

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF BERGEN)
COUNTY OF BERGEN, NEW JERSEY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
WITH INDEPENDENT AUDITOR'S REPORT

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

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(A Component Unit of the County of Bergen)

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Introductory Section

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

**ROSTER OF OFFICIALS
DECEMBER 31, 2016**

<u>COMMISSIONERS</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Cesar Gamio	Chairperson	2/1/2018
Kimberly Birdsall	Vice Chairperson	2/1/2019
Jeffrey Bader	Commissioner	2/1/2021
Elizabeth Randall	Commissioner	2/1/2017
Philip E. Wilson, LCSW	Commissioner	2/1/2015 (holdover)

Financial Section

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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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 statements of net position of the Bergen County Improvement Authority as of December 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2016 and 2015, and the respective changes in financial position and cash flows for the year 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, and the schedule of the Authority's proportionate share of the net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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.

Honorable Chairperson and Commissioners
Bergen County Improvement Authority
Page 3.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprises the Bergen County Improvement Authority's 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 supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2017 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.

Very truly yours,



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

April 25, 2017



Management Discussion and Analysis

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

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, 2016 and 2015. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's liabilities exceeded its assets by \$(1,104,152) (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$3,655,669.

- Total net position is comprised of the following:
 - (1) Capital assets, net of related debt of \$(3,040,596) 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 \$1,027,060 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws or regulations.

 - (3) Unrestricted net position of \$909,384 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.

- Total liabilities of the Authority decreased by \$8,319,634 to \$30,487,560 during the fiscal year largely due to decreases in bonds payable and decreases in contracts payable.

Overview of the Financial Statements

This annual report includes this management discussion, 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 (CONTINUED)
DECEMBER 31, 2016

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 presents 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 those assets. 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 (CONTINUED)
DECEMBER 31, 2016

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 \$(1,104,152). This is a \$4,759,821 decrease under last year's net position of \$3,655,669. A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Asset:				
Current and Other Assets	\$26,681,628	\$33,754,022	\$(7,072,394)	(20.95)%
Capital Assets	<u>2,341,590</u>	<u>8,374,466</u>	<u>(6,032,876)</u>	(72.04)%
Total Assets	<u>29,023,218</u>	<u>42,128,488</u>	<u>(13,105,270)</u>	(31.11)%
Deferred Outflows of Resources	<u>360,190</u>	<u>341,962</u>	<u>18,228</u>	5.33%
Liabilities:				
Long-term Debt Outstanding	3,359,630	5,507,028	(2,147,398)	(38.99)%
Other Liabilities	<u>27,127,930</u>	<u>33,300,166</u>	<u>(6,172,236)</u>	(18.54)%
Total Liabilities	<u>30,487,560</u>	<u>38,807,194</u>	<u>(8,319,634)</u>	(21.44)%
Deferred Inflows of Resources	<u> </u>	<u>7,587</u>	<u>(7,587)</u>	(100.00)%
Net Position:				
Invested in Capital Assets, Net of Related Debt	(3,040,596)	(625,963)	(2,414,633)	385.75%
Restricted	1,027,060	2,032,401	(1,005,341)	(49.47)%
Unrestricted	<u>(909,384)</u>	<u>2,249,231</u>	<u>(1,339,847)</u>	(59.57)%
Total Net Position	<u>(1,104,152)</u>	<u>3,655,669</u>	<u>(4,759,821)</u>	(130.20)%

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Net Position (Continued)

A summary of the Authority's prior year statement of net position is presented with comparative restated FY 2014 balances in the following table:

Condensed Statement of Net Position

	<u>FY 2015</u>	(Restated) FY 2014	Dollar Change	Percent Change
Asset:				
Current and Other Assets	\$33,754,022	\$31,646,179	\$2,107,843	6.66%
Capital Assets	<u>8,374,466</u>	<u>14,259,182</u>	<u>(5,884,716)</u>	(41.27)%
Total Assets	<u>42,128,488</u>	<u>45,905,361</u>	<u>(3,776,873)</u>	(8.23)%
Deferred Outflows of Resources	<u>341,962</u>	<u>424,337</u>	<u>(82,375)</u>	(19.41)%
Liabilities:				
Long-term Debt Outstanding	5,507,028	9,256,071	(3,749,043)	(40.50)%
Other Liabilities	<u>33,300,166</u>	<u>30,694,906</u>	<u>2,605,260</u>	8.49%
Total Liabilities	<u>38,807,194</u>	<u>39,950,977</u>	<u>(1,143,783)</u>	(2.86)%
Deferred Inflows of Resources	<u>7,587</u>	<u>23,286</u>	<u>(15,699)</u>	(67.42)%
Net Position:				
Invested in Capital Assets, Net of Related Debt	(625,963)	1,785,509	(2,411,472)	(135.06)%
Restricted	2,032,401	1,956,252	76,149	3.89%
Unrestricted	<u>2,249,231</u>	<u>2,613,674</u>	<u>(364,443)</u>	(13.94)%
Total Net Position	<u>3,655,669</u>	<u>6,355,435</u>	<u>(2,699,766)</u>	(42.48)%

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Net Position (Continued)

While the *Statement of Net Position* shows the change in financial position of net 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 \$4,759,821.

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

	FY 2016	FY 2015	Dollar Change	Percent Change
Operating Revenues	\$235,744,019	\$227,342,148	\$8,401,871	3.70%
Non-operating Revenues	<u>23,854</u>	<u>8,909</u>	<u>14,945</u>	167.75%
Total Revenues	<u>235,767,873</u>	<u>227,351,057</u>	<u>8,416,816</u>	3.70%
Depreciation and Amortization	7,493,430	7,493,419	11	0.00%
Other Operating Expense	232,580,298	221,971,139	10,609,159	4.78%
Other Non-Operating Expense	<u>453,966</u>	<u>586,265</u>	<u>(132,299)</u>	(22.57)%
Total Expenses	<u>240,527,694</u>	<u>230,050,823</u>	<u>10,476,871</u>	4.55%
Change in Net Position	(4,759,821)	(2,699,766)	(2,060,055)	76.30%
Beginning Net Position	<u>3,655,669</u>	<u>6,355,435</u>	<u>(2,699,766)</u>	(42.48)%
Ending Net Position	<u>\$(1,104,152)</u>	<u>\$3,655,669</u>	<u>\$(4,759,821)</u>	(130.20)%

The Authority's operating revenues increased by \$8,401,871 to \$235,744,019 in fiscal year 2016 from \$227,342,148 in 2015. This increase is primarily due to an increase in revenue from Bergen Regional Medical Center service charges. Non-operating revenues increased by \$14,945 to \$23,854 from \$8,909 largely due to a decrease in interest income. Operating expenses increased by \$10,609,159 largely due to an increase in expenses relating to strategic operations and transition of the Authority's hospital operating lease.

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Net Position (Continued)

A summary of the Authority's prior year statement of revenues, expenses and change in net position is presented with comparative restated FY 2014 figures in the following table:

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

	<u>FY 2015</u>	<u>(Restated) FY 2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$227,342,148	\$211,968,567	\$15,373,581	7.25%
Non-operating Revenues	<u>8,909</u>	<u>9,981</u>	<u>(1,072)</u>	(10.74)%
Total Revenues	<u>227,351,057</u>	<u>211,978,548</u>	<u>15,372,509</u>	7.25%
Depreciation and Amortization	7,493,419	6,689,068	804,351	12.02%
Other Operating Expense	221,971,139	204,976,150	16,994,989	8.29%
Other Non-Operating Expense	<u>586,265</u>	<u>701,933</u>	<u>(115,668)</u>	(16.48)%
Total Expenses	<u>230,050,823</u>	<u>212,367,151</u>	<u>17,683,672</u>	8.33%
Change in Net Position	(2,699,766)	(388,603)	(2,311,163)	594.74%
Beginning Net Position	<u>6,355,435</u>	<u>6,744,038</u>	<u>(388,603)</u>	(5.76)%
Ending Net Position	<u>\$3,655,669</u>	<u>\$6,355,435</u>	<u>\$(2,699,766)</u>	(42.48)%

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 (CONTINUED)
DECEMBER 31, 2016

Budgetary Highlights (Continued)

The following tables provides a FY 2016 and FY 2015 budget comparison:

Budget vs. Actual
FY 2016

Hospital Fund:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$208,826,346	\$232,595,575	\$23,769,229
Non-Operating	<u>6,797</u>	<u>23,405</u>	<u>16,608</u>
Total Revenues	<u>208,833,143</u>	<u>232,618,980</u>	<u>23,785,837</u>
Expenses:			
Operating	204,704,218	230,870,317	(26,166,099)
Non-Operating	<u>4,128,925</u>	<u>4,127,987</u>	<u>938</u>
Total Appropriations	<u>208,833,143</u>	<u>234,998,304</u>	<u>(26,165,161)</u>
Budgetary Income/(Loss)	<u>\$ -0-</u>	<u>\$(2,379,324)</u>	<u>\$(2,379,324)</u>

General Fund:

Revenues:			
Operating	279,681	270,025	(9,656)
Non-Operating	<u>128,431</u>	<u>250,864</u>	<u>122,433</u>
Total Revenues	<u>408,112</u>	<u>520,889</u>	<u>112,777</u>
Expenses:			
Operating	348,483	344,023	4,460
Non-Operating	<u>59,629</u>	<u>59,629</u>	<u> </u>
Total Appropriations	<u>408,112</u>	<u>403,652</u>	<u>4,460</u>
Budgetary Income/(Loss)	<u>\$ -0-</u>	<u>\$117,237</u>	<u>\$117,237</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Budgetary Highlights (Continued)

Budget vs. Actual
FY 2016

Overpeck Landfill Project:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$1,224,816	\$1,217,865	\$(6,951)
Non-Operating	<u>55</u>	<u>122</u>	<u>67</u>
Total Revenues	<u>1,224,871</u>	<u>1,217,987</u>	<u>(6,884)</u>
Expenses:			
Operating	5,000		5,000
Non-Operating	<u>1,219,871</u>	<u>1,217,865</u>	<u>2,006</u>
Total Appropriations	<u>1,224,871</u>	<u>1,217,865</u>	<u>7,006</u>
Budgetary Income/(Loss)	<u>\$ -0-</u>	<u>\$122</u>	<u>\$122</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Budgetary Highlights (Continued)

Budget vs. Actual
FY 2015

Hospital Fund:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$203,434,942	\$224,010,945	\$20,576,003
Non-Operating	<u>5,300</u>	<u>8,058</u>	<u>2,758</u>
Total Revenues	<u>203,440,242</u>	<u>224,019,003</u>	<u>20,578,761</u>
Expenses:			
Operating	199,118,151	218,995,472	(19,877,321)
Non-Operating	<u>4,306,642</u>	<u>5,466,886</u>	<u>(1,160,244)</u>
Total Appropriations	<u>203,424,793</u>	<u>224,462,358</u>	<u>(21,037,565)</u>
Budgetary Income/(Loss)	<u>\$15,449</u>	<u>\$(443,355)</u>	<u>\$(458,804)</u>

General Fund:

Revenues:			
Operating	275,364	306,296	30,932
Non-Operating	<u>195,266</u>	<u>195,216</u>	<u>(50)</u>
Total Revenues	<u>470,630</u>	<u>501,512</u>	<u>30,882</u>
Expenses:			
Operating	391,286	295,690	95,596
Non-Operating	59,344	59,326	18
Accumulated Deficit	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Total Appropriations	<u>470,630</u>	<u>375,016</u>	<u>95,614</u>
Budgetary Income/(Loss)	<u>\$ -0-</u>	<u>\$126,496</u>	<u>\$126,496</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Budgetary Highlights (Continued)

Budget vs. Actual
FY 2015

Overpeck Landfill Project:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	\$1,224,027	\$1,221,777	\$(2,250)
Non-Operating	<u>16</u>	<u>61</u>	<u>45</u>
Total Revenues	<u>1,224,043</u>	<u>1,221,838</u>	<u>(2,205)</u>
Expenses:			
Operating	5,000	1,864	3,136
Non-Operating	<u>1,216,777</u>	<u>1,216,777</u>	<u>0</u>
Total Appropriations	<u>1,221,777</u>	<u>1,218,641</u>	<u>3,136</u>
Budgetary Income/(Loss)	<u>\$2,266</u>	<u>\$3,197</u>	<u>\$931</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Capital Assets and Debt Administration

Capital Assets

The following schedule summarized the Capital Assets as of December 31, 2016 and 2015:

Bergen Regional Medical Center

	<u>2016</u>	<u>2015</u>
Leasehold Improvements	\$64,886,898	\$64,886,898
Accumulated Depreciation	(64,005,862)	(56,512,432)
Construction in Progress	<u>1,460,554</u>	<u> </u>
Capital Assets, Net	<u>\$2,341,590</u>	<u>\$8,374,466</u>

The Authority's capital assets increased \$1,460,554 from the previous year. Amortization expense for 2016 was \$7,493,430.

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

Debt Administration

While the Authority has been aggressive in attracting conduit debt issues, there are two debt issues that are their obligation. The first is 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, 2016, the Bergen Regional Medical Center had outstanding serial bonds of \$1,165,000 due 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 \$4,325,000 are outstanding as of December 31, 2016. Both issues are guaranteed by the County of Bergen. Full details of the bond issue outstanding are found in Note 9 to the financial statements.

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016

Debt Administration (Continued)

The following schedule summarized the Long Term Capital Debt, net of unamortized discounts and premiums, as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<u>General Fund</u>		
Project Bonds Payable	\$23,771	\$81,283
<u>Bergen Regional Medical Center</u>		
Project Bonds Payable	1,124,585	3,845,428
<u>Overpeck Landfill</u>		
Project Bonds Payable	<u>4,364,630</u>	<u>5,335,317</u>
Project Bonds Payable, Net	<u>\$5,512,986</u>	<u>\$9,262,028</u>

Economic Factors, Future Years' Budgets 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 designed 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
(A Component Unit of the County of Bergen)
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2016 AND 2015

Exhibit A
Page 1 of 2

	<u>2016</u>	<u>2015</u>
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 24,032,025	\$ 30,595,737
Accounts Receivable (net of allowance for uncollectibles)	81,857	204,118
Due From State of New Jersey	10,000	
Due From County of Bergen	1,813,038	1,178,229
	25,936,920	31,978,084
Total Unrestricted Current Assets		
Restricted Current Assets		
Debt Service Fund		
Cash and Cash Equivalents	738,898	1,770,412
Construction Fund		
Cash and Cash Equivalents	1,881	1,881
Unemployment Trust Fund		
Cash and Cash Equivalents	3,929	3,645
	744,708	1,775,938
Total Restricted Current Assets		
Total Current Assets	26,681,628	33,754,022
Non-Current Assets		
Capital Assets		
Leasehold Improvements-Bergen Regional Medical Center	64,886,898	64,886,898
Accumulated Amortization	(64,005,862)	(56,512,432)
Construction in Progress	1,460,554	
	2,341,590	8,374,466
Total Non-Current Assets		
Total Assets	29,023,218	42,128,488
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - PERS	229,390	80,363
Deferred Loss on Refunding of Debt	130,800	261,599
	360,190	341,962
Total Deferred Outflows of Resources		
Total Assets and Deferred Outflows of Resources	\$ 29,383,408	\$ 42,470,450

See accompanying Notes to Financial Statements

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2016 AND 2015

Exhibit A
Page 2 of 2

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	\$ 1,001,498	\$ 377,522
Accounts Payable - PERS	20,546	18,072
Contracts Payable-Solomon Health Care	22,926,604	28,349,491
Due to County of Bergen	45,683	45,683
Payroll Taxes Payable	95	22
Accrued Liabilities - Landfill Closure/Postclosure	191,037	191,037
Total Current Liabilities Payable from Unrestricted Assets	<u>24,185,463</u>	<u>28,981,827</u>
Current Liabilities (Payable from Restricted Assets)		
Project Bonds Payable	2,153,356	3,755,000
Accrued Interest on Bonds	65,199	91,471
Total Current Liabilities Payable from Restricted Assets	<u>2,218,555</u>	<u>3,846,471</u>
Total Current Liabilities	<u>26,404,018</u>	<u>32,828,298</u>
Non-Current Liabilities		
Compensated Absences Payable	38,946	
Net Pension Liability - PERS	684,966	471,868
Project Bonds Payable (net of unamortized premiums/discounts)	3,359,630	5,507,028
Total Non-Current Liabilities	<u>4,083,542</u>	<u>5,978,896</u>
Total Liabilities	<u>30,487,560</u>	<u>38,807,194</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - PERS	<u></u>	<u>7,587</u>
Total Liabilities and Deferred Inflows of Resources	<u>30,487,560</u>	<u>38,814,781</u>
NET POSITION		
Net Investment in Capital Assets	(3,040,596)	(625,963)
Restricted For:		
Debt Service	1,021,250	2,026,875
Construction Fund	1,881	1,881
Unemployment Trust	3,929	3,645
Unrestricted:		
Designated - Bergen Regional Medical Center	2,749,934	4,169,568
Undesignated	<u>(1,840,550)</u>	<u>(1,920,337)</u>
Total Net Position	<u>\$ (1,104,152)</u>	<u>\$ 3,655,669</u>

See accompanying Notes to Financial Statements

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Exhibit B

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Service Charges - Bergen Regional Medical Center	\$ 222,487,062	\$ 213,923,888
Bergen County Contributions	3,890,838	4,353,451
Solomon Health Group Lease	8,733,731	8,397,819
Solomon Health Group Oversight	362,363	360,694
Miscellaneous	<u>270,025</u>	<u>306,296</u>
 Total Operating Revenues	 <u>235,744,019</u>	 <u>227,342,148</u>
OPERATING EXPENSES		
Administration		
Salaries and Wages	416,038	314,455
Fringe Benefits	274,608	179,111
Other Expenses	358,871	294,531
Cost of Providing Services		
Other Expenses	230,223,781	218,520,934
Landfill - Other Expenses		1,864
Reimbursements to Bergen County	1,307,000	2,660,244
Amortization of Leasehold Improvements	<u>7,493,430</u>	<u>7,493,419</u>
 Total Operating Expenses	 <u>240,073,728</u>	 <u>229,464,558</u>
 OPERATING INCOME (LOSS)	 <u>(4,329,709)</u>	 <u>(2,122,410)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	23,854	8,909
Interest Expense	(317,209)	(449,508)
Amortization of Discounts, Premiums, Deferred Losses	<u>(136,757)</u>	<u>(136,757)</u>
 Total Non-Operating Income (Expenses)	 <u>(430,112)</u>	 <u>(577,356)</u>
 CHANGE IN NET POSITION	 <u>(4,759,821)</u>	 <u>(2,699,766)</u>
 Net Position, January 1,	 <u>3,655,669</u>	 <u>6,355,435</u>
 Net Position, December 31,	 <u>\$ (1,104,152)</u>	 <u>\$ 3,655,669</u>

See accompanying Notes to Financial Statements

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
COMPARATIVE STATEMENTS OF CASH FLOWS
AS OF DECEMBER 31, 2016 AND 2015

Exhibit C
Page 1 of 2

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 222,487,062	\$ 213,923,888
Cash Received from Bergen County	3,256,029	4,723,684
Cash Received from Solomon Health Group	9,096,094	8,758,513
Cash Received from Miscellaneous Fees	392,286	236,655
Cash Paid to Bergen County	(1,307,000)	(2,660,244)
Cash Paid to Suppliers and Others	(235,568,194)	(216,577,067)
Cash Paid to Employees	(416,038)	(314,455)
	<u>(2,059,761)</u>	<u>8,090,974</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Bonds	(3,755,000)	(3,610,000)
Acquisition of Capital Assets	(1,460,554)	(1,608,703)
Interest Paid on Bonds	(343,481)	(472,745)
	<u>(5,559,035)</u>	<u>(5,691,448)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	23,854	8,909
	<u>23,854</u>	<u>8,909</u>
Net Cash Provided by Investing Activities	23,854	8,909
Net Increase (Decrease) in Cash and Cash Equivalents	(7,594,942)	2,408,435
Cash and Cash Equivalents, January 1,	32,371,675	29,963,240
	<u>32,371,675</u>	<u>29,963,240</u>
Cash and Cash Equivalents, December 31,	\$ 24,776,733	\$ 32,371,675
	<u>24,776,733</u>	<u>32,371,675</u>
ANALYSIS OF BALANCE AT DECEMBER 31		
Unrestricted - Cash and Cash Equivalents	24,032,025	30,595,737
Restricted - Cash and Cash Equivalents	744,708	1,775,938
	<u>24,776,733</u>	<u>32,371,675</u>
	<u>\$ 24,776,733</u>	<u>\$ 32,371,675</u>

See accompanying Notes to Financial Statements

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2016 AND 2015

Exhibit C
Page 2 of 2

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ <u>(4,329,709)</u>	\$ <u>(2,122,410)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Amortization of Leasehold Improvements	7,493,430	7,493,419
Adjustment to Pension Expense	58,958	17,869
(Increase)/Decrease in Accounts Receivable	122,261	(69,641)
(Increase)/Decrease in Due From Bergen County	(634,809)	370,233
(Increase)/Decrease in Due From State of New Jersey	(10,000)	
Increase/(Decrease) in Accounts Payable	623,976	(401,146)
Increase/(Decrease) in Compensated Absences Payable	38,946	
Increase/(Decrease) in Contracts Payable - Solomon Health Care	(5,422,887)	2,808,174
Increase/(Decrease) in Payroll Taxes Payable	<u>73</u>	<u>(5,524)</u>
Total Adjustments	<u>2,269,948</u>	<u>10,213,384</u>
Net Cash Provided by Operating Activities	\$ <u><u>(2,059,761)</u></u>	\$ <u><u>8,090,974</u></u>

See accompanying Notes to Financial Statements

Notes to Financial Statements

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Reporting Entity**

Component Unit, (continued)

The basic-but not the only-criterion for including a potential component unity within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is 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 inflows and 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
(A Component Unit of the County of Bergen)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 and 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.

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

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 inflows and 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. Estimates are used to determine useful lives of leasehold improvements and certain claims and judgment liabilities, among other accounts. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the December 31, 2015 balances to conform to the December 31, 2016 presentation.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

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

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.

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.

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.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

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

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, 2016 and 2015 was \$317,209 and \$449,508, respectively. None of these amounts were included as part of the cost of capital assets under construction for these years.

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

Deferred Outflows and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

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

Deferred Outflows and Deferred Inflows of Resources, (continued)

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Deferred Loss on Refunding of Bonds - Deferred loss on refunding arising from the issuance of revenue refunding bonds, is recorded as a deferred outflow of resources. The deferred loss is amortized in a systematic and rational method as a component of interest expense.

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.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

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

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.

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.

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, (continued)**

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.

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.

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, 2016 and 2015, the Authority has \$2,749,934 and \$4,169,568 of net position designated for the Bergen Regional Medical Center.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

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.

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.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2016 and 2015, the book value of the Authority's deposits were \$24,776,733 and \$32,371,675, respectively, and bank balances of the Authority's cash and deposits amounted to \$25,111,178 and \$32,326,749, respectively.

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4. DEPOSITS AND INVESTMENTS, (continued)

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

<u>Depository Account</u>	<u>2016</u>	<u>2015</u>
Insured:		
Restricted	\$744,708	\$1,775,938
Unrestricted	<u>24,032,025</u>	<u>30,595,737</u>
	<u>\$24,776,733</u>	<u>\$32,371,675</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, 2016 and 2015, 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.

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4. DEPOSITS AND INVESTMENTS, (continued)

Investments, (continued)

- (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.
- (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, 2016 and 2015, 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.

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(CONTINUED)

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.

6. USER CHARGES AND OTHER FEES RECEIVABLE

User charges and other fees receivable at December 31, 2016 and 2015 consisted of the following:

	December 31, <u>2016</u>	December 31, <u>2015</u>
Accounts Receivable - Financing Fees	\$81,453	\$203,714
Other Fees Receivable	<u>404</u>	<u>404</u>
Gross Accounts Receivable	<u><u>\$81,857</u></u>	<u><u>\$204,118</u></u>

7. CAPITAL ASSETS

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

Capital asset activity for the years ended December 31, 2016 and 2015 was as follows:

	Balance January 1, <u>2016</u>	Increases	Decreases	Balance December 31, <u>2016</u>
<u>2016</u>				
Capital assets, not being amortized:				
Construction in Progress	\$ -	\$1,460,554	\$ -	\$1,460,554
Capital assets, being amortized:				
Leasehold Improvements	64,886,898	-	-	64,886,898
Total capital assets being amortized	<u>64,886,898</u>	<u>1,460,554</u>	<u>-</u>	<u>64,886,898</u>
Less accumulated amortization for:				
Leasehold improvements	<u>(56,512,432)</u>	<u>(7,493,430)</u>	<u>-</u>	<u>(64,005,862)</u>
Total accumulated amortization	<u>(56,512,432)</u>	<u>(7,493,430)</u>	<u>-</u>	<u>(64,005,862)</u>
Total capital assets, being amortized, net	<u>8,374,466</u>	<u>(7,493,430)</u>	<u>-</u>	<u>881,036</u>
Total capital assets, net	<u><u>\$8,374,466</u></u>	<u><u>(\$6,032,876)</u></u>	<u><u>-</u></u>	<u><u>\$2,341,590</u></u>

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

7. CAPITAL ASSETS, (continued)

	Balance January 1, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2015</u>
<u>2015</u>				
Capital assets, being amortized:				
Leasehold Improvements	\$63,278,195	\$1,608,703	\$ -	\$64,886,898
Total capital assets being amortized	<u>63,278,195</u>	<u>1,608,703</u>	<u>-</u>	<u>64,886,898</u>
Less accumulated amortization for:				
Leasehold improvements	(49,019,013)	(7,493,419)	-	(56,512,432)
Total accumulated amortization	<u>(49,019,013)</u>	<u>(7,493,419)</u>	<u>-</u>	<u>(56,512,432)</u>
Total capital assets, being amortized, net	<u>14,259,182</u>	<u>(5,884,716)</u>	<u>-</u>	<u>8,374,466</u>
Total capital assets, net	<u>\$14,259,182</u>	<u>(\$5,884,716)</u>	<u>-</u>	<u>\$8,374,466</u>

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, 2016 is as follows:

	Balance Dec.31, 2015	<u>Issued</u>	<u>Retired</u>	Balance Dec.31, 2016
Series 2001 Bonds (Note 8A)	\$21,000,000	\$	\$	\$21,000,000
Series 2002 Bonds (Note 8B)	330,000		\$40,000	290,000
Series 2004 Bonds	5,435,000		5,435,000	0
Series 2005 Bonds (Note 8C)	185,975,150		32,830,560	153,144,590
Series 2006 Bonds (Note 8D)	19,185,000		880,000	18,305,000
Series 2007 Bonds (Note 8E)	44,750,000		5,390,000	39,360,000
Series 2008 Bonds (Note 8F)	28,000,000		26,735,000	1,265,000
Series 2009 Bonds (Note 8G)	24,777,117		8,981,046	15,796,071
Series 2010 Bonds (Note 8H)	76,745,000		13,988,000	62,757,000
Series 2011 Bonds	2,560,000		2,560,000	0
Series 2012 Bonds (Note 8I)	53,635,000		4,885,000	48,750,000
Series 2013 Municipal Banc Leasing Program (Note 8J)	15,000,000			15,000,000
Series 2014 Bonds Pooled Loan Revenue Bonds A&B (Note 8K)	67,765,000		2,470,000	65,295,000
Series 2014 Admin. Complex	9,250,000		3,055,000	6,195,000
Series 2014 School District Revenue Bonds (Note 8L)	30,565,000			30,565,000
Series 2015 (Felician College) (Note 8M)	30,000,000			30,000,000
Series 2016C Bonds (Note 8N)		65,150,000		65,150,000
Series 2016 Bonds (Note 8O)		49,580,000	3,275,000	46,305,000
Series 2016 (CAP Project) Bonds (Note 8P)		13,380,000		13,380,000
	<u>\$614,972,267</u>	<u>\$128,110,000</u>	<u>\$110,524,606</u>	<u>\$632,557,661</u>

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

8. CONDUIT DEBT OBLIGATIONS, (continued)

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 were 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").

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 2002B Bonds were 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 were issued to provide funds to make loans to the County of Bergen to finance improvements to the Bergen Regional Medical Center.

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NOTES TO FINANCIAL STATEMENTS
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8. CONDUIT DEBT OBLIGATIONS, (continued)

C. Series 2005 Bonds

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 2005 A and \$175,000 Taxable Village of Ridgewood Guaranteed Revenue Bonds, Series 2005 B (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 were 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 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 were 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 2005 B (EnCap Golf Holdings, LLC Project). The 2005 B 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,

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8. CONDUIT DEBT OBLIGATIONS, (continued)

C. Series 2005 Bonds, (continued)

which includes the payments to be made by EnCap Golf Holdings, LLC. under a loan agreement dated the date of delivery of the 2005 B Bonds. EnCap Golf Holdings, LLC's payment obligations under the 2005 B Loan Agreement are (1) as they relate to the payment of the principal, purchase and/or redemption price, if any, on the 2005 B Bonds, obligations of the borrower payable from the Series 2005 B 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 are supported by an irrevocable direct pay letter of credit issued in favor of the BCIA Bond Trustee by Wachovia Bank National Association.

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 2005 D (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 are 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 were 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

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8. **CONDUIT DEBT OBLIGATIONS, (continued)**

C. **Series 2005 Bonds, (continued)**

entered into Borrower Purchase Agreements to secure the Borrowers Loans. Pursuant to the Borrower Purchase Agreements, the Authority purchased a Borrower Bond in the principal amount equal to the loan that the Authority makes to each borrower. Each borrower is 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.

D. **Series 2006 Bonds**

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 issued and delivered 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.

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8. CONDUIT DEBT OBLIGATIONS, (continued)

D. Series 2006 Bonds, (continued)

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.

E. 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 2007 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 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 Utilities Authority issued and delivered 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, when the issuance of the Utilities Authority Revenue Refunding Bonds, the 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.

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8. **CONDUIT DEBT OBLIGATIONS, (continued)**

F. Series 2008 Bonds

In April 2008, the Authority issued \$29,600,000 principal amount of County of Bergen Guaranteed Revenue Bonds, 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 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 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 Utilities Authority Bonds, the 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.

G. 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.

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8. **CONDUIT DEBT OBLIGATIONS, (continued)**

G. **Series 2009 Bonds, (continued)**

The Bonds were 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 December 31, 2034.

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8. CONDUIT DEBT OBLIGATIONS, (continued)

G. Series 2009 Bonds, (continued)

The Bonds were 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 the 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.

H. 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 were 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.

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NOTES TO FINANCIAL STATEMENTS
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8. CONDUIT DEBT OBLIGATIONS, (continued)

H. Series 2010 Bonds, (continued)

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 were 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 issued and delivered 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 guaranty 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 were 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.

The Series 2010 Bonds are payable and are secured by payments made on general obligation bonds of each of the borrowers. The Borrower Bonds were 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.

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NOTES TO FINANCIAL STATEMENTS
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(CONTINUED)

8. **CONDUIT DEBT OBLIGATIONS, (continued)**

H. **Series 2010 Bonds, (continued)**

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 were 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; (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 a 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 paid 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

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8. CONDUIT DEBT OBLIGATIONS, (continued)

H. Series 2010 Bonds, (continued)

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.

I. 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 were 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 are 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 were 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.

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(CONTINUED)

8. CONDUIT DEBT OBLIGATIONS, (continued)

I. Series 2012 Bonds, (continued)

The proceeds thereof were 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 entered 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 were 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.

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NOTES TO FINANCIAL STATEMENTS
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(CONTINUED)

8. CONDUIT DEBT OBLIGATIONS, (continued)

I. Series 2012 Bonds, (continued)

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 were 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 entered 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.

J. 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.

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8. CONDUIT DEBT OBLIGATIONS, (continued)

K. 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.

L. 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.

M. Series 2015 County Guaranteed Revenue Bonds (Felician Services, Inc.)

On September 17, 2015, the Authority issued \$30,000,000 Revenue Bonds, Series 2015 (Felician Services, Inc.). The proceeds of the sale of the Series 2015 Bonds will be loaned by the Authority to Felician Services, Inc. The Bonds are being issued to (i) pay all or a portion of the costs of the project consisting of financing various capital improvements at the Lodi, New Jersey campus and at the Rutherford, New Jersey campus of the College, (ii) to pay all or a portion of the costs of refinancing/restructuring the Borrower's outstanding New Jersey Educational Facilities Authority Revenue Refunding Bonds, Felician College Issue, Series I, (iii) to pay the termination fee on swap entered into at the time of issuance of the 2006 Bonds, (iv) to pay off a line of credit to the College that was used to finance various capital projects of the College, and (v) to pay certain costs associated within the issuance of the bonds.

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8. CONDUIT DEBT OBLIGATIONS, (continued)

M. Series 2015 County Guaranteed Revenue Bonds (Felician Services, Inc.), (continued)

To evidence its obligation to repay the loan, the Borrower issued to the Authority its Promissory Note, Series 2015-1, dated September 17, 2015, in the principal amount of \$30,000,000 pursuant to the loan agreement.

N. Series 2016 County of Bergen Guaranteed Governmental Loan Revenue Bonds

In March of 2016, the Authority issued \$49,580,000 principal amount of County Guaranteed Governmental Loan Revenue Bonds, Series 2016. The Bonds are serial bonds that bear interest in varying rates from 2.00% to 5.00% and have a final maturity of August 15, 2037.

The Bonds are being issued to provide funds to make loans to the Borough of North Arlington, in the County of Bergen, New Jersey (“North Arlington”), the Borough of Ridgefield, in the County of Bergen, New Jersey (“Ridgefield”), and the Borough of Rutherford, in the County of Bergen, New Jersey (“Rutherford” and together with North Arlington and Ridgefield, the “Municipal Borrowers”), and the Bergen County Utilities Authority, County of Bergen, New Jersey (the “BCUA”; and together with the Municipal Borrowers, the “Borrowers”) to (i) refund certain outstanding bonds of the Borrowers; and (ii) pay certain costs of issuance of the Bonds and the Borrower Bonds.

O. Series 2016C County of Bergen Guaranteed Governmental Loan Revenue Bonds

In October of 2016, the Authority issued \$65,150,000 principal amount of County Guaranteed Governmental Loan Revenue Bonds, Series 2016C. The Bonds are serial bonds that bear interest in varying rates from 2.00% to 5.00% and have a final maturity of August 15, 2026.

The Bonds are being issued to provide funds to make loans to the County of Bergen, New Jersey, the Borough of Edgewater, New Jersey, the Borough of Fort Lee, New Jersey, and the Northwest Bergen County Utilities Authority, County of Bergen, New Jersey to (i) refund certain outstanding bonds of the Borrowers; and (ii) pay certain costs of issuance of the Bonds and the Borrower Bonds.

Pursuant to the Bond Purchase Agreements, and in accordance with applicable law, each of the Borrowers will issue and sell its Borrower Bond to the Authority in the principal amounts shown below. The Borrower Bonds will be purchased by the Authority and the Loan Repayments will be pledged by the Authority to secure the Bonds.

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8. CONDUIT DEBT OBLIGATIONS, (continued)

P. Series 2016 County Guaranteed Revenue Bonds (CAP Project)

In December of 2016, the Authority issued \$13,380,000 principal amount of County Guaranteed Revenue Bonds (CAP Project), Series 2016. The Bonds are serial bonds that bear interest in varying rates from 2.00% to 5.00% and have a final maturity of December 1, 2046.

The 2016 Bonds are being issued by the Authority and the proceeds from the sale thereof are being used by the Authority to provide a loan to the Greater Bergen Community Action, Inc. for the purpose of: (a) paying the costs of the construction of new classroom facilities and parking lot improvements; (b) financing improvements for the development of an early childhood education school for low-income children at the Borrower's facility at 529 Midland Avenue in Garfield, New Jersey and the acquisition of real property and facility improvements thereon to be used for non-profit direct-client service activities and administrative purposes, located at 392 Main Street, in Hackensack, New Jersey ((a) and (b) being referred to as the "Project"); (c) refinancing and defeasing all of the Authority's outstanding County Guaranteed Revenue Bonds (Bergen County Community Action Program, Inc. Project), Series 2004A and all of the Authority's outstanding County Guaranteed Revenue Bonds (Bergen County Community Action Partnership, Inc. Project), Series 2011; (d) funding capitalized interest on the 2016A Bonds related to the Project; (e) funding of working capital to provide transition funds until the Project is placed in service; (f) funding of a bond reserve fund for the 2016A Bonds; and (g) payment of certain costs incidental to the issuance and sale of the 2016 Bonds.

9. LONG-TERM DEBT

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

On August 5, 2010, the Authority issued \$17,925,000 of County Guaranteed Taxable Project Bonds, Series 2010, The Series 2010 Bonds bear interest at rates ranging from 1.414% to 3.532% and have a final maturity of March 15, 2017. The proceeds of the Series 2010 Bonds were used to refund \$16,270,000 of the Authority's outstanding County Guaranteed Taxable Project Bonds, Series 2000. The refunding resulted in a deferred loss (difference between the reacquisition price and the net carrying amount of the old debt) of \$915,597. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized over the life of the bonds using the straight-line method.

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9. **LONG-TERM DEBT, (continued)**

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

A summary of the activity for the Authority's County Guaranteed Taxable Project Bonds, Series 2010 is presented below:

Balance December 31 <u>2015</u>	<u>Issued</u>	Refunded/ <u>Retired</u>	Balance December 31, <u>2016</u>
<u>\$3,960,000</u>	<u>\$ -0-</u>	<u>\$2,795,000</u>	<u>\$1,165,000</u>
	Less:		
	Unamortized Discount		<u>(16,644)</u>
	Net Carrying Amount of Debt		<u>\$1,148,356</u>
	Short Term Portion		
	Hospital Fund	\$1,124,585	
	General Fund	<u>23,771</u>	
			<u>1,148,356</u>
	Net Carry Amount of Debt		<u>\$1,148,356</u>

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 Dec. 31, 2016</u>
Series Bonds	08/05/10	\$17,925,000	3.532%	5/15/2017	\$1,165,000	<u>\$1,165,000</u>

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9. **LONG-TERM DEBT, (continued)**

**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:

Balance December 31 <u>2015</u>	<u>Issued</u>	Refunded/ <u>Retired</u>	Balance December 31, <u>2016</u>
<u>\$5,285,000</u>	<u>\$ -0-</u>	<u>\$960,000</u>	<u>\$4,325,000</u>

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 Dec. 31, 2016</u>
Series Bonds	09/08/05	\$12,000,000	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	1,160,000	
						\$4,325,000
		Increased by:				
		Unamortized Premium				<u>39,630</u>
		Net Carrying Amount of Debt				<u>\$4,364,630</u>
		Current Portion of Bonds Payable				1,005,000
		Long Term Portion of Bonds Payable				<u>3,359,630</u>
						<u>\$4,364,630</u>

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NOTES TO FINANCIAL STATEMENTS
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(CONTINUED)

9. **LONG-TERM DEBT, (continued)**

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

Revenue Bonds

Revenue Bonds outstanding at December 31, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
<u>General Fund and Bergen Regional Medical Center</u>		
\$17,925,000 County Guaranteed Taxable Project Bonds, Series 2010, 3.532%, \$1,165,000 due on May 15, 2017	<u>\$1,165,000</u>	<u>\$3,960,000</u>
<u>Analysis of Balance</u>		
General Fund	24,115	81,972
Bergen Regional Medical Center	<u>1,140,885</u>	<u>3,878,028</u>
	<u>\$1,165,000</u>	<u>\$3,960,000</u>
<u>Overpeck Landfill</u>		
\$12,000,000 County Guaranteed Taxable Revenue Bonds, Series 2005, 4.80% to 5.375%, due in annual installments of \$1,005,000 to \$1,160,000 on September 15, 2017 to 2020	<u>\$4,325,000</u>	<u>\$5,285,000</u>

The Authority's schedule of principal and interest requirements for long-term debt issued and outstanding as of December 31, 2016 is as follows:

<u>Years Ending December 31,</u>	<u>Project/Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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>\$5,490,000</u>	<u>\$559,653</u>	<u>\$6,049,653</u>

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9. **LONG-TERM DEBT, (continued)**

Changes in Long-Term Liabilities

The Authority's long-term liability activity for the years ended December 31, 2016 and 2015 are as follows:

General Fund

<u>2016</u>	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2016</u>	Due Within One Year
Project Bonds	\$81,971	\$ -0-	(\$57,856)	\$24,115	\$24,115
Less: Issuance Discounts	<u>(688)</u>	<u>-0-</u>	<u>344</u>	<u>(344)</u>	<u>-0-</u>
Total Bonds Payable	<u>\$81,283</u>	<u>-0-</u>	<u>(\$57,512)</u>	<u>\$23,771</u>	<u>\$24,115</u>

<u>2015</u>	Balance January 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2015</u>	Due Within One Year
Project Bonds	\$137,861	\$ -0-	(\$55,890)	\$81,971	\$57,857
Less: Issuance Discounts	<u>(1,032)</u>	<u>-0-</u>	<u>344</u>	<u>(688)</u>	<u>-0-</u>
Total Bonds Payable	<u>\$136,829</u>	<u>-0-</u>	<u>(\$55,546)</u>	<u>\$81,283</u>	<u>\$57,857</u>

Bergen Regional Medical Center

<u>2016</u>	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2016</u>	Due Within One Year
Revenue Bonds	\$3,878,029	\$ -0-	(\$2,737,144)	\$1,140,885	\$1,140,885
Less: Issuance Discounts	<u>(32,601)</u>	<u>-0-</u>	<u>16,301</u>	<u>(16,300)</u>	<u>-</u>
Total Bonds Payable	<u>\$3,845,428</u>	<u>-0-</u>	<u>(\$2,720,843)</u>	<u>\$1,124,585</u>	<u>\$1,140,885</u>

<u>2015</u>	Balance January 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2015</u>	Due Within One Year
Revenue Bonds	\$6,522,139	\$ -0-	(\$2,644,110)	\$3,878,029	\$2,737,143
Less: Issuance Discounts	<u>(48,901)</u>	<u>-0-</u>	<u>16,300</u>	<u>(32,601)</u>	<u>-0-</u>
Total Bonds Payable	<u>\$6,473,238</u>	<u>-0-</u>	<u>(\$2,627,810)</u>	<u>\$3,845,428</u>	<u>\$2,737,143</u>

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9. **LONG-TERM DEBT, (continued)**

Overpeck Landfill

<u>2016</u>	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2016</u>	Due Within One Year
Revenue Bonds	\$5,285,000	\$ -0-	(\$960,000)	\$4,325,000	\$1,005,000
Plus: Issuance Premiums	<u>50,317</u>	<u>-0-</u>	<u>(10,687)</u>	<u>39,630</u>	<u> </u>
Total Bonds Payable	<u>\$5,335,317</u>	<u>-0-</u>	<u>(\$970,687)</u>	<u>\$4,364,630</u>	<u>\$1,005,000</u>

<u>2015</u>	Balance January 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2015</u>	Due Within One Year
Revenue Bonds	\$6,195,000	\$ -0-	(\$910,000)	\$5,285,000	\$960,000
Plus: Issuance Discounts	<u>61,004</u>	<u>-0-</u>	<u>(10,687)</u>	<u>50,317</u>	<u>-0-</u>
Total Bonds Payable	<u>\$6,256,004</u>	<u>-0-</u>	<u>(\$920,687)</u>	<u>\$5,335,317</u>	<u>\$960,000</u>

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.

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10. BERGEN PINES PROJECT, (continued)

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
- (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 as of 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.

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10. BERGEN PINES PROJECT, (continued)

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) have retained ultimate financial responsibility for Capital Improvements at the Hospital, defined in Section 1.1 of the BCIA Lease and Operating Agreement as:

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 Improvement 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.

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10. BERGEN PINES PROJECT, (continued)

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: (i) 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:

- (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 \$9,000,000.00 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

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10. BERGEN PINES PROJECT, (continued)

- (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 (3rd) 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 2016 and 2015 was \$8,733,731 and \$8,397,819, 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.

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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 \$100,000.00, but no more than \$300,000.00. 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 \$200,000.00 on account of 2000 (bringing 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 \$300,000.00 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, 2015) 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, 2015 – 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.

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10. BERGEN PINES PROJECT, (continued)

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
- [3] any violation of governmental laws, regulations or orders relating to or which is caused, in whole or in part,
 - [a] by the Manager’s, 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.”

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 of 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 Provisions”) 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.”

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10. BERGEN PINES PROJECT, (continued)

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.

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 2016 are being prepared by the Hospital for review by the Authority and the County.

12. LITIGATION

We are advised by the Authority's Counsel of the following matters:

Bergen County Improvement Authority v. Bergen Regional Medical Center, L.P., 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.

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12. LITIGATION, (continued)

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.

On March 14, 2014, BCIA received a letter from Wolff & Samson, PC, the attorney of record for both BCIA and Bergen County, stating a conflict of interest. Archer & Greiner, PC were retained as substitute counsel for BCIA and Bergen County. On September 1, 2015, the trial court entered its Order granting attorney's fees and costs to a former employee (Mr. Hynes) in the amount of \$185,319.79.

On February 5, 2016, BCIA and Bergen County engaged the law firm of Florio, Perrucci, Steinhardt & Fader, LLC to replace Archer & Greiner as special litigation counsel in this matter. In July of 2016, the parties reached a settlement for this matter and all claims were dismissed with prejudice. On or about September 2, 2016, the pro se appellant, Chiesa Shahinian & Giantomasi PC (the "Chiesa firm"), filed a notice of appeal with respect to a September 1, 2015 order by Judge Wilson imposing sanctions against the BCIA and County of Bergen, and in favor of Defendant Edward Hynes. BCIA and the County of Bergen did not appeal this order, but rather paid it in full.

On January 12, 2017, the Appellate Court entered an Order: (1) denying the Chiesa firm's motion to supplement the record; (2) denying the Chiesa firm's motion to address the standing issue in camera or under seal; and (3) granting the Chiesa firm's motion to extend time to file a reply brief. The Chiesa firm filed a reply brief on February 8, 2017. The Appellate Court has not yet set a date for oral argument for the remaining issues in this appeals.

The BCIA is vigorously contesting this appeal and takes the position that the Chiesa firm has no standing to bring this appeal. The BCIA does not believe the Chiesa firm's appeal has any merit and that the appeal should therefore be dismissed on that ground.

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, 2016 and 2015 are \$2,472,973 and \$2,937,248, respectively.

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14. RELATED -PARTY TRANSACTIONS

As discussed in Note 10, 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 2016 and 2015 the Authority reimbursed the County \$197,965 and \$118,448, 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 2016 and 2015, the cost was \$75,000 and \$75,000, 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 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.

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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.

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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.

17. CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Authority 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 postclosure care costs will be paid in the future, the Authority reports a portion of these closure and postclosure 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 in \$9,800,000. Bergen County has taken the responsibility for direct payment of the post-closure costs. The remaining costs accrued through December 31, 2016 based on a percentage of the capacity filled at December 31, 2016 was \$191,037. In accordance with GASB No. 18 the Authority has recognized a liability for 2016 of \$191,037.

While the Authority has accrued such expenses as of December 31, 2016, 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.

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18. RESERVES REQUIRED BY BOND RESOLUTION

The following accounts are required by the Authority's bond resolution:

	<u>Debt Service Fund</u>			
<u>December 31, 2015</u>	<u>General Fund</u>	<u>Bergen Regional Medical Center</u>	<u>Overpeck Landfill</u>	<u>Total</u>
Required Balances	\$15,143	\$716,411	\$293,125	\$1,024,679
Cash and Investments	<u>15,143</u>	<u>716,411</u>	<u>7,344</u>	<u>738,898</u>
Excess or (Deficit)	<u>\$0</u>	<u>\$0</u>	<u>(\$285,781)</u>	<u>(\$285,781)</u>
<u>December 31, 2015</u>				
Required Balances	\$36,498	\$1,726,628	\$355,210	\$2,118,336
Cash and Investments	<u>36,498</u>	<u>1,726,628</u>	<u>7,276</u>	<u>1,770,402</u>
Excess or (Deficit)	<u>\$0</u>	<u>\$0</u>	<u>(\$347,934)</u>	<u>(\$347,934)</u>

19. PENSION PLANS

Description of Plans:

Authority employees participate in the State of New Jersey Public Employees' Retirement System (PERS) contributory, defined benefit public employee retirement systems or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

Public Employees' Retirement System (PERS)

Plan Description

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

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19. PENSION PLANS, (continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60 of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

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19. PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS.

The Authority's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>DCRP</u>
2016	\$20,546	\$-0-
2015	18,072	-0-
2014	17,205	-0-

Public Employees Retirement System (PERS)

At December 31, 2016, the Authority had a liability of \$684,966 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the Authority's proportion was .0023127342 percent, which was an increase of .0002106833 percent from its proportion measured as of June 30, 2015.

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19. PENSION PLANS, (continued)

For the year ended December 31, 2016, the Authority recognized pension expense of \$35,074. At December 31, 2016, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$12,738	
Changes of assumptions	141,888	
Net difference between projected and actual earnings on pension plan investments	26,118	
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>48,646</u>	<u> </u>
Total	<u>\$229,390</u>	<u>\$ -0-</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2016) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$40,693
2018	40,693
2019	47,144
2020	39,608
2021	12,606

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NOTES TO FINANCIAL STATEMENTS
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19. **PENSION PLANS, (continued)**

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at December 31, 2016 and 2015 are as follows:

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Collective deferred outflows of resources	\$8,685,338,380	\$3,578,755,666
Collective deferred inflows of resources	870,133,595	993,410,455
Collective net pension liability	29,617,131,759	22,447,996,119
Authority s Proportion	.0023127342%	.0021020509%

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.08 Percent
Salary Increases:	
Through 2016	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.65 Percent

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DECEMBER 31, 2016 AND 2015
(CONTINUED)

19. **PENSION PLANS, (continued)**

Actuarial Assumptions, (continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

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19. **PENSION PLANS, (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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NOTES TO FINANCIAL STATEMENTS
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19. **PENSION PLANS, (continued)**

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

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

	June 30, 2016		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>2.98%</u>	<u>3.98%</u>	<u>4.98%</u>
Authority's proportionate share of the pension liability	\$839,345	\$684,966	\$557,512

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

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.

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(CONTINUED)

20. **POST-RETIREMENT MEDICAL BENEFITS, (continued)**

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

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.

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.

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20. POST-RETIREMENT MEDICAL BENEFITS, (continued)

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the State had a \$67.5 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$25.9 billion for state active and retired members and \$41.6 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.

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, 2015 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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 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.

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20. POST-RETIREMENT MEDICAL BENEFITS, (continued)

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, 2016, 2015 and 2014 were \$37,475, \$38,956 and \$41,413, respectively, which equaled the required contributions for each year (or were not available).

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, 2016 and 2015, the Authority had no estimated arbitrage earnings due to the IRS.

22. RECENT ACCOUNTING PRONOUNCEMENTS

The Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for fiscal years beginning after June 15, 2017. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

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22. RECENT ACCOUNTING PRONOUNCEMENTS, (continued)

The Government Accounting Standards Board issued GASB Statement No. 77, Tax Abatement Disclosures, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Authority believes this Statement will have no impact on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, which establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition for pension liabilities, expense and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contributions items; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. The Authority is currently reviewing what effect this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 79, Certain External Investment Pools and Pool Participation, which permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes. The Authority is currently reviewing what effect this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 80, Blending Requirements for Certain Component Units, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The Authority does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Authority does not believe this Statement will have any effect on future financial statements.

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22. RECENT ACCOUNTING PRONOUNCEMENTS, (continued)

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Authority does not believe this Statement will have any effect on future financial statements.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, Certain Asset Retirement Obligations. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Authority does not believe this Statement will have any effect on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The Authority is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, Omnibus 2017, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

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23. OTHER INFORMATION

A. Local Finance Board Applications

The Authority is preparing several applications to the Local Finance Board to issue new conduit on behalf of several local governments.

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:

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23. **OTHER INFORMATION**

C. **New Jersey Unemployment Compensation Insurance, (continued)**

<u>Fiscal Year</u> <u>Ending</u>	<u>Employee</u> <u>Contributions</u> <u>and Interest</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2016	\$342	\$58	\$3,929
2015	370	60	3,645
2014	588	134	3,335

24. **SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through April 25, 2017, the date which the financial statements were available to be issued and no additional items, except as noted above, were noted for disclosure.

Required Supplementary Information

BERGEN COUNTY IMPROVEMENT AUTHORITY
Schedules of Required Supplementary Information
Schedule of Authority's Share of Net Pension Liability - PERS
*Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability (asset)	0.0023127342%	0.0021020509%
Authority's proportionate share of the net pension liability (asset)	\$ 684,966	\$ 471,868
Authority's covered payroll - PERS	\$ 178,460	\$ 160,268
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	383.82%	294.42%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	47.93%

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

BERGEN COUNTY IMPROVEMENT AUTHORITY
Schedules of Required Supplementary Information
Schedule of Authority's Contributions - PERS
*Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 20,546.00	\$ 18,072.00
Contributions in relation to the contractually required contribution	<u>\$ (20,546.00)</u>	<u>\$ (18,072.00)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll - PERS	\$ 178,460	\$ 160,268
Contributions as a percentage of covered payroll	11.51%	11.28%

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

BERGEN COUNTY IMPROVEMENT AUTHORITY
Note to Required Schedules of Supplementary Information
For the Year Ended December 31, 2016

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date to the current measurement date, resulting in a change in the discount rate from 4.90% to 3.98%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

Supplemental Schedules

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
COMBINING SCHEDULE OF NET POSITION
AS OF DECEMBER 31, 2016

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	Total
ASSETS					
Unrestricted Current Assets					
Cash and Cash Equivalents	\$ 687,524	\$ 23,238,559	\$ -	\$ 105,942	\$ 24,032,025
Accounts Receivable (Net)	81,453	404	-	-	81,857
Due From State of New Jersey	10,000	-	-	-	10,000
Due From County of Bergen	2,301	1,687,157	-	123,580	1,813,038
Due From General Fund	-	1,732,898	33,519	-	1,766,417
Due From Overpeck Landfill	44,420	-	-	-	44,420
Total Unrestricted Current Assets	825,698	26,659,018	33,519	229,522	27,747,757
Restricted Current Assets					
Debt Service Fund					
Cash and Cash Equivalents	15,143	716,411	-	7,344	738,898
Construction Fund					
Cash and Cash Equivalents	39	1,842	-	-	1,881
Unemployment Trust Fund:					
Cash and Cash Equivalents	3,929	-	-	-	3,929
Total Restricted Current Assets	19,111	718,253	-	7,344	744,708
Total Current Assets	844,809	27,377,271	33,519	236,866	28,492,465
Non-Current Assets					
Capital Assets					
Leashold Improvements	-	64,886,898	-	-	64,886,898
Accumulated Amortization	-	(64,005,862)	-	-	(64,005,862)
Construction in Progress	-	1,460,554	-	-	1,460,554
Total Non-Current Assets	-	2,341,590	-	-	2,341,590
Total Assets	844,809	29,718,861	33,519	236,866	30,834,055
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows - PERS	229,390	-	-	-	229,390
Deferred Loss on Refunding of Debt	2,708	128,092	-	-	130,800
Total Deferred Outflows of Resources	232,098	128,092	-	-	360,190
Total Assets and Deferred Outflows of Resources	\$ 1,076,907	\$ 29,846,953	\$ 33,519	\$ 236,866	\$ 31,194,245

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
COMBINING SCHEDULE OF NET POSITION
AS OF DECEMBER 31, 2016

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	Total
LIABILITIES					
Current Liabilities (Payable from Unrestricted Assets)					
Accounts Payable	\$ 54,069	\$ 947,429	\$	\$	\$ 1,001,498
Accounts Payable - PERS	20,546				20,546
Contracts Payable-Solomon Health Care		22,926,604			22,926,604
Due to County of Bergen	12,164		33,519		45,683
Payroll Taxes Payable	95				95
Accrued Liabilities - Landfill Closure/Postclosure				191,037	191,037
Due to Bergen Regional Medical Center Fund	1,732,898				1,732,898
Due to Bergen Equestrian Center	33,519				33,519
Due to General Fund				44,420	44,420
	<u>1,853,291</u>	<u>23,874,033</u>	<u>33,519</u>	<u>235,457</u>	<u>25,996,300</u>
Current Liabilities (Payable from Restricted Assets)					
Project Bonds Payable	23,771	1,124,585		1,005,000	2,153,356
Accrued Interest on Bonds	71	3,358		61,770	65,199
	<u>23,842</u>	<u>1,127,943</u>	<u>-</u>	<u>1,066,770</u>	<u>2,218,555</u>
Total Current Liabilities	<u>1,877,133</u>	<u>25,001,976</u>	<u>33,519</u>	<u>1,302,227</u>	<u>28,214,855</u>
Non-Current Liabilities:					
Compensated Absences Payable	3,895	35,051			38,946
Net Pension Liability - PERS	684,966				684,966
Project Bonds Payable				3,359,630	3,359,630
Total Non-Current Liabilities	<u>688,861</u>	<u>35,051</u>	<u>-</u>	<u>3,359,630</u>	<u>4,083,542</u>
Total Liabilities	<u>2,565,994</u>	<u>25,037,027</u>	<u>33,519</u>	<u>4,661,857</u>	<u>32,298,397</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - PERS					-
NET POSITION					
Net Investment in Capital Assets	(21,063)	1,345,097		(4,364,630)	(3,040,596)
Restricted For:					
Debt Service	15,072	713,053		293,125	1,021,250
Construction Fund	39	1,842			1,881
Unemployment Trust	3,929				3,929
Unrestricted:					
Designated - Bergen Regional Medical Center		2,749,934			2,749,934
Undesignated	(1,487,064)		-	(353,486)	(1,840,550)
Total Net Position	<u>\$ (1,489,087)</u>	<u>\$ 4,809,926</u>	<u>\$ -</u>	<u>\$ (4,424,991)</u>	<u>\$ (1,104,152)</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	Combined Total
OPERATING REVENUES					
Service Charges - Bergen Regional Medical Center	\$	\$ 222,487,062	\$	\$	\$ 222,487,062
Bergen County Contributions	200,000	2,472,973		1,217,865	3,890,838
Solomon Health Group - Lease		8,733,731			8,733,731
Solomon Health Group - Oversight		362,363			362,363
Miscellaneous	<u>270,025</u>				<u>270,025</u>
Total Operating Revenues	<u>470,025</u>	<u>234,056,129</u>	<u>-</u>	<u>1,217,865</u>	<u>235,744,019</u>
OPERATING EXPENSES					
Administration					
Salaries and Wages	41,604	374,434			416,038
Fringe Benefits	16,938	257,670			274,608
Other Expense	344,439	14,432			358,871
Cost of Providing Services					
Other Expense		230,223,781			230,223,781
Reimbursements to Bergen County		1,307,000			1,307,000
Amortization of Leasehold Improvements		<u>7,493,430</u>			<u>7,493,430</u>
Total Operating Expenses	<u>402,981</u>	<u>239,670,747</u>	<u>-</u>	<u>-</u>	<u>240,073,728</u>
OPERATING INCOME (LOSS)	<u>67,044</u>	<u>(5,614,618)</u>	<u>-</u>	<u>1,217,865</u>	<u>(4,329,709)</u>
NON-OPERATING INCOME (EXPENSES)					
Interest Income	327	23,405		122	23,854
Interest Expense	(1,506)	(71,278)		(244,425)	(317,209)
Interest Transfer to General Fund	50,537	(50,537)			-
Amortization of Discounts, Premiums, Deferred Losses	<u>(3,052)</u>	<u>(144,392)</u>		<u>10,687</u>	<u>(136,757)</u>
Total Non-Operating Income (Expenses)	<u>46,306</u>	<u>(242,802)</u>	<u>-</u>	<u>(233,616)</u>	<u>(430,112)</u>
CHANGE IN NET POSITION	113,350	(5,857,420)	-	984,249	(4,759,821)
Total Net Position, January 1	<u>(1,602,437)</u>	<u>10,667,346</u>	<u>-</u>	<u>(5,409,240)</u>	<u>3,655,669</u>
Total Net Position, December 31,	<u>\$ (1,489,087)</u>	<u>\$ 4,809,926</u>	<u>\$ -</u>	<u>\$ (4,424,991)</u>	<u>\$ (1,104,152)</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Bergen Regional Medical Center	Bergen Equestrian Center	Overpeck Landfill	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$	\$ 222,487,062	\$	\$	\$ 222,487,062
Cash Received from Bergen County	200,000	1,838,164		1,217,865	3,256,029
Cash Received from General Fund		1,530,179			1,530,179
Cash Received from Solomon Health Group		9,096,094			9,096,094
Cash Received from Miscellaneous Fees	392,286				392,286
Cash Paid to Bergen County		(1,307,000)			(1,307,000)
Cash Paid to Bergen Regional Medical Center	(1,530,179)				(1,530,179)
Cash Paid to Suppliers and Others	(326,215)	(235,241,979)			(235,568,194)
Cash Paid to Employees	(41,604)	(374,434)			(416,038)
Net Cash Provided by (Used for) Operating Activities	<u>(1,305,712)</u>	<u>(1,971,914)</u>	<u>-</u>	<u>1,217,865</u>	<u>(2,059,761)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal Payments on Bonds	(57,857)	(2,737,143)		(960,000)	(3,755,000)
Acquisition of Capital Assets		(1,460,554)			(1,460,554)
Interest Paid on Bonds	(1,772)	(83,844)		(257,865)	(343,481)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(59,629)</u>	<u>(4,281,541)</u>	<u>-</u>	<u>(1,217,865)</u>	<u>(5,559,035)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	327	23,405		122	23,854
Net Cash Provided by (Used for) Investing Activities	<u>327</u>	<u>23,405</u>	<u>-</u>	<u>122</u>	<u>23,854</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,365,014)	(6,230,050)	-	122	(7,594,942)
Cash and Cash Equivalents - January 1,	<u>2,071,649</u>	<u>30,186,862</u>	<u>-</u>	<u>113,164</u>	<u>32,371,675</u>
Cash and Cash Equivalents - December 31,	<u>\$ 706,635</u>	<u>\$ 23,956,812</u>	<u>\$ -</u>	<u>\$ 113,286</u>	<u>\$ 24,776,733</u>
ANALYSIS OF BALANCE AT DECEMBER 31					
Unrestricted - Cash and Cash Equivalents	\$ 687,524	\$ 23,238,559	\$	\$ 105,942	24,032,025
Restricted - Cash and Cash Equivalents	<u>19,111</u>	<u>718,253</u>		<u>7,344</u>	<u>744,708</u>
	<u>\$ 706,635</u>	<u>\$ 23,956,812</u>	<u>\$ -</u>	<u>\$ 113,286</u>	<u>24,776,733</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
 (A Component Unit of the County of Bergen)
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General Fund</u>	<u>Bergen Regional Medical Center</u>	<u>Bergen Equestrian Center</u>	<u>Overpeck Landfill</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 67,044	\$ (5,614,618)	\$ -	\$ 1,217,865	(4,329,709)
Adjustments to Reconcile Operating Income (Loss) to Net Cash					
Provided by Operating Activities:					
Amortization of Leasehold Improvements		7,493,430			7,493,430
Adjustment to Pension Expense	58,958				58,958
(Increase)/Decrease in Accounts Receivable	122,261				122,261
(Increase)/Decrease in Due From Bergen County		(634,809)			(634,809)
(Increase)/Decrease in Due From General Fund		1,530,179			1,530,179
(Increase)/Decrease in Due From State of New Jersey	(10,000)				(10,000)
Increase/(Decrease) in Accounts Payable	(17,764)	641,740			623,976
Increase/(Decrease) in Compensated Absences Payable	3,895	35,051			38,946
Increase/(Decrease) in Contracts Payable-Solomon Health Care		(5,422,887)			(5,422,887)
Increase/(Decrease) in Due to General Fund					-
Increase/(Decrease) in Due to Bergen Reg. Medical Center	(1,530,179)				(1,530,179)
Increase/(Decrease) in Payroll Taxes Payable	73				73
Total Adjustments	<u>(1,372,756)</u>	<u>3,642,704</u>	<u>-</u>	<u>-</u>	<u>2,269,948</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (1,305,712)</u>	<u>\$ (1,971,914)</u>	<u>\$ -</u>	<u>\$ 1,217,865</u>	<u>(2,059,761)</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2015)

	2016 Budget	2016 Actual	Variance Excess (Deficit)	2015 Actual
OPERATING REVENUES				
Financing Fees	\$ 115,075	\$ 103,894	\$ (11,181)	\$ 131,940
Annual Administration Fees	162,906	163,294	388	172,484
Miscellaneous	1,700	2,837	1,137	1,872
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	\$ 279,681	\$ 270,025	(9,656)	\$ 306,296
NON-OPERATING REVENUES				
Bergen County Contributions	127,611	200,000	72,389	194,426
Interest Transfers - BRMC	820	50,537	50,537	790
Interest on Investments and Deposits	820	327	(493)	790
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues	128,431	250,864	122,433	195,216
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	408,112	520,889	112,777	501,512
OPERATING APPROPRIATIONS				
ADMINISTRATION				
Salaries and Wages	19,487	41,604	(22,117)	22,012
Fringe Benefits	6,396	16,938	(10,542)	5,207
Other Expenses	322,600	285,481	37,119	268,471
	<hr/>	<hr/>	<hr/>	<hr/>
Total Administration	348,483	344,023	4,460	295,690
NON-OPERATING APPROPRIATIONS				
Principal Payments on Debt	57,857	57,857	-	55,890
Interest Payments on Debt	1,772	1,772	-	3,436
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-Operating Appropriations	59,629	59,629	-	59,326
ACCUMULATED DEFICIT				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Appropriations	408,112	403,652	4,460	375,016
	<hr/>	<hr/>	<hr/>	<hr/>
Total Budgetary Income (Loss)	<u>-</u>	<u>117,237</u>	<u>117,237</u>	<u>126,496</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
BUDGETARY BASIS
 (With Comparative Amounts for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2016</u>	Variance	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>	<u>Actual</u>
			<u>(Deficit)</u>	
Total Budgetary Income (Loss) - Brought forward		117,237		126,496
Reconciliation of Budgetary Income (Loss)				
To Change in Net Position (GAAP)				
Increases to Budgetary Income (Loss):				
Principal Payments on Bonds Payable		57,857		55,890
Accrued Interest Payable (Net)		266		186
Accumulated Deficit Budget Charge				20,000
Decreases to Budgetary Income (Loss):				
Adjustment to Pension Expense		(58,958)		(17,869)
Interest Expense - Original Issue Discount		(345)		(345)
Interest Expense - Deferred Loss on Refunding of Debt		(2,707)		(2,707)
Change in Net Position - GAAP		<u>113,350</u>		<u>181,651</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
BERGEN REGIONAL MEDICAL CENTER
FOR THE YEAR ENDED DECEMBER 31, 2016

BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2015)

	2016 Budget	2016 Actual	Variance Excess (Deficit)	2015 Actual
OPERATING REVENUES				
Service Charges - Bergen Regional Medical Center	\$ 200,000,000	\$ 222,487,062	\$ 22,487,062	\$ 213,923,888
Bergen County Contributions to Operating Costs		1,012,419	1,012,419	1,328,544
Solomon Health Group Lease	8,465,652	8,733,731	268,079	8,397,819
Solomon Health Group Oversight	360,694	362,363	1,669	360,694
Miscellaneous Fees			-	
Total Operating Revenues	<u>\$ 208,826,346</u>	<u>\$ 232,595,575</u>	<u>23,769,229</u>	<u>\$ 224,010,945</u>
NON-OPERATING REVENUES				
Interest on Investments and Deposits	<u>6,797</u>	<u>23,405</u>	<u>16,608</u>	<u>8,058</u>
Total Non-Operating Revenues	<u>6,797</u>	<u>23,405</u>	<u>16,608</u>	<u>8,058</u>
Total Revenues	<u>208,833,143</u>	<u>232,618,980</u>	<u>23,785,837</u>	<u>224,019,003</u>
OPERATING APPROPRIATIONS				
ADMINISTRATION				
Salaries and Wages	303,451	374,434	(70,983)	292,443
Fringe Benefits	100,467	257,670	(157,203)	173,904
Other Expenses	<u>175,000</u>	<u>14,432</u>	<u>160,568</u>	<u>8,191</u>
Total Administration	<u>578,918</u>	<u>646,536</u>	<u>(67,618)</u>	<u>474,538</u>
COST OF PROVIDING SERVICES				
Other Expenses:				
Professional Fees	2,021,000	4,618,244	(2,597,244)	1,185,359
Pastoral Care	190,000	206,022	(16,022)	183,109
Interlocal Agreement with Bergen County - Lease of Hospital Assets	1,914,300	1,900,034	14,266	1,900,034
Contract - Management of Hospital Operations to Solomon Health Group, LLC	200,000,000	221,154,924	(21,154,924)	212,593,298
State of New Jersey Health Care Subsidy		1,332,138	(1,332,138)	1,330,590
Health Benefits for Retirees - Bergen County		<u>1,012,419</u>	<u>(1,012,419)</u>	<u>1,328,544</u>
Total Cost of Providing Services	<u>204,125,300</u>	<u>230,223,781</u>	<u>(26,098,481)</u>	<u>218,520,934</u>
NON-OPERATING APPROPRIATIONS				
Principal Payments on Debt	2,737,144	2,737,143	1	2,644,110
Interest Payments on Debt	83,844	83,844	-	162,532
Contributions to Bergen County	<u>1,307,937</u>	<u>1,307,000</u>	<u>937</u>	<u>2,660,244</u>
Total Non-Operating Appropriations	<u>4,128,925</u>	<u>4,127,987</u>	<u>938</u>	<u>5,466,886</u>
Total Appropriations	<u>208,833,143</u>	<u>234,998,304</u>	<u>(26,165,161)</u>	<u>224,462,358</u>
Total Budgetary Income (Loss)	<u>-</u>	<u>(2,379,324)</u>	<u>(2,379,324)</u>	<u>(443,355)</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
BERGEN REGIONAL MEDICAL CENTER
FOR THE YEAR ENDED DECEMBER 31, 2016
BUDGETARY BASIS

(With Comparative Amounts for the Year Ended December 31, 2015)

	2016 Budget	2016 Actual	Variance Excess (Deficit)	2015 Actual
Total Budgetary Income (Loss) - Brought forward		(2,379,324)		(443,355)
Reconciliation of Budgetary Income (Loss)				
To Change in Net Position (GAAP)				
Increases to Budgetary Income (Loss):				
Bergen County Contribution to Capital Costs		1,460,554		1,608,704
Principal Payments on Bonds Payable		2,737,143		2,644,110
Accrued Interest Payable (Net)		12,566		8,785
Decreases to Budgetary Income (Loss):				
Interest Income Transfer to General Fund		(50,537)		
Interest Expense - Original Issue Discount		(16,300)		(16,300)
Interest Expense - Deferred Loss on Refunding of Debt		(128,092)		(128,092)
Amortization of Leasehold Improvements		(7,493,430)		(7,493,419)
Change in Net Position - GAAP		<u>(5,857,420)</u>		<u>(3,819,567)</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
OVERPECK LANDFILL
FOR THE YEAR ENDED DECEMBER 31, 2016
BUDGETARY BASIS
(With Comparative Amounts for the Year Ended December 31, 2015)

	2016 Budget	2016 Actual	Variance Excess (Deficit)	2015 Actual
OPERATING REVENUES				
Bergen County Contributions	\$ 1,217,865	\$ 1,217,865	\$ -	\$ 1,221,777
Other	6,951		(6,951)	
Total Operating Revenues	<u>\$ 1,224,816</u>	<u>\$ 1,217,865</u>	<u>(6,951)</u>	<u>\$ 1,221,777</u>
NON-OPERATING REVENUES				
Interest on Investments and Deposits	55	122	67	61
Total Non-Operating Revenues	<u>55</u>	<u>122</u>	<u>67</u>	<u>61</u>
Total Revenues	<u>1,224,871</u>	<u>1,217,987</u>	<u>(6,884)</u>	<u>1,221,838</u>
OPERATING APPROPRIATIONS				
ADMINISTRATION				
Other Expenses	5,000		5,000	1,864
Total Administration	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>1,864</u>
COST OF PROVIDING SERVICES				
Other Expenses			-	
Total Cost of Providing Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NON-OPERATING APPROPRIATIONS				
Principal Payments on Debt	960,000	960,000	-	910,000
Interest Payments on Debt	259,871	257,865	2,006	306,777
Total Non-Operating Appropriations	<u>1,219,871</u>	<u>1,217,865</u>	<u>2,006</u>	<u>1,216,777</u>
Total Appropriations	<u>1,224,871</u>	<u>1,217,865</u>	<u>7,006</u>	<u>1,218,641</u>
Total Budgetary Income (Loss)	<u>-</u>	122	<u>122</u>	3,197
Reconciliation of Budgetary Income (Loss)				
To Change in Net Position (GAAP)				
Increases to Budgetary Income (Loss):				
Principal Payments on Bonds Payable		960,000		910,000
Accrued Interest Payable (Net)		13,440		14,266
Interest Expense - Original Issue Premium		10,687		10,687
Change in Net Position - GAAP		<u>984,249</u>		<u>938,150</u>

BERGEN COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Bergen)
HOSPITAL FUND
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Total</u>	<u>Authority Hospital Fund Expenses</u>	<u>County Expenses</u>
<u>Administration:</u>			
Salary and Wages	\$ 374,434	\$ 374,434	\$
Other Expenses:			
Fringe Benefits	257,670	257,670	
Office Expenses	14,432	14,432	
Bergen County Services	-	-	
Total Administrative Expenses	<u>646,536</u>	<u>646,536</u>	<u>-</u>
<u>Cost of Providing Services:</u>			
Salary and Wages	-	-	
Other Expenses:			
Professional Fees	4,618,244	4,618,244	
Health Benefits for Retirees	1,012,419		1,012,419
Miscellaneous	-	-	
Pastoral Care	206,022	206,022	
Interlocal Agreement with Bergen County- Lease of Hospital Assets	1,900,034	1,900,034	
Contract-Management of Hospital Operations to Solomon Health Group, LLC	221,154,924	221,154,924	
State of New Jersey Health Care Subsidy	1,332,138	1,332,138	
Total Cost of Providing Services	<u>230,223,781</u>	<u>229,211,362</u>	<u>1,012,419</u>
Total Operating Expenses	<u>230,870,317</u>	<u>229,857,898</u>	<u>1,012,419</u>
<u>Non-Operating Expenses:</u>			
Amortization Expense	7,637,822	7,637,822	
Interest on Bonds and Notes	71,278	71,278	
Total Non-Operating Expenses	<u>7,709,100</u>	<u>7,709,100</u>	<u>-</u>
	<u>\$ 238,579,417</u>	<u>\$ 237,566,998</u>	<u>\$ 1,012,419</u>

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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, 2016, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit on 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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (Finding 2016-1).



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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

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

Management's Response to Findings

Bergen County Improvement Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

April 25, 2017

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

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016**

FINDING:

2016-01* CONDITION:

The Authority does not maintain a capital asset management accounting and reporting system for its leasehold improvements, and capital assets ledger is not maintained for major equipment purchases.

CRITERIA:

Governmental entities are required by N.J.A.C. 5:30-5.6 to maintain a fixed assets accounting system including a subsidiary ledger of detailed records of fixed assets and the related depreciation.

EFFECT:

Absent or inadequate controls over the safeguarding of assets.

CAUSE:

An inventory of the Authority's fixed assets and leasehold improvements has not been performed.

RECOMMENDATION:

That the Authority implement a capital asset management accounting and reporting system to reflect all fixed assets, leasehold improvements and equipment purchases and the related depreciation.

VIEWS OF RESPONSIBLE OFFICIALS/CORRECTIVE ACTION:

Management is investigating possible solutions to correct this finding.

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

**SCHEDULE OF FINDINGS AND RESPONSES (cont'd)
YEAR ENDED DECEMBER 31, 2016**

2016-02 CONDITION:

Copies of the authority's professional service contracts for the current year were not available for audit.

CRITERIA:

The Local Public Contracts Law and Pay-to-Play law contain various requirements for the awarding of professional service contracts.

EFFECT:

Compliance requirements for the awarding of professional service contracts could not be tested.

CAUSE:

Professional service contracts were not on file at the Authority.

RECOMMENDATION:

That copies of professional service contracts awarded be retained and be available for audit.

VIEWS OF RESPONSIBLE OFFICIALS/CORRECTIVE ACTION:

Copies of professional service contracts will be retained at the Authority.

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

SCHEDULE OF FINDINGS AND RESPONSES (cont'd)
YEAR ENDED DECEMBER 31, 2016

2016-03 CONDITION:

Cash receipts are not stamped with a receipt date, making it difficult to determine compliance with the 48 hour deposit rule.

CRITERIA:

N.J.S.A. 40A:5-15 requires governmental units to deposit all funds received within 48 hours after the receipt thereof.

EFFECT:

Compliance with requirements for the deposit of funds within 48 hours could not be ensured.

CAUSE:

Receipts were not date stamped.

RECOMMENDATION:

That all receipts be marked with the date received in order to facilitate compliance with the requirements of N.J.S.A. 40A:5-15.

VIEWS OF RESPONSIBLE OFFICIALS/CORRECTIVE ACTION:

Receipts will be marked with the date received.

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

SCHEDULE OF FINDINGS AND RESPONSES (cont'd)
YEAR ENDED DECEMBER 31, 2016

2016-04 CONDITION:

The Authority's 2016 conduit debt issues were not recorded in the reconciliation of conduit debt outstanding.

CRITERIA:

For proper internal control, conduit debt issues outstanding should be reconciled to the accounting records to ensure that all issues are recorded and current.

EFFECT:

Disclosures about outstanding conduit debt may be misstated.

CAUSE:

The Authority's 2016 conduit debt issues were not added to the Authority's outstanding conduit debt list.

RECOMMENDATION:

That all outstanding conduit debt issues be added to the outstanding conduit debt list and that the reconciliation to the County annual debt statement be reviewed to ensure that all issues are recorded.

VIEWS OF RESPONSIBLE OFFICIALS/CORRECTIVE ACTION:

Procedures will be implemented to ensure that all current year conduit debt issues are reported.

General Comments

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

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors' formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations." If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$40,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

N.J.S.A. 40A:11-4 states that every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

Effective July 1, 2015, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$40,000.

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months."

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

**GENERAL COMMENTS
(CONTINUED)**

The governing body of the Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Authority Counsel's opinion should be sought before a commitment is made.

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

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

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on prior year's recommendations and corrective action was taken on all items, except for those marked with an "*".

Problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

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

We wish to thank the Bergen County Improvement Authority for their cooperation during the performance of our audit.

Respectfully submitted,



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey