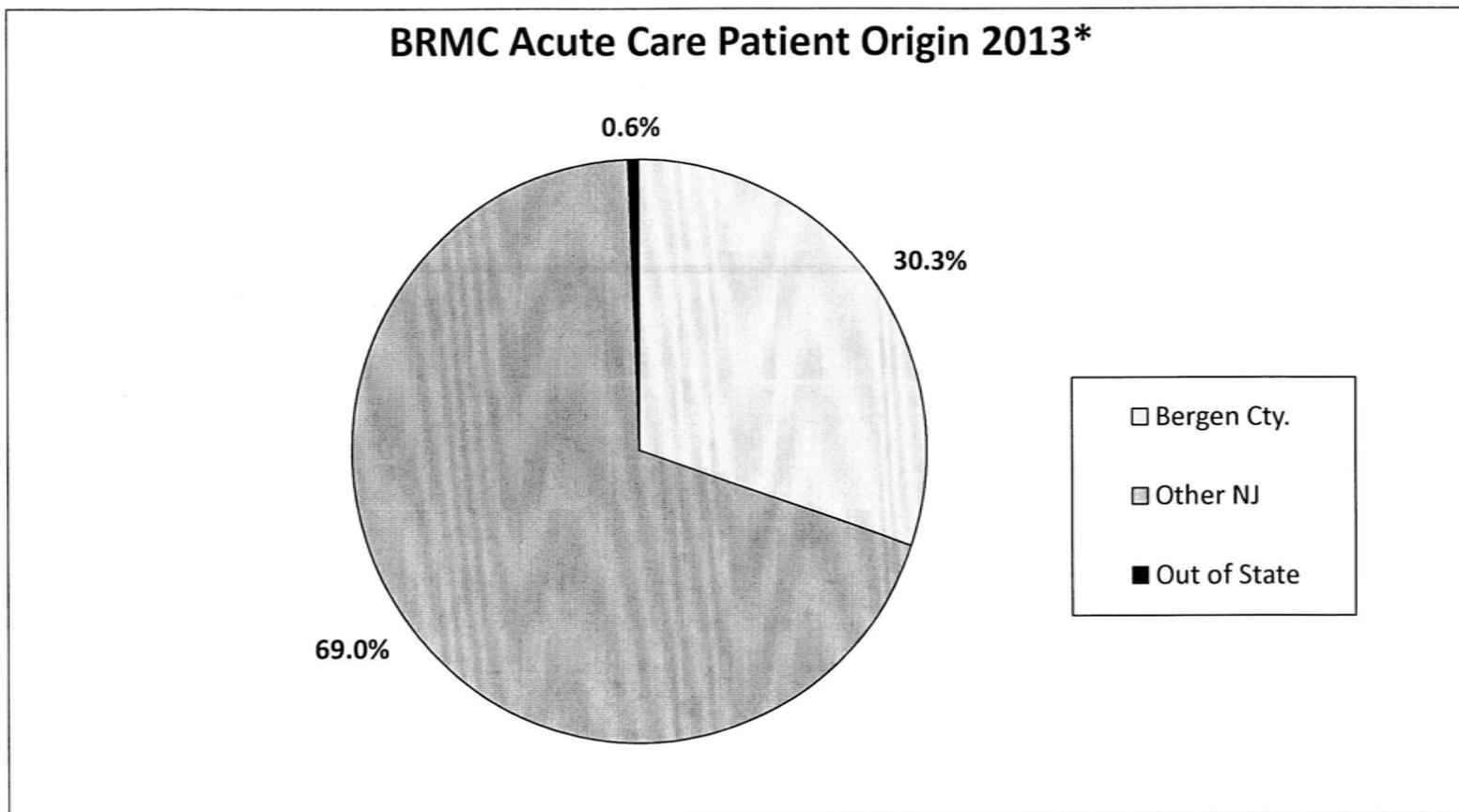
Source: BRMC

\* ER = Gross Visits

**Seventy-six percent of Acute Care admissions at BRMC are admissions to the ATU ( medical detox) unit.**



Acute Care patient origin is skewed by the large number of out-of-county patients undergoing medical detox. BRMC is, in effect, a regional medical detox facility.



\*Latest data available

**Acute Care comparative utilization 2013\*****BRMC**

<b>Zip Code and Town</b>	<b>Admits</b>	<b>% of Total</b>
Total Bergen County	1,899	30.3%
Other NJ	4,320	69.0%
Out of State	40	0.6%
<b>Total</b>	<b>6,259</b>	<b>100.0%</b>

**Englewood**

<b>Zip Code and Town</b>	<b>Admits</b>	<b>% of Total</b>
Total Bergen County	10,909	73.8%
Other NJ	2,626	17.8%
Out of State	1,242	8.4%
<b>Total</b>	<b>14,777</b>	<b>100.0%</b>

**Holy Name**

<b>Zip Code and Town</b>	<b>Admits</b>	<b>% of Total</b>
Total Bergen County	10,650	77.9%
Other NJ	2,469	18.1%
Out of State	549	4.0%
<b>Total</b>	<b>13,668</b>	<b>100%</b>

**Hackensack**

<b>Zip Code and Town</b>	<b>Admits</b>	<b>% of Total</b>
Total Bergen County	21,972	59.1%
Other NJ	13,413	36.1%
Out of State	1,774	4.8%
<b>Total</b>	<b>37,159</b>	<b>100%</b>

**Valley**

<b>Zip Code and Town</b>	<b>Admits</b>	<b>% of Total</b>
Total Bergen County	17,349	70.5%
Other NJ	5,354	21.8%
Out of State	1,899	7.7%
<b>Total</b>	<b>24,602</b>	<b>100%</b>

\* Latest data available.

Source: UB Data

Excludes SDS/SDM/Newborns

Prepared by: Urban Health Institute

BCIA-14-000092

Appendix Item n. HPAE Agreement Standards

## Setting Standards for the Future of Bergen Regional Medical Center HPAE INTERNAL DRAFT

The 19-year Lease and Operating Agreement (LOA) between the Bergen County Improvement Authority (BCIA), and Solomon Health Group, the Manager of BRMC, is coming to an end in March of 2017. Now is the opportunity for Bergen County to end a contract that has allowed lax oversight, limited financial transparency, repeated breaches of the Agreement, cuts to services and staffing, violations of patients' and workers' rights and safety, and misuse of taxpayer funds.

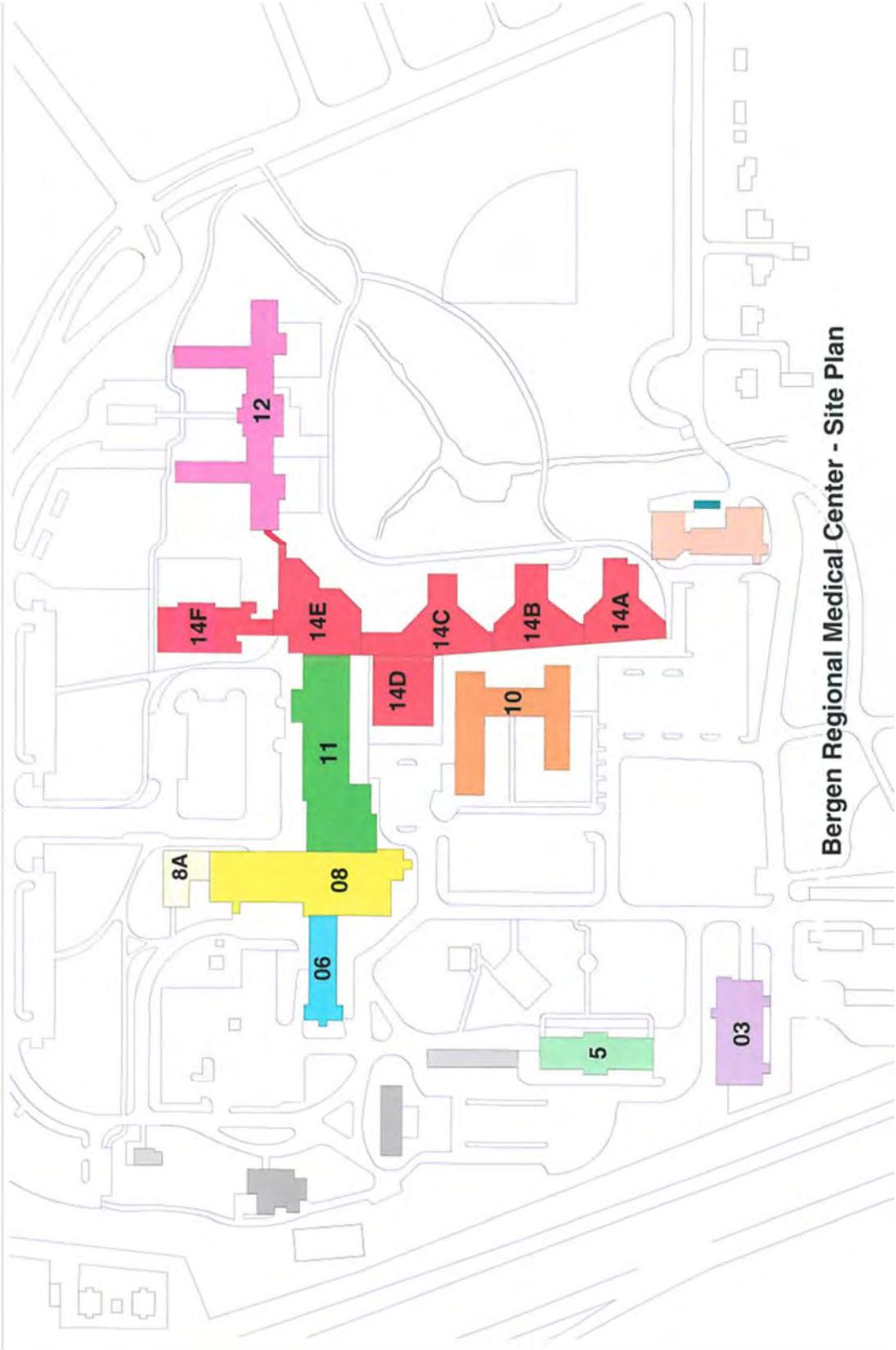
To protect patient and resident safety and well-being, assure community access to needed services, and protect the workplace rights and safety of BRMC staff, we call on Bergen County to establish the following standards for any agreement, lease or partnership to protect the future of Bergen Regional Medical Center as an essential safety net hospital:

- *Improved Oversight & Authority:* The BCIA must retain the license to operate the hospital and must exercise the oversight needed to ensure that the hospital is in compliance with all patient safety, financial reporting, governance and labor laws and regulations, and that it receives notice of any violations of laws and regulations.
- *Effective Enforcement:* Define process for disputes and strengthen remedies available for violations of the contract, including withholding of payments, fines, penalties and appointment of on-site monitor.
- *Protection of the Hospital's Mission for Patients:* Preference should be given to not-for-profit partnerships that focus on the mission of the hospital.
- *Safe Staffing Requirement.* Set safe standards for nurse & caregiver staffing and skill mix for all hospital units, with input from and periodic review by a joint labor-management staffing committee.
- *Service Protections and Enhancements.* Conduct an in-depth and transparent community needs assessment, with participation from stakeholders, for all mental health, acute and long-term care and social services. . Any reduction in services should require prior approval from the BCIA and notice to community stakeholders.
- *Workers' Rights Protections.* Existing unions, collective bargaining agreements, wages, benefits and seniority rights of staff must be recognized and honored.
- *A Proven Track Record* Careful scrutiny of every applicant's track record with respect to patient/resident safety, employee safety, labor relations and financial transparency.
- *Investment in A Safe Facility for Patients and Workers:* Needed investments must be made to keep the hospital facility well-maintained, with capital improvements made in a timely manner, with shared financial responsibility for maintenance and improvements.

- *Accountability to Taxpayers & Financial Transparency.* Require annual audited financial statements for BRMC and for the operations of the hospital and any affiliates that have any business or financial relationship with the Managing entity. All financial information should be available to the public through the NJ Open Public Records Act.
- *Public disclosure of Self-dealing and an end to conflicts of interest.* Require disclosure and prior review and approval by the County of all transactions between a partner or manager and any of its related or affiliated entities and between any board member or chief executive of BRMC and entities in which they or a family member have a financial interest.

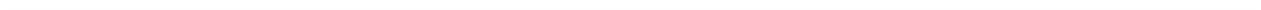
Appendix Item o. Historical Site Plan

Historical Site Plan



Bergen Regional Medical Center - Site Plan

Appendix Item p. Topography Plan

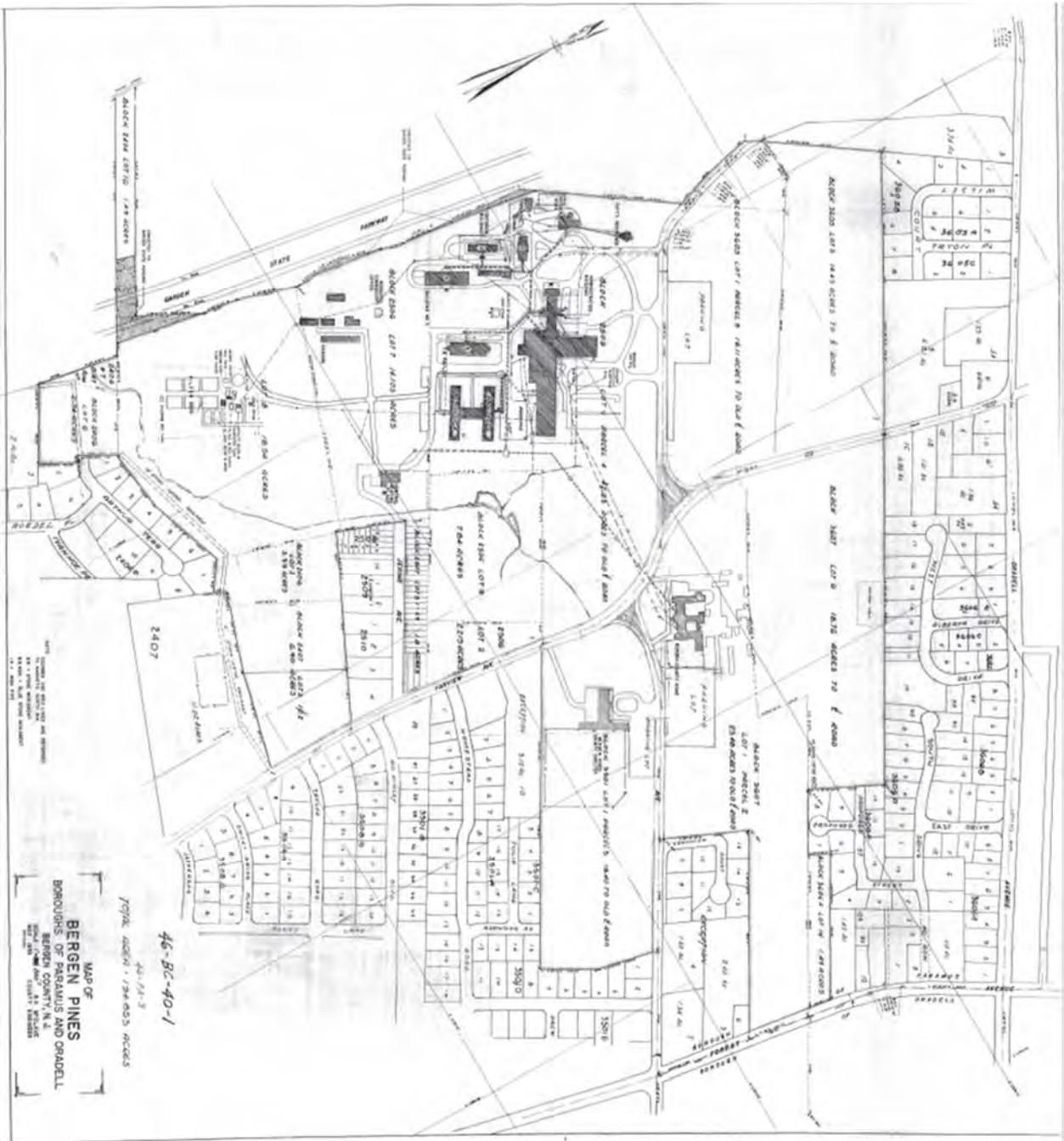




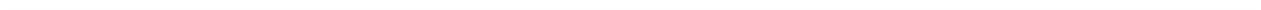
Appendix Item q. Area Plan

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# Area Plan



Appendix Item r. Tour Photos



Tour Photos



Piping & Heating Systems Below Ceilings



Electrical Distribution Panel from 1937



New Air Handling Unit Installation



Settling of Building Additions



Single Pane Windows



Mechanical Room circa 1965



General Condition of Break Room



Dish Room Ventilation Repairs Substandard



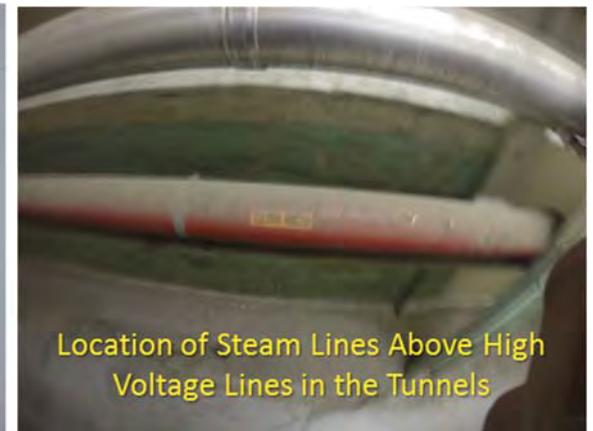
Nurse Stations Crowded and Old



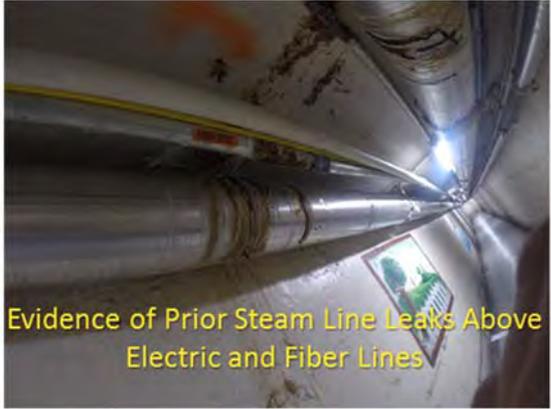
General Condition of Patient Shower Room



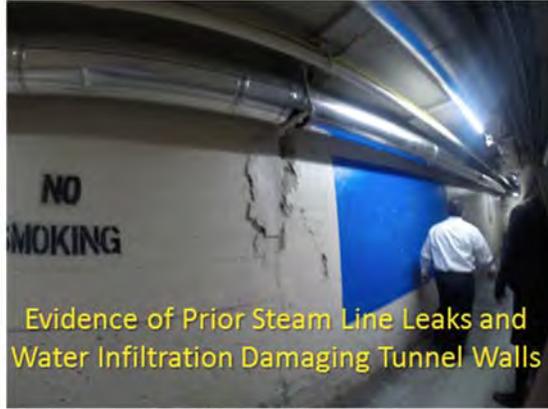
Building/Floor Settling Issues in Pool



Location of Steam Lines Above High Voltage Lines in the Tunnels



Evidence of Prior Steam Line Leaks Above Electric and Fiber Lines



Evidence of Prior Steam Line Leaks and Water Infiltration Damaging Tunnel Walls



Asbestos is Present Throughout the Buildings; Floor Tiles in Support Area

Appendix Item s. RSC Architects Capital Needs Assessment

