

**HUDSON COUNTY IMPROVEMENT AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2015 AND 2014**

**HUDSON COUNTY IMPROVEMENT AUTHORITY
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YEARS ENDED DECEMBER 31, 2015 AND 2014

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INTRODUCTORY SECTION



Commissioners

Frank Pestana, Chairman
James P. Doran, Ed.D, Vice-Chairman
Stephen J. Gallo, Treasurer
Frank Lorenzo, Secretary
Fred M. Bado
Oren K. Dabney, Sr.
Nicholas Goldsack
Martin T. Martinetti
John A. Peneda

Thomas A. DeGise
County Executive

Chief Executive Officer
Norman M. Guerra

Executive Director/CFO
Kurt A. Cherry

General Counsel
William J. Netchert, Esq.

July 22, 2015

The Honorable Chairman and Commissioners
Hudson County Improvement Authority
Jersey City, New Jersey

State law requires that all local authorities publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America, (“GAAP”), and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report, (“CAFR”), of the Hudson County Improvement Authority, (the “Authority”), for the year ended December 31, 2015.

This report consists of management’s representations concerning the finances of the Authority. We believe it is accurate in all material respects, that is presented in a manner designed to set forth fairly the financial position and results of operations of the Authority as measured by the financial activity of its various programs, and that all disclosures necessary to enable the reader to gain maximum understanding of the Authority’s financial affairs have been included. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority and ultimately with the Board of Commissioners. By utilizing the CAFR format, it is the Authority’s intent to facilitate an understanding by the non-financially oriented system user as well as provide all necessary information for the most sophisticated financial observer.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of Management's Discussion and Analysis, ("MD&A"). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditor.

Organization of Report

The CAFR is presented in several sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this transmittal letter and a list of principal officials. The Financial section includes the independent auditor's report, management's discussion and analysis, the financial statements, including the notes to financial statements. The Statistical section includes selected financial, economic and demographic information, generally presented on a multi-year basis. The Single Audit section includes the auditor's reports covering compliance and internal control and financial reporting, schedules of federal awards and state financial assistance, as well as a schedule of related findings and questioned costs.

Government Structure and Services

The Authority's governing body consists of nine members appointed by the County Executive with advice and consent of Board of Chosen Freeholders of the County of Hudson. Members are appointed for terms of five years.

The Authority was established to provide a wide range of public services, including the provision of solid waste disposal facilities and project financing for governmental and nonprofit entities.

Internal Accounting Controls

Management of the Authority is responsible for establishing and maintaining an adequate internal control structure. In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of the internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits expected to be derived. All internal control evaluations occur within the above framework. We believe the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance for the proper recording of financial transactions.

Basis of Accounting

The Authority's accounting records are maintained on an accrual basis and in accordance with GAAP, as promulgated by the Governmental Accounting Standards Board. The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Annual Budget

The annual budget serves as the foundation for the Authority's financial planning and control. Management prepares a proposed budget, which is presented to the Authority's Board of Commissioners for review and approval. Prior to adoption by the Board of Commissioners, these budgets are reviewed and approved by the State of New Jersey Division of Local Government Services.

Debt Administration

At December 31, 2015, the Authority's outstanding debt issues included \$54,240,000 of pooled loan program bonds, \$176,650,000 of facility lease revenue bonds, \$193,633,000 of guaranteed pooled notes, \$12,118,694 of New Jersey Infrastructure Trust loan program bonds, \$82,365,499 of solid waste system revenue bonds, and \$15,782,550 of property development bonds payable.

Cash Management

The Authority strives to keep abreast of current developments and procedures in cash management to insure efficient and profitable use of available cash resources. The investment policy of the Authority is guided in large part by New Jersey Statutes. Cash is deposited in institutions located in New Jersey which are protected from loss under the provisions of the Governmental Unit Deposit Protection Act, ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. Funds not needed immediately are invested in certificates of deposit or other allowable investments.

Risk Management

The Authority carries various forms of insurance. Coverage includes, but is not limited to: workers' compensation, general liability, automobile liability, property liability and excess public employee/public officials' bonds.

Pension Benefits

Substantially all Authority employees participate in the New Jersey Public Employees Retirement System, ("PERS"). The PERS is a cost-sharing multiple-employer defined pension plan and is administered by the State of New Jersey Division of Pensions. Participants are required to contribute a statutory amount to the PERS. The Authority contributes to the PERS at an actuarially determined rate.

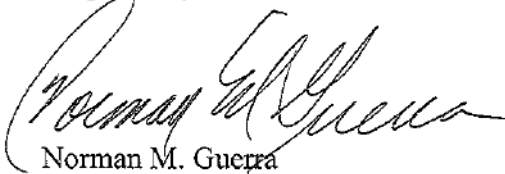
Annual Independent Audit

The Authority's financial statements have been audited by DONOHUE, GIRONDA, DORIA & TOMKINS, LLC. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the year ended December 31, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the year ended December 31, 2015, are fairly presented in conformity with GAAP. The Independent Auditor's Report is included in the financial section of this report.

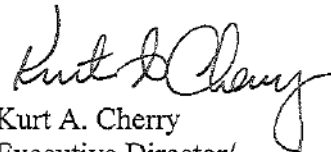
Acknowledgments

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff and the Commissioners of the Authority. We would like to express our appreciation to all those who assisted and contributed to the preparation of this report.

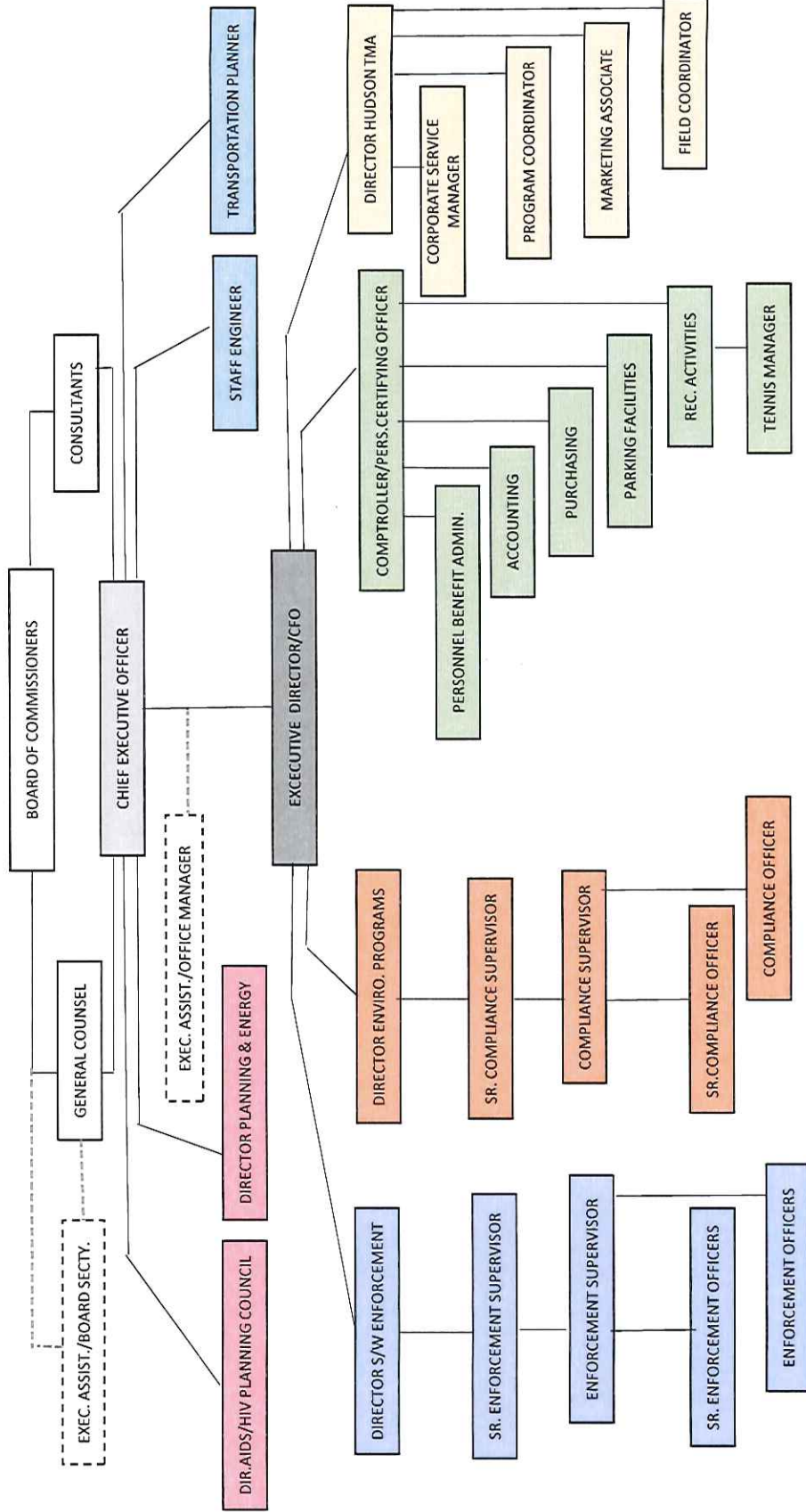
Respectfully submitted,



Norman M. Guerra
Chief Executive Officer



Kurt A. Cherry
Executive Director/
Chief Financial Office



HCIA ORGANIZATIONAL FLOW CHART

HUDSON COUNTY IMPROVEMENT AUTHORITY

ROSTER OF OFFICIALS

DECEMBER 31, 2015

All commissioners are appointed by the County Executive with advice and consent of Board of Chosen Freeholders of the County of Hudson to a five year term. Officers are elected by the commissioners for a one year term. The following individuals held office as of December 31, 2015:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Frank Pestana	Chairman	01/31/20
James Doran, Ed. D.	Vice Chairman	02/01/16
Stephen J. Gallo	Treasurer	02/01/17
Frank Lorenzo	Secretary	02/01/17
Martin T. Martinetti	Commissioner	02/01/18
Fred M. Bado	Commissioner	02/01/14*
Oren K. Dabney, Sr.	Commissioner	02/01/15*
John A. Peneda	Commissioner	02/01/19
Nicholas Goldsack	Commissioner	02/01/20

* Held Over

Other Officials

Norman M. Guerra	Chief Executive Officer
Kurt A. Cherry	Executive Director/ Chief Financial Officer

HUDSON COUNTY IMPROVEMENT AUTHORITY
CONSULTANTS, INDEPENDENT AUDITORS AND ADVISORS
DECEMBER 31, 2015

Engineer

Paulus, Sokolowski, and Santor
67B Mountain Boulevard Extension
Warren, New Jersey 07059

Financial

NW Financial Group
2 Hudson Place
Hoboken, New Jersey 07030

Audit Firm

Donohue, Gironda, Doria & Tomkins, LLC
310 Broadway
Bayonne, New Jersey 07002

Attorney

Netchert, Dineen & Hillman
280 Baldwin Avenue
Jersey City, New Jersey 07306

Official Depository

TD Bank
1066 Broadway
Bayonne, New Jersey 07002

FINANCIAL SECTION

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

Matthew A. Donohue, CPA
Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA

310 Broadway
Bayonne, NJ 07002
(201) 437-9000
Fax: (201) 437-1432
E-Mail: dgd@dgdcpas.com

Linda P. Kish, CPA, RMA
Mark W. Bednarz, CPA, RMA
Jason R. Gironda, CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Hudson County Improvement Authority
Jersey City, New Jersey

We have audited the accompanying financial statements of the Hudson County Improvement Authority (the "Authority"), a component unit of the County of Hudson, New Jersey, which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses and change in net position (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12–23, budgetary comparison information on pages 112-113, and required pension information on pages 115-116 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are also not required parts of the basic financial statements.

The combining financial statements schedules, statement of operations with reconciliation to regulatory basis, and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements schedules and statement of prior year operations with reconciliation to regulatory basis are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

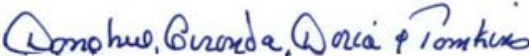
Emphasis of Matter

Adoption of New Accounting Pronouncements

As discussed in Note 3 to financial statements, in 2015 the Authority adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pension* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB No. 68*. For comparative purposes the Authority has accordingly restated the financial statements as of and for the year ended December 31, 2014 with a prior year adjustment of net position. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


DONOHUE, GIRONDA, DORIA
& TOMKINS, LLC

Bayonne, New Jersey
July 22, 2015

Required Supplementary Information

HUDSON COUNTY IMPROVEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2015, 2014 AND 2013

This section of the annual financial statements of the Hudson County Improvement Authority (the "Authority"), a component-unit of the County of Hudson, New Jersey (the "County"), presents Management's Discussion and Analysis of the activities and financial performance of the Authority for the years ended December 31, 2015, 2014 and 2013. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Please read it in conjunction with the Authority's financial statements and accompanying notes.

2015 FINANCIAL HIGHLIGHTS

Cash and investments decreased by \$15,893,761 (19.56%) to \$65,356,976 in 2015 from \$81,250,737 in 2014 and total current assets decreased by \$16,350,024 (5.26%) to \$294,586,570 in 2015 from \$310,936,594 in 2014.

Bonds payable and other liabilities decreased by \$37,767,427 (6.33%) to \$558,639,478 in 2015 from \$596,406,905 in 2014.

Operating revenues increased by \$2,550,072 (5.83%) to \$46,321,736 in 2015 from \$43,771,664 in 2014.

Operating expenses increased by \$3,876,202 (12.48%) to \$34,937,255 in 2015 from \$31,061,053 in 2014.

Income from operations decreased by \$1,326,130 (10.43%) to \$11,384,481 in 2015 from \$12,710,611 in 2014 and the change in net position amounted to an increase of \$7,062,597 in 2015 compared to an increase of \$8,330,909 in 2014.

2014 FINANCIAL HIGHLIGHTS

Cash and investments increased by \$5,534,891 (7.31%) to \$81,250,737 in 2014 from \$75,715,846 in 2013 and total current assets decreased by \$42,491,492 (12.02%) to \$310,936,594 in 2014 from \$353,428,086 in 2013.

Bonds payable and other liabilities decreased by \$56,443,457 (8.65%) to \$596,406,905 in 2014 from \$652,850,362 in 2013.

Operating revenues increased by \$5,429,628 (14.16%) to \$43,771,664 in 2014 from \$38,342,036 in 2013.

Operating expenses increased by \$1,112,438 (3.71%) to \$31,061,053 in 2014 from \$29,948,615 in 2013.

HUDSON COUNTY IMPROVEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2015, 2014 AND 2013

2014 FINANCIAL HIGHLIGHTS (continued)

Income from operations increased by \$4,317,190 (51.44%) to \$12,710,611 in 2014 from \$8,393,421 in 2013 and the change in net position amounted to an increase of \$8,330,909 in 2014 compared to an increase of \$3,978,876 in 2013.

2013 FINANCIAL HIGHLIGHTS

Cash and investments increased by \$8,708,437 (13.00%) to \$75,715,846 in 2013 from \$67,007,409 in 2012 and total current assets increased by \$11,695,765 (3.42%) to \$353,428,086 in 2013 from \$341,732,321 in 2012.

Bonds payable and other liabilities increased by \$15,301,102 (2.40%) to \$652,850,362 in 2013 from \$637,549,260 in 2012.

Operating revenues increased by \$164,694 (0.43%) to \$38,342,036 in 2013 from \$38,177,342 in 2012.

Operating expenses decreased by \$1,547,964 (4.91%) to \$29,948,615 in 2013 from \$31,496,579 in 2012.

Income from operations increased by \$1,712,658 (25.64%) to \$8,393,421 in 2013 from a loss of \$6,680,763 in 2012 and the change in net position amounted to an increase of \$3,978,876 in 2013 compared to an increase of \$1,471,344 in 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a self-supporting entity and follows enterprise fund reporting. The Authority's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Enterprise fund statements reflect short and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business. While detailed sub-fund information is not presented, separate accounts are maintained for each program and certain restricted funds or accounts have been established as required by bond resolutions and agreements. See notes to financial statements for a summary of the Authority's significant accounting policies.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015, 2014 AND 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY

Financial Position. The following table summarizes the assets, liabilities and net position as of December 31, 2015, 2014 and 2013:

	(In \$000s)		
	2015	2014	2013
Current assets	\$ 294,587	\$ 310,936	\$ 353,428
Capital assets	2,696	2,770	2,813
Non-current assets:			
Note receivable	13,051	13,711	14,359
Pooled loan program loans receivable	21,980	24,242	26,241
Net investment in direct financing lease	175,681	188,059	200,283
Total assets	\$ 507,995	\$ 539,718	\$ 597,124
Deferred outflows from resources	\$ 7,113	\$ 6,614	\$ 6,188
Current liabilities (excluding current portion of bonds and notes)	\$ 9,808	\$ 9,827	\$ 10,729
Reserves	2,619	5,003	6,370
Bonds, notes, and capital leases payable:			
Current portion	209,280	211,067	259,980
Long-term portion	325,509	360,931	375,771
	534,789	571,998	635,751
Net pension liability	11,423	9,579	-
Total liabilities	\$ 558,639	\$ 596,407	\$ 652,850
Deferred inflows of resources	\$ 353	\$ 871	\$ 264
Net position			
Net investment in capital assets	\$ 1,584	\$ 1,553	\$ 1,495
Unrestricted	(45,468)	(52,499)	(51,297)
Total net position	\$ (43,884)	\$ (50,946)	\$ (49,802)

The net position deficit results mainly from: (a) the recognition of an impairment in the carrying value of deferred charge related to the resource recovery facility site of approximately \$32 million in 1998; (b) the unanticipated reduction of stranded debt relief aid from the State of New Jersey of \$4.5 million; (c) the subsidized tipping fee rate structure that allows the Authority to remain competitive and maintain the flow of solid waste to the Authority's system; and (d) the adoption of GASB Statement No. 68 and 71 in 2015 and retroactively for 2014, where the Authority had to recognize its proportionate share of its collective net pension liability and deferred inflows and outflows of pension resources.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015, 2014 AND 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

During 2015

In 2015, the Authority issued the following bonds and notes to finance various projects under several lease agreements. It should be noted that the lease and the bonds issued to finance it have the same maturity dates and amounts.

\$17,335,000 County Secured Revenue Refunding Bonds (County Services Building Completion Project), Series 2015.	\$ 17,335,000
\$199,932,000 Hudson County Guaranteed Pooled Notes Series Consisting of \$35,007,000 Hudson County Guaranteed Pooled Notes Series 2015W, \$89,424,000 Hudson County Guaranteed Pooled Notes Series 2015X, and \$75,501,000 Hudson County Guaranteed Pooled Notes Series 2015Y.	<u>\$ 199,932,000</u>
Total	<u>\$ 217,267,000</u>

During 2014

In 2014, the Authority issued the following bonds and notes to finance various projects under several lease agreements. It should be noted that the lease and the bonds issued to finance it have the same maturity dates and amounts.

\$196,314,515 Hudson County Guaranteed Pooled Notes Series Consisting of \$35,218,00 Hudson County Guaranteed Pooled Notes Series 2014T, \$92,925,515 Hudson County Guaranteed Pooled Notes Series 2014U, and \$68,171,000 Hudson County Guaranteed Pooled Notes Series 2014V.	<u>\$ 196,314,515</u>
Total	<u>\$ 196,314,515</u>

During 2013

In 2013, the Authority issued the following bonds and notes to finance various projects under several lease agreements. It should be noted that the lease and the bonds issued to finance it have the same maturity dates and amounts.

\$25,460,000 County Secured Revenue Refunding Bonds (County Services Building Project), Series 2013	\$ 25,460,000
\$19,880,000 County Secured Revenue Bonds (Koppers Site Refinance Completion Project), Series 2013	19,880,000
\$245,893,000 Hudson County Guaranteed Pooled Notes Series Consisting of \$43,764,000 Hudson County Guaranteed Pooled Notes Series 2013P, \$137,326,000 Hudson County Guaranteed Pooled Notes Series 2013Q, \$15,000,000 Hudson County Guaranteed Pooled Notes Series 2013R, and \$49,803,000 Hudson County Guaranteed Pooled Notes Series 2013S.	<u>245,893,000</u>
Total	<u>\$ 291,233,000</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

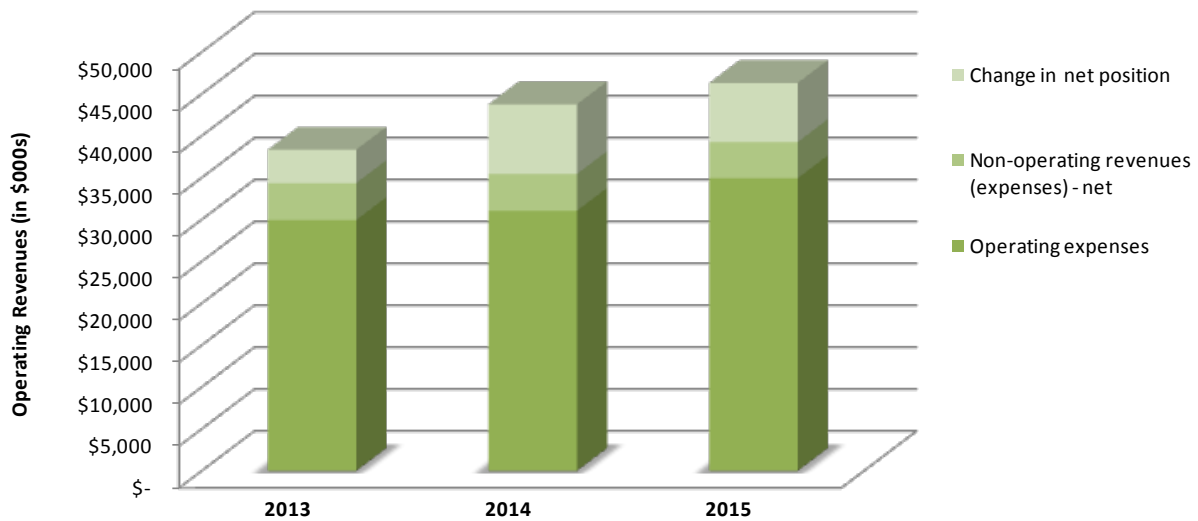
**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015, 2014 AND 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

Results of Operations. The following table summarizes the revenues, expenses and changes in net position for the years ended December 31, 2015, 2014, and 2013:

	(In \$000s)		
	2015	2014	2013
Operating revenues	\$ 46,321	\$ 43,772	\$ 38,342
Operating expenses	34,937	31,061	29,949
Income from operations	11,384	12,711	8,393
Non-operating revenues (expenses) - net	(4,322)	(4,380)	(4,414)
Change in net position	7,062	8,331	3,979
Net position, January 1	(50,946)	(49,802)	(53,781)
Prior year adjustment	-	(9,475)	-
Net position, December 31	<u>\$ (43,884)</u>	<u>\$ (50,946)</u>	<u>\$ (49,802)</u>

Results of Operations as Portion of Operating Revenues



HUDSON COUNTY IMPROVEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2015, 2014 AND 2013

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

During 2015

Operating revenues consisted mainly of tipping fees charged for solid waste services. Tipping fee revenues increased to \$39,039,373 in 2015 from \$37,855,653 in 2014. Tipping fees charged per ton were \$97.54 for the entire year. Additionally, income of \$2,781,299 was recognized from the placement of processed dredge material on the Koppers Site. Operating expenses consisted of solid waste disposal costs increased to \$23,767,746 in 2015 from \$23,606,198 in 2014. The increase is the result of a slight increase in tonnage disposed at Authority designated disposal facilities and the exercise of two one-year contract extensions with a disposal facility at a reduced rate. Please refer to the table on tipping fees below.

During 2014

Operating revenues consisted mainly of tipping fees charged for solid waste services. Tipping fee revenues increased to \$37,855,653 in 2014 from \$36,649,270 in 2013. Tipping fees charged per ton were \$97.54 for the entire year. Additionally, income of \$2,238,004 was recognized from the placement of processed dredge material on the Koppers Site. Operating expenses consisted of solid waste disposal costs increased to \$23,606,198 in 2014 from \$23,148,068 in 2013. The increase is the result of a slight increase in tonnage disposed at Authority designated disposal facilities and the exercise of two one-year contract extensions with a disposal facility at a reduced rate. Please refer to the table on tipping fees below.

During 2013

Operating revenues consisted mainly of tipping fees charged for solid waste services. Tipping fee revenues increased to \$36,649,270 in 2013 from \$36,589,032 in 2012. Tipping fees charged per ton were raised to \$95.63 in 2013 from \$93.75 in 2012. Although tipping fees charged increased \$1.88 per ton, there was only a slight increase in revenue because of a decrease in tonnage disposed. The decrease is attributable to increased recycling enforcement activity and an increase in tonnage being diverted to private materials recovery facilities. Inspections are being conducted periodically to identify failure to recycle violators and to assure subsequent abatement of violations. The effect of increased recycling is to divert waste from the waste stream to recycled material end markets. In addition, some waste is now being disposed at privately owned material recovery facilities as permitted by New Jersey Department of Environmental Protection regulations. The material recovery facilities process waste to recover recyclable materials which are sent to other "end markets" and therefore diverted from the waste stream. Please refer to the table on tipping fees below. Operating expenses consisted of solid waste disposal costs \$23,148,068 in 2013 from \$25,264,172 in 2012. The decrease is the result of reduced tonnage disposed at Authority designated disposal facilities and the exercise of two one-year contract extensions with a disposal facility at a reduced rate.

HUDSON COUNTY IMPROVEMENT AUTHORITY

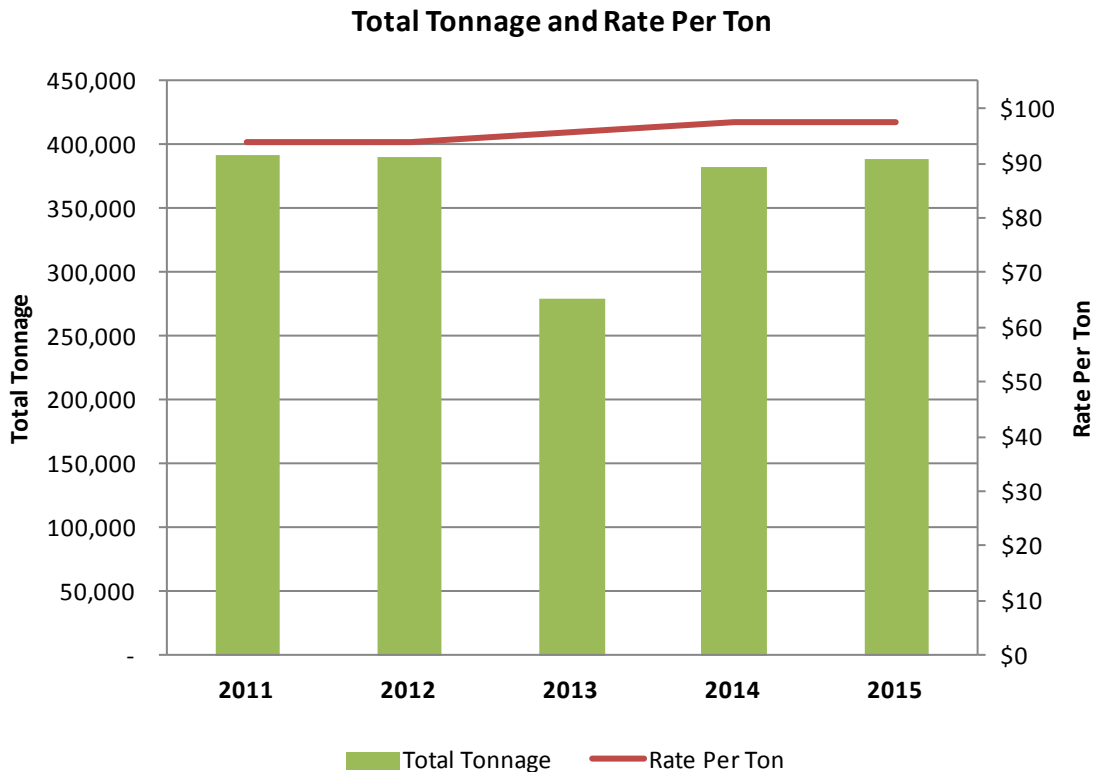
**MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015, 2014 AND 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

Tipping Fees and Tonnage. The tipping fees are established within tariffs approved by the New Jersey Department of Environmental Protection, Division of Solid and Hazardous Waste, Bureau of Solid Waste Regulation. Presented below are the rates charged by the Authority and tonnage processed over the past five years:

Year	Rate Per Ton	Tons			Total
		Type 10	Type 13	Type 27	
2011	93.75	361,441	28,287	2,420	392,148
2012	93.75	354,027	30,701	5,194	389,922
2013	95.63	346,426	29,162	3,141	378,729
2014	97.54	346,245	33,782	3,240	383,267
2015	97.54	363,082	24,346	1,990	389,418

The Authority has been able to remain in a competitive position and has adopted a plan of moderate annual increases in rates as reflected above for years 2011-2015.



HUDSON COUNTY IMPROVEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2015, 2014 AND 2013

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

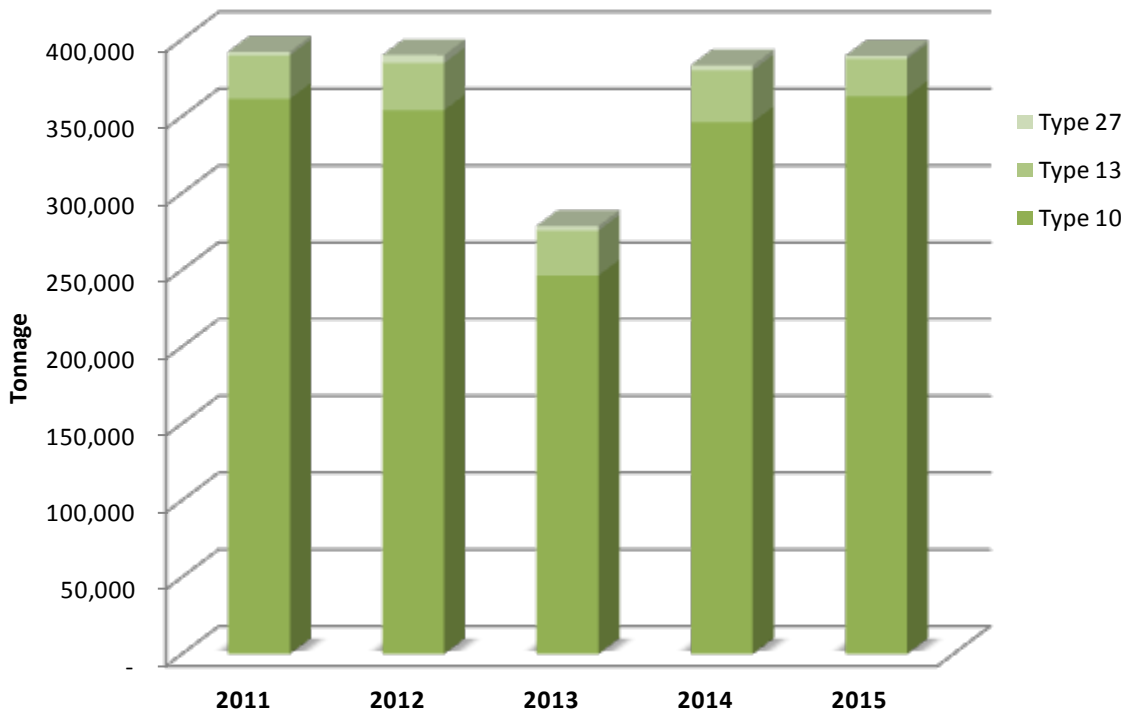
The New Jersey Department of Environmental Protection categorizes solid waste by type. The types are defined as follows:

Type 10 – Municipal (Household, Commercial and Institutional): Waste originating in the community consisting of household waste from private residences, commercial waste which originates in wholesale, retail or service establishments

Type 13 – Bulky Waste: Large items of waste material, such as appliances and furniture, discarded automobiles, trucks and trailers and large vehicle parts including tires. Waste building material and rubble resulting from construction, remodeling, repair and demolition operations on houses, commercial building, pavements and other structures.

Type 27 – Dry Industrial Waste: Waste materials resulting from manufacturing, industrial and research and development processes and operations and which are not hazardous.

Total Tonnage by Type



HUDSON COUNTY IMPROVEMENT AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015, 2014 AND 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Authority's investment in capital assets, which consist of land improvements, leasehold improvements, vehicles and equipment, amounted to \$3,670,891, \$3,520,058 and \$3,428,173 at December 31, 2015, 2014 and 2013, respectively. Accumulated depreciation amounted to \$974,765, \$750,558 and \$614,991 at those respective dates.

The following table summarizes the changes in bonds and notes payable in 2015, 2014 and 2013:

	January 1,	Issuance	Amortization	Payments	December 31,	Due Within One Year
Year ended December 31, 2015						
Essential purpose pooled government loan payable bonds	\$ 74,640,000	\$ -	\$ -	\$ 20,400,000	\$ 54,240,000	\$ -
Facility loan and lease revenue bonds	396,685,509	200,642,000	-	214,925,815	382,401,694	206,720,301
Solid waste revenue bonds:						
Principal	82,395,000	-	-	1,700,000	80,695,000	1,805,000
Original issue premium	1,743,065	-	(72,566)	-	1,670,499	(68,229)
Property development revenue bonds:						
Principal	16,410,000	-	-	740,000	15,670,000	755,000
Original issue premium	124,197	-	(11,647)	-	112,550	(11,281)
Total	\$ 571,997,771	\$ 200,642,000	\$ (84,213)	\$ 237,765,815	\$ 534,789,743	\$ 209,200,791
Year ended December 31, 2014						
Essential purpose pooled government loan payable bonds	\$ 74,640,000	\$ -	\$ -	\$ -	\$ 74,640,000	\$ -
Facility loan and lease revenue bonds	458,031,295	196,314,515	-	257,660,301	396,685,509	208,626,816
Solid waste revenue bonds:						
Principal	83,995,000	-	-	1,600,000	82,395,000	1,700,000
Original issue (discount) premium	1,819,071	-	(76,006)	-	1,743,065	(72,566)
Property development revenue bonds:						
Principal	17,130,000	-	-	720,000	16,410,000	740,000
Original issue premium	136,160	-	(11,963)	-	124,197	(11,646)
Total	\$ 635,751,526	\$ 196,314,515	\$ (87,969)	\$ 259,980,301	\$ 571,997,771	\$ 210,982,604
Year ended December 31, 2013						
Essential purpose pooled government loan payable bonds	\$ 74,640,000	\$ -	\$ -	\$ -	\$ 74,640,000	\$ -
Facility loan and lease revenue bonds	440,933,660	267,223,000	-	250,125,365	458,031,295	257,660,301
Solid waste revenue bonds:						
Principal	85,495,000	-	-	1,500,000	83,995,000	1,600,000
Original issue (discount) premium	1,912,140	-	(93,069)	-	1,819,071	(76,006)
Property development revenue bonds:						
Principal	17,835,000	-	-	705,000	17,130,000	720,000
Original issue premium	148,394	-	(12,234)	-	136,160	(11,963)
Total	\$ 620,964,194	\$ 267,223,000	\$ (105,303)	\$ 252,330,365	\$ 635,751,526	\$ 259,892,332

HUDSON COUNTY IMPROVEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2015, 2014 AND 2013

ECONOMIC OUTLOOK

Since 2009, commercial and residential development in Hudson County has grown to a pace which leads the State of New Jersey and the New York Metropolitan region. Construction activity continues to grow with annual growth of over 4% projected through 2022 on a range of projects throughout the County, leveraging Hudson County's location along the shore of the Hudson River with robust transportation infrastructure linking Manhattan to the east, Newark Airport and New Jersey's suburbs to the west, as well as its central location within the Port of New York - New Jersey. Preparation for continued growth of port traffic following the new Panama Canal opening in June, 2016 is moving toward completion on a broad range of projects. The Bayonne Bridge \$1.5 billion reconstruction project is now actively underway to accommodate these larger ships and more direct trading links to Asia. Global Terminals container port on the Bayonne/Jersey City border has a \$350 million project underway with the Port Authority of NY&NJ doubling capacity and constructing a large intermodal facility to accommodate the "post panamax" traffic. A number of regional and national companies have located new or expanded distribution facilities within the county, creating new jobs. Examples include Goya Foods Inc. 650,000 square feet, \$127 million warehouse and headquarters facility on a Jersey City Brownfield tract for which the company has been awarded an \$82 million state tax break as an incentive to remain in New Jersey. The 800,000 square feet. AMB warehouse in Jersey City has similarly attracted tenants such as Royal Ahold subsidiary Peapod and Imperial Bag and Paper, both key players in the food service and distribution industry. The State of New Jersey has continued to focus its economic incentive programs on supporting numerous eligible projects in Hudson County. Redevelopment of formerly vacant brown fields is a significant source of economic growth for Hudson County, generating new jobs and ratables. The 200 acre brownfield on the Koppers peninsula in Kearny is in the midst of a redevelopment that will support more than 3 million square feet of distribution and high-tech space. Over a billion dollars of investment in state-of-the-art financial data communications facilities has taken place in Hudson County over the past few years, serving as critical infrastructure for the financial industry.

HUDSON COUNTY IMPROVEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2015, 2014 AND 2013

ECONOMIC OUTLOOK (continued)

The "Gold Coast" waterfront stretching along the Hudson River from North Bergen to Bayonne has continued to see an acceleration of multifamily residential construction focused on strong demand for rental housing near commuter rail and ferry service. Beyond the waterfront, that trend extends to large scale residential projects with high occupancy in Secaucus near New Jersey Transit Lautenberg Station and in Harrison at the PATH station linking with Manhattan. The Journal Square Transportation Center in Jersey City is poised as the next hub for growth, with completion of developer KRE Group's \$240 million residential tower which rises 54 stories and includes 540 rental units and ground floor retail space. The developer is making improvements to the area sewer lines and sidewalks, as well as creating and maintaining a new public plaza on the eastern side of the Journal Square PATH station. The developer has received \$33 million in state tax credits for the first tower in a planned three tower, 1500 unit and 100,000 square feet retail project which will anchor the revitalization of the area. Five additional high rise buildings are anticipated to start construction in the Journal Square and McGinley Square sections of Jersey City.

The trend of financial institutions and related services locating in Hudson County has continued in Hudson County because of the easy access to Manhattan and its position as a lower-rent alternative to Manhattan office space. In July, 2016 the New Jersey Economic Development Authority announced agreements for Ernst & Young, Zurich American Insurance Co., Omnicom Group, RVM Enterprises, First Data Corp. and Clover Health each moving to Hudson County together with over 2000 jobs.

"(The) location is particularly attractive based on the rapidly transforming Hudson waterfront submarket, which is benefitting from strong population growth, sustained residential development, expanding cultural/entertainment/retail amenities and a diversification of the local employment base," said Kirk Helgeson, CIO of American Realty Advisors, Bloomberg News, July 19, 2016.

Helgeson also noted that Jersey City is experiencing a population boom. "Jersey City is projected to add nearly 7,500 units by the end of 2017, driving additional economic growth associated with the new residents, service providers, retail and amenities necessary to support a thriving 24/7 (central business district)."

HUDSON COUNTY IMPROVEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2015, 2014 AND 2013

ECONOMIC OUTLOOK (continued)

The trend of financial institutions and related services locating in Hudson County has continued with firms such as the UBS Financial Services, Depository Trust and Clearing Corporation, Cigna Insurance, E*Trade Securities, L.L.C., Lord Abbott & Co., Ameritrade, Goldman Sachs Group, Inc., JP Morgan Chase Bank, Morgan Stanley & Co., Pershing, L.L.C./Mellon Bank, Deutsche Bank, ABN Amro, Marsh USA, Inc. and Citigroup Inc. Hudson County has increasingly become the home for the infrastructure that supports modern financial markets, including industry leader Equinix, Inc.'s "Platform Equinix," NY4 data center in Secaucus. More than 450 customers conduct business within the 340,000 square foot facility, which houses an ecosystem of brokerages, investment banks, hedge funds and firms specializing in high-frequency trading (HFT). The data center was built out in three phases, with each 96,000 square foot data hall support infrastructure. A fiber ring connects NY4 with Equinix's two other facilities in Secaucus, NY2 and NY5. A growing number of other providers to this industry are expanding their presence in Hudson County, while the businesses that rely on such infrastructure increasingly seek to locate in close proximity within Hudson County.

Other industries located in Hudson County include: in the transportation and warehousing industry, The United States Postal Service and National Retail Systems Inc.; in the health care industry, Bayonne Hospital, Hoboken University Medical Center and Jersey City Medical Center; and in educational services, New Jersey City University.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Hudson County residents and taxpayers, and the Authority's customers, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Chief Executive Officer, Hudson County Improvement Authority, 830 Bergen Avenue, Ninth Floor, Jersey City, New Jersey 07306, or visit the Authority's website at: www.hcia.org.

Basic Financial Statements

HUDSON COUNTY IMPROVEMENT AUTHORITY
STATEMENTS OF NET POSITION

	December 31,	
	2015	2014
Assets		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 25,710,782	\$ 20,484,488
Investments	112,135	129,487
Accounts receivable, net of allowance of \$1,514,378 and \$918,219 in 2015 and 2014, respectively	4,472,625	5,029,229
Other accounts receivable	1,802,698	1,799,776
Due from County of Hudson	8,548,755	7,614,779
Prepaid expenses	363,740	344,918
Total unrestricted assets	<u>41,010,735</u>	<u>35,402,677</u>
Restricted assets:		
Cash and cash equivalents	17,579,059	36,771,762
Note receivable	660,625	647,500
Grants receivable	425,470	247,098
Investments	21,955,000	23,865,000
Pooled loan program loans receivable	2,262,000	1,999,112
Net investment in direct financing lease	206,720,301	208,626,816
Interest receivable	2,736,565	2,599,762
Prepaid property development projects	1,075,175	620,227
Prepaid expense and other receivables	8,500	3,500
Repair escrow deposit	153,140	153,140
Total restricted assets	<u>253,575,835</u>	<u>275,533,917</u>
Total current assets	<u>294,586,570</u>	<u>310,936,594</u>
Capital assets	3,670,891	3,520,058
Less accumulated depreciation	(974,765)	(750,558)
Net capital assets	<u>2,696,126</u>	<u>2,769,500</u>
Note receivable (Restricted)	13,050,625	13,711,250
Pooled loan program loans receivable	21,980,000	24,242,000
Net Investment in direct financing lease	175,681,393	188,058,693
Total assets	<u>\$ 507,994,714</u>	<u>\$ 539,718,037</u>
Deferred outflows of resources		
Deferred amount on advance refunding:		
Solid waste revenue bonds	\$ 4,872,450	\$ 5,516,997
Deferred pension liability outflows	2,241,500	1,096,489
Total deferred outflows of resources	<u>\$ 7,113,950</u>	<u>\$ 6,613,486</u>
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 3,498,955	\$ 3,314,918
Payable from restricted assets:		
Accounts payable and accrued liabilities	57,508	162,095
Accrued interest payable	4,481,970	4,378,861
Due to pooled loan participants	342,465	676,861
Facility lease revenue bonds payable	206,720,301	208,626,816
Property development bonds payable	755,000	740,000
Solid waste system revenue bonds payable	1,805,000	1,700,000
Unearned revenues	345,414	368,856
Unearned grant revenues	677,530	681,579
Unearned service revenues	404,532	243,802
Total current liabilities	<u>219,088,675</u>	<u>220,893,788</u>
Noncurrent liabilities:		
Security Deposit	-	50,000
Reserve for property development deposits	2,016,692	3,838,718
Reserve for expenses	602,151	1,114,431
Total noncurrent liabilities	<u>2,618,843</u>	<u>5,003,149</u>
Long-term liabilities:		
Long-term pooled loan program bonds	54,240,000	74,640,000
Facility lease revenue bonds payable	175,681,393	188,058,693
Long-term property development bonds payable	15,027,550	15,794,197
Long-term solid waste system revenue bonds payable	80,560,499	82,438,065
Net pension liability	11,422,518	9,579,013
Total long-term liabilities	<u>336,931,960</u>	<u>370,509,968</u>
Total liabilities	<u>558,639,478</u>	<u>596,406,905</u>
Deferred inflows of resources		
Lease arrangement revenue applicable to future years	\$ 125,000	\$ 300,000
Deferred pension liability inflows	227,828	570,857
Total deferred inflows of resources	<u>\$ 352,828</u>	<u>\$ 870,857</u>
Net Position		
Net investment in capital assets	\$ 1,583,849	\$ 1,553,043
Unrestricted	(45,467,491)	(52,499,282)
Total net position	<u>\$ (43,883,642)</u>	<u>\$ (50,946,239)</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION

	Year ended December 31,	
	2015	2014
Operating revenues:		
Solid waste revenues	\$ 39,039,373	\$ 37,855,653
Administration fee income	3,084,543	948,337
Miscellaneous	4,197,820	4,967,674
	<u>46,321,736</u>	<u>43,771,664</u>
Operating expenses:		
Salaries and wages	3,161,440	3,071,374
Employee benefits	1,899,590	1,472,294
Other expenses	29,652,018	26,300,348
	<u>34,713,048</u>	<u>30,844,016</u>
Depreciation	224,207	217,037
	<u>34,937,255</u>	<u>31,061,053</u>
Income from operations	<u>11,384,481</u>	<u>12,710,611</u>
Non-operating revenues (expenses):		
Grant income	1,203,617	1,240,414
Grant expense	(1,203,617)	(1,240,414)
Interest expense:		
Pooled loan program bonds	(1,388,587)	(861,329)
Financing loan and lease program bonds	(11,159,693)	(12,272,371)
Property development bonds	(604,416)	(620,837)
Solid waste system revenue bonds	(4,264,462)	(4,342,990)
Unrealized gain on investments	(17,352)	6,557
Gain on disposal of capital assets	4,800	7,900
Interest income:		
Financing loan and lease income	11,159,693	12,272,371
Property development note receivable	539,055	553,700
Interest earned on investments	1,074,681	664,882
Pooled loan program expenses, net	334,397	212,415
	<u>(4,321,884)</u>	<u>(4,379,702)</u>
Change in net position	7,062,597	8,330,909
Net position, January 1	(50,946,239)	(49,801,992)
Prior year adjustment to recognize pension liability	-	(9,475,156)
Net position, December 31	<u>\$ (43,883,642)</u>	<u>\$ (50,946,239)</u>

See Accompanying Notes to Financial Statements

HUDSON COUNTY IMPROVEMENT AUTHORITY

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2015	2014
Cash flows from operating activities		
Receipts from:		
Solid waste revenues	\$ 39,756,707	\$ 39,848,268
Administration fees	3,058,179	695,718
Miscellaneous	4,022,820	5,003,674
Payments for:		
Salaries and wages	(3,146,905)	(3,049,601)
Employee benefits	(1,531,427)	(1,497,419)
Other expenses	(30,902,960)	(30,262,392)
Net cash provided by operating activities	<u>11,256,414</u>	<u>10,738,248</u>
Cash flows from noncapital financing activities		
Essential purpose government pooled loan program:		
Loan repayments received from participants	1,999,112	1,975,111
Interest received	1,062,149	656,684
Administration expense paid	(426,159)	(145,555)
Decrease in due to participants	334,396	212,416
Interest paid	(1,391,496)	(861,370)
Payment of principal on bond	(20,400,000)	-
Direct financing loan and lease program:		
Reserve for expenses	(394,898)	799,265
Proceeds from facilities revenue bonds	710,000	-
Interest paid	8,881,636	9,667,547
Payment of principal on bonds	(11,495,000)	(10,960,000)
Investment in direct financing loan and leases	(710,000)	-
Lease repayments received from participants	11,495,000	10,960,000
Lease income received	(8,881,636)	(9,667,547)
Guaranteed pooled note program:		
Proceeds from facilities revenue bonds	193,633,000	196,314,515
Investment in direct financing loan and leases	(193,633,000)	(196,314,515)
NJ Environmental Infrastructure Trust loan program:		
Proceeds from facilities revenue bonds	-	87,832
Proceeds from NJ Environmental Infrastructure Trust	-	(87,832)
Grant income and other non-operating revenue received	1,021,196	1,284,000
Grant expense paid	(1,221,440)	(1,252,491)
Net cash provided by noncapital financing activities	<u>(19,417,140)</u>	<u>2,668,060</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2015	2014
Cash flows from capital and related financing activities		
Administration:		
Reserve for expenses	\$ (117,382)	\$ 83,404
Proceeds from sale of capital assets	4,800	7,900
Additions to capital assets	(33,199)	-
Property development:		
Payments of principal on bonds	(740,000)	(720,000)
Principal received on note receivable	647,500	630,000
Reserve for property development deposits	(1,822,026)	(2,249,621)
Security deposit	(50,000)	-
Interest paid	(618,538)	(634,837)
Interest received on note receivable	541,221	555,482
Solid waste management:		
Payments of principal on bonds	(1,700,000)	(1,600,000)
Additions to capital assets	(117,634)	(173,355)
Interest paid	(3,730,916)	(3,792,915)
Net cash (used in) capital and related financing activities	<u>(7,736,174)</u>	<u>(7,893,942)</u>
Cash flows from investing activities		
Proceeds from investments	1,910,000	1,865,000
Interest received	20,491	15,968
Net cash provided by (used in) investing activities	<u>1,930,491</u>	<u>1,880,968</u>
Increase (decrease) in cash and cash equivalents	(13,966,409)	7,393,334
Cash and cash equivalents, January 1	<u>57,256,250</u>	<u>49,862,916</u>
Cash and cash equivalents, December 31	<u>\$ 43,289,841</u>	<u>\$ 57,256,250</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

EXHIBIT C

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2015	2014
Reconciliation of loss from operations to net cash used in operating activities		
Income from operations	\$ 11,384,481	\$ 12,710,611
Adjustments to reconcile income from operations to net cash used in operating activities:		
Depreciation	224,207	217,037
Changes in assets, liabilities and deferred outflows and inflows:		
Prepaid expenses and other assets	(18,822)	(28,903)
Accounts receivable	556,604	2,237,260
Other accounts receivable	(2,922)	(241,587)
Due from County of Hudson	(933,976)	(3,724,031)
Prepaid property development projects	(454,948)	(302,039)
Unearned revenues	(23,442)	(11,032)
Unearned service revenue	160,730	(244,645)
Deferred lease arrangement revenue	(175,000)	36,000
Accounts payable and accrued liabilities	184,037	89,577
Net pension liability, deferred outflows and inflows	355,465	-
Net cash provided by operating activities	<u>\$ 11,256,414</u>	<u>\$ 10,738,248</u>
Cash and cash equivalents as presented in the statements of net position		
Unrestricted	\$ 25,710,782	\$ 20,484,488
Restricted	17,579,059	36,771,762
	<u>\$ 43,289,841</u>	<u>\$ 57,256,250</u>
Non-cash investing, capital and financing activities:		
Decrease (increase) in allowance provision for uncollectible accounts	\$ 596,159	\$ 85,496
Amortization of deferred amount on advance refunding	644,547	671,081
Amortization of original issue (premium)	(84,213)	(87,969)

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. GENERAL

County Improvement Authorities are public bodies corporate and politic, authorized in 1960 under Chapter 183 of the Pamphlet Laws of 1960 of the State of New Jersey, effective January 16, 1961, as amended and supplemented.

The Board of Chosen Freeholders (the Freeholder Board) of the County of Hudson (the County) created the Hudson County Improvement Authority (the Authority). The County Executive with the advice and consent of the Freeholder Board is responsible for appointing the Authority's Commissioners. The Freeholder Board is responsible for approving all new debt issues of the Authority. Therefore, in accordance with Governmental Accounting Standard Board Statement No. 14, the Authority is considered a component-unit of the County of Hudson.

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

The Authority was established to provide a wide range of public services, including the provision of solid waste disposal facilities and project financing for governmental and nonprofit entities. The Authority's operations consist primarily of the following activities and programs:

Essential Purpose Pooled Government Loan Program

The Authority issued variable rate bonds in 1986 to provide funds to be lent to local governmental units and agencies within the County of Hudson for long-term financing of public facilities

Facility Loan and Lease Financing Program

Through financing leases, the Authority issued bonds and other conduit debt obligations to finance the construction and acquisition of certain County facilities, acquisition of leasehold interest in and construction of improvements to Pershing Road and Pershing Bridge in the Township of Weehawken, renovation and improvement of the City of Bayonne DPW Garage and renovations and improvements to the Town of Harrison Community Center, Annex and fire facilities, acquisition of equipment, construction, renovation, and acquisition of various facilities of a regional fire and rescue operation and acquisition and construction of various waterfront improvements, acquisition of stadium land, the acquisition and renovation of a county services building and the acquisition of the Town of West New York DPW Garage, construction of the Town of Harrison parking facility and infrastructure improvements in the Town of Harrison (Notes 8, 10 and 16). The Authority charges an annual administrative fee based on the outstanding principal of the related bonds.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. GENERAL (Continued)

Guaranteed Pooled Note Program

Through guaranteed pooled notes issued by the Authority, funds were provided to make loans to certain municipalities located within the County of Hudson, the County of Hudson, certain municipal utility and redevelopment Authorities (the “Borrowers”) to refinance certain of the outstanding bond anticipation notes or project notes of the Borrowers, temporarily finance capital projects of the Borrowers, finance tax anticipation notes of a certain Municipal Borrower and pay certain costs of issuance of the Notes and the Borrower Notes. (Note 10)

New Jersey Environmental Infrastructure Loan Program

The Authority was authorized through resolution to act as an applicant for a loan application with the New Jersey Environmental Infrastructure Trust Fund on behalf of the Township of Harrison for the installation of water and storm sewer lines and environmental capping in an area designated Harrison Waterfront Area. The Town of Harrison has a guarantee agreement with the Authority for repayment of the loan. The Authority received approval for permanent financing from the New Jersey Department of Environmental Protection. (Note 10)

Solid Waste Management and General Operations

The County named the Authority as the implementing agency for the County’s Solid Waste Management Plan and designated it as the agency with the responsibility to plan, acquire, construct, maintain and operate facilities throughout the County for the processing, disposal and/or recycling of solid waste, in an environmentally sound manner.

General operations include the transportation management association services to the general public, businesses located in Hudson County and those that may be considering relocating to the area. The Authority is the sponsor and recipient of the federal grant program Highway Planning and Construction passed through the North Jersey Transportation Planning Authority which is the primary funding source of transportation management services.

General operations included overseeing the Construction of a new 9 hole County golf course on behalf of the County. The construction of this facility was completed in 2015 and the Authority is operating the gold course.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. GENERAL (continued)

Summarized financial information for each of these activities and programs is presented below:

	2015				
	Essential Purpose Pooled Government Loan Program	Facility Loan and Lease Program	Guaranteed Pooled Note Program	New Jersey Environmental Infrastructure Loan Program	Solid Waste Management and General Operations
Condensed Statements of Net Position					
Assets:					
Current assets, excluding loans receivable and investment in financing leases	\$ 8,428,594	\$ 1,914,310	\$ 1,011,547	\$ 58,109	\$ 51,463,949
Loans receivable	24,242,000	-	-	-	-
Investments	21,955,000	-	-	-	112,135
Net investment in financing leases	-	176,650,000	193,633,000	12,118,694	-
Capital assets	-	-	-	-	2,696,126
Notes receivable	-	-	-	-	13,711,250
Total assets	\$ 54,625,594	\$ 178,564,310	\$ 194,644,547	\$ 12,176,803	\$ 67,983,460
Deferred outflows of resources:					
Deferred amount on advance refunding	\$ -	\$ -	\$ -	\$ -	\$ 4,872,450
Deferred pension liability outflows	-	-	-	-	2,241,500
Total deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ 7,113,950
Liabilities:					
Current liabilities, excluding bonds payable and capital leases	\$ 371,142	\$ 1,509,943	\$ 1,011,547	\$ 58,109	\$ 6,857,633
Reserves	-	404,367	-	-	2,214,476
Bonds payable	54,240,000	176,650,000	193,633,000	12,118,694	98,148,049
Net pension liability	-	-	-	-	11,422,518
Interfund payable (receivable) – net	14,452	-	-	-	(14,452)
Total liabilities	\$ 54,625,594	\$ 178,564,310	\$ 194,644,547	\$ 12,176,803	\$ 118,628,224
Deferred inflows of resources:					
Lease arrangement revenue	\$ -	\$ -	\$ -	\$ -	\$ 125,000
Deferred pension liability inflows	-	-	-	-	227,828
Total deferred inflows of resources	-	-	-	-	352,828
Net position:					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ 1,583,849
Unrestricted	-	-	-	-	(45,467,491)
Total net position	\$ -	\$ -	\$ -	\$ -	\$ (43,883,642)

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. GENERAL (continued)

	2015				
	Essential Purpose Pooled Government Loan Program	Facility Loan and Lease Program	Guaranteed Pooled Note Program	New Jersey Environmental Infrastructure Loan Program	Solid Waste Management and General Operations
Condensed Statements of Revenues, Expenses and Changes in Net Position					
Operating revenues	\$ -	\$ -	\$ -	\$ -	\$ 46,321,736
Operating expenses	-	-	-	-	(34,713,048)
Depreciation	-	-	-	-	(224,207)
Income from operations	-	-	-	-	11,384,481
Non-operating revenues (expenses):					
Interest expense	(1,388,587)	(8,773,348)	(2,241,778)	(144,567)	(4,868,878)
Interest income	-	8,773,348	2,241,778	144,567	539,055
Interest earned on investment	1,054,190	-	-	-	20,491
Government Pooled Loan Program expenses, net	334,397	-	-	-	-
Unrealized gain on investments	-	-	-	-	(17,352)
Gain on disposal of capital assets	-	-	-	-	4,800
	-	-	-	-	(4,321,884)
Change in net position	-	-	-	-	7,062,597
Net position, January 1	-	-	-	-	(50,946,239)
Net position, December 31	\$ -	\$ -	\$ -	\$ -	\$ (43,883,642)
Condensed Statements of Cash Flows					
Net cash provided by (used in):					
Operating activities	\$ -	\$ -	\$ -	\$ -	\$ 11,256,414
Noncapital financing activities	(18,821,998)	(394,898)	-	-	(200,244)
Capital and related financing activities	-	-	-	-	(7,736,174)
Investing activities	1,930,491	-	-	-	-
Change in interfund payable/receivable, net	(29,362)	(42,055)	-	-	71,417
Increase in cash and cash equivalents	(16,920,869)	(436,953)	-	-	3,391,413
Cash and cash equivalents, January 1	25,249,484	841,320	-	-	31,165,446
Cash and cash equivalents, December 31	\$ 8,328,615	\$ 404,367	\$ -	\$ -	\$ 34,556,859

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. GENERAL (continued)

	2014				
	Essential Purpose Pooled Government Loan Program	Facility Loan and Lease Program	Guaranteed Pooled Note Program	New Jersey Environmental Infrastructure Loan Program	Solid Waste Management and General Operations
Condensed Statements of Net Position					
Assets:					
Current assets, excluding loans receivable and investment in financing leases	\$ 25,352,422	\$ 2,459,551	\$ 752,685	\$ 61,755	\$ 47,042,266
Loans receivable	26,241,112	-	-	-	-
Investments	23,865,000	-	-	-	129,487
Net investment in financing leases	-	187,435,000	196,314,515	12,935,994	-
Capital assets	-	-	-	-	2,769,500
Notes receivable	-	-	-	-	14,358,750
Total assets	\$ 75,458,534	\$ 189,894,551	\$ 197,067,200	\$ 12,997,749	\$ 64,300,003
Deferred outflows of resources:					
Deferred amount on advance refunding	\$ -	\$ -	\$ -	\$ -	\$ 5,516,997
Deferred pension liability outflows	-	-	-	-	1,096,489
Total deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ 6,613,486
Liabilities:					
Current liabilities, excluding bonds payable and capital leases	\$ 795,209	\$ 1,618,231	\$ 752,685	\$ 61,755	\$ 6,599,092
Reserves	-	799,265	-	-	4,203,884
Bonds payable	74,640,000	187,435,000	196,314,515	12,935,994	100,672,262
Net pension liability	-	-	-	-	9,579,013
Interfund payable (receivable) – net	23,325	42,055	-	-	(65,380)
Total liabilities	\$ 75,458,534	\$ 189,894,551	\$ 197,067,200	\$ 12,997,749	\$ 120,988,871
Deferred inflows of resources					
Lease arrangement revenue	\$ -	\$ -	\$ -	\$ -	\$ 300,000
Deferred pension liability inflows	-	-	-	-	570,857
Total deferred inflows of resources	-	-	-	-	870,857
Net position:					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ 1,553,043
Unrestricted	-	-	-	-	(52,499,282)
Total net position	\$ -	\$ -	\$ -	\$ -	\$ (50,946,239)

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. GENERAL (continued)

	2014				
	Essential Purpose Pooled Government Loan Program	Facility Loan and Lease Program	Guaranteed Pooled Note Program	New Jersey Environmental Infrastructure Loan Program	Solid Waste Management and General Operations
Condensed Statements of Revenues, Expenses and Changes in Net Position					
Operating revenues	\$ -	\$ -	\$ -	\$ -	\$ 43,771,664
Operating expenses	-	-	-	-	(30,844,016)
Depreciation	-	-	-	-	(217,037)
Income from operations	-	-	-	-	12,710,611
Non-operating revenues (expenses):					
Interest expense	(861,329)	(9,575,004)	(2,544,342)	(153,025)	(4,963,827)
Interest income	-	9,575,004	2,544,342	153,025	553,700
Interest earned on investment	648,914	-	-	-	15,968
Government Pooled Loan Program expenses, net	212,415	-	-	-	-
Unrealized gain on investments	-	-	-	-	6,557
Gain on disposal of capital assets	-	-	-	-	7,900
	-	-	-	-	(4,379,702)
Change in net position	-	-	-	-	8,330,909
Net position, January 1	-	-	-	-	(49,801,992)
Prior year adjustment to recognize pension liability	-	-	-	-	(9,475,156)
Net position, December 31	\$ -	\$ -	\$ -	\$ -	\$ (50,946,239)
Condensed Statements of Cash Flows					
Net cash provided by (used in):					
Operating activities	\$ -	\$ -	\$ -	\$ -	\$ 10,738,248
Noncapital financing activities	1,837,286	799,265	-	-	31,509
Capital and related financing activities	-	-	-	-	(7,893,942)
Investing activities	1,880,968	-	-	-	-
Change in interfund payable/receivable, net	53,878	42,055	-	-	(95,933)
Net increase	3,772,132	841,320	-	-	2,779,882
Cash and cash equivalents, beginning of year	21,477,352	-	-	-	28,385,564
Cash and cash equivalents, end of year	\$ 25,249,484	\$ 841,320	\$ -	\$ -	\$ 31,165,446

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

2. SOLID WASTE OPERATIONS

As described in Note 1, the Authority is responsible for implementing the County's Solid Waste Management Plan (the "Plan"), which is amended from time to time to respond to economic, regulatory and other developments affecting the collection and disposal of solid waste generated within the County. The Plan initially included the construction of a State mandated resource recovery facility (the "Facility") and the land-filling of solid waste during the development and construction of the Facility. The State mandate required that each county, including Hudson, utilize a disposal facility located within the county. At various times, the Authority issued bonds to finance the solid waste operations and disposal facilities identified in the Plan. In 1993, the Authority abandoned the resource recovery project ("RRF Project").

Prior to December 1, 1997, solid waste generated in the County was required to be delivered to disposal facilities designated under the Plan. As of that date, the Authority had accumulated more than \$65 million in deferred project costs, which consisted mainly of expenditures incurred on the acquisition and development of the Koppers site, the location previously proposed for the RRF Project. The Authority had expected to recover these costs through tipping fees on solid waste services and from other revenues generated by the Authority. As a result of a rescission of the State mandate regarding use of county facilities, the Authority was required to make several changes to the Plan, including the negotiation of several contracts to assure the orderly transportation of solid waste, provide adequate disposal capacity at reduced rates and the restructuring of tipping fees at competitive levels to attract the continued flow of waste to the Authority's solid waste system. Such changes also ultimately resulted in the County's acquisition of a property interest in Koppers site by payment of \$33,000,000 to the Authority, and the write-off of approximately \$32 million of costs deemed unrecoverable from tipping fees in 1998.

Under existing market conditions and the regulatory environment, it is not presently determinable if the solid waste operations will generate sufficient revenues to meet its operating, maintenance, administrative and debt service costs. It is also not currently determinable if changes will occur as to enable the Authority to establish adequate tipping fees, reduce operating expenses, or continue to obtain steady sources of funding that will adequately support the solid waste operations on a long-term basis. The Authority has used available funds and anticipates utilizing non-solid waste services revenues to support the tipping fees.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements and Presentation

The accounting and reporting policies of the Authority conform to the accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the statement of revenues, expenses and changes in net position present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

On August 26, 1983, the State of New Jersey enacted P.L. 1983, Chapter 313, providing for a State review of the financial operations of local authorities. The responsibility for this review was given to the Local Finance Board and the Division of Local Government Services of the Department of Community Affairs (DCA). In July 1984, the Governmental Accounting Standards Board (GASB) became the promulgator of standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities. GASB Statement No. 20 recognizes that the accounting and financial reporting activities of Authorities are considered to be proprietary activities. In accordance with Statement No. 20, the Authority has applied all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements that were issued prior to November 30, 1989. The Authority has elected not to apply FASB pronouncements issued after that date unless they have specifically been made applicable by the GASB.

The Authority's financial statements are presented in accordance with GASB Statement No. 34 "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*"

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from solid waste management and general operations, including its administration of the pooled loan and facility loan and lease financing programs. Operating revenues consist of solid waste revenues (generally tipping fees and other charges) and program administration fees. Operating expenses include personnel costs, costs of solid waste disposal, general and administrative expenses and depreciation. Non-operating revenues and expenses consist of interest and related financing costs associated with debt issued by the Authority, grant income and expenses, state aid and all other revenue and expense items not meeting the definition of operating revenues and expenses.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The State Division of Local Government Services requires that an annual budget be adopted to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Authority and approved by the Division per N.J.S.A. 40A:4 et. seq. The Division does not require over-expenditures of individual line items to be raised in succeeding year budgets. If the Authority incurs a deficit in any year, it is required to fund the deficit in the next year's budget. A reconciliation of the budgetary accounting information to GAAP information is summarized in the Other Supplementary Information Schedule 3.

Cash Equivalents and Investments

For the purposes of the Statement of Cash Flows, cash and cash equivalents include all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 4.

Receivables

Solid Waste Revenue is recorded when billed by the Authority and an allowance for uncollectible accounts has been established for that part of the receivable recorded at year end that the Authority estimates could ultimately prove to be uncollectible. In 2010 the Authority changed its policy regarding intergovernmental penalty charges and any intergovernmental receivables resulting from such charges were adjusted through their respective allowances.

Inventory

Purchases of materials and supplies are expensed when purchased. The Authority does not maintain an inventory of these purchases. The balance on hand of these items at December 31, 2015 and 2014 was not material.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

In order to comply with the requirements of the "New Jersey Local Authorities Accounting Principles and Auditing Standards Manual," the Authority has valued capital assets at historical cost and has recorded depreciation thereon (see Note 9).

The capitalization threshold for capital assets is \$1,000. Depreciation is determined on a straight-line basis for all capital assets over their estimated useful lives, which range from three to five years.

Restricted Assets

Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets. Restricted assets also include grants receivable, pooled loan program loans receivable, net investment in direct financing loans and leases and interest receivable related to restricted cash equivalents and investments.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows of Resources

Decreases in net position that relate to future periods are reported as deferred outflows of resources in a separate section of the statement of net position. Deferred outflows of resources is reported for the deferred amount arising from the advance refunding of solid waste revenue bonds. This deferred advance refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. Deferred outflow of resources is also reported for pension resources.

Deferred Inflows of Resources

Increases in net position that relate to future periods are reported as deferred inflows of resources in a separate section of the statement of net position. Related revenues are not recognized until a future event occurs. Deferred inflows of resources are reported for deferred lease arrangement revenue applicable to future years and deferred pension resources.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Net Investment in Direct Financing Loan and Leases

The net investment in direct financing loan and leases is carried at the present value of future interest and principal payments to be received from the lessees to satisfy the debt service requirement.

Compensated Absences

Policy regarding sick time permits employees to accumulate earned but unused sick time, with certain limitations. The liability for these compensated absences is recorded as long-term debt in the statement of net position. Authority employees cannot accumulate vacation time (see Note 13).

Net Position

Net position is divided into three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

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

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The net position (deficit) of (\$43,883,642) and (\$50,946,239) for the years ended December 31, 2015 and 2014, respectively, exist resulting from the recognition of an impairment in the carrying value of deferred charge related to the resource recovery facility site of approximately \$32 million in 1998 and the retroactive recognition of the Authority’s net pension liability of approximately \$9.5 million in 2014.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. There were no direct-response advertising costs for 2015 and 2014.

Adoption of New Accounting Pronouncement

The Authority has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB No. 68*. GASB No. 68 and No. 71 require participating employers in pension plans to recognize their proportionate share of their collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions.

As a result the financial statements for the year ended December 31, 2014 have been restated with a prior year adjustment to net position in the statement of revenue, expenses and changes in net position to recognize prior year net pension liability of \$9,475,156. On the statement of net position, the net pension liability of \$9,579,013, a deferred outflow of pension liability of \$1,096,489, and a deferred inflow of pension liability of \$570,857 was recognized. Also, \$421,775 of current pension liability was recognized as an accrual of accounts payable.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

4. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Deposits

It is the Authority's policy to only deposit and invest funds with financial institutions located in the State of New Jersey which are insured as a part of the Governmental Unit Deposit Protection Act (GUDPA).

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized
- b. Collateralized with securities held by the pledging financial institution
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name

Foreign currency risk is the risk that changes in exchange rates will adversely affect deposits. The Authority does not invest in foreign currency.

As of December 31, 2015 and 2014, none of the Authority's bank balances of \$43,622,491 and \$57,493,922, respectively, were exposed to custodial credit risk or foreign currency risk.

The Authority's deposits are summarized as follows:

	2015	2014
Insured – FDIC	\$ 750,000	\$ 750,000
Insured – GUDPA	42,872,491	56,743,922
	<u>\$ 43,622,491</u>	<u>\$ 57,493,922</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

4. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Investments

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the Authority or bonds or other obligations of school districts of which the Authority is a part or within which the school district is located.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Management Program.
- New Jersey Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to the following conditions: 1) the underlying securities are permitted investments, 2) the custody of the collateral is transferred to a third party, 3) the maturity of the agreement is not more than 30 days, 4) the underlying securities are purchased through GUDPA approved bank or through a securities broker-dealer which is registered with the New Jersey Bureau of Securities.
- Obligations issued by the state its agencies.

As of December 31, 2015 and 2014 the Authority had \$112,135 and \$129,487 in equity securities and \$21,955,000 and \$23,865,000 in County Bonds, respectively.

The activity in investments in County Bonds for the year ended December 31, 2015 is summarized as follows:

	December 31, 2014	Purchased	Payments Received	December 31, 2015	Due Within One Year
Year ended December 31, 2015					
Investment in County Bonds					
County Secured Revenue Bonds					
(Koppers Site Refinance Completion Project):					
\$6,265,000 Series 2012	\$ 5,425,000	\$ -	\$ 435,000	\$ 4,990,000	\$ 445,000
\$19,880,000 Series 2013	18,440,000	-	1,475,000	16,965,000	1,515,000
Investment in County Bonds	<u>\$ 23,865,000</u>	<u>\$ -</u>	<u>\$ 1,910,000</u>	<u>\$ 21,955,000</u>	<u>\$ 1,960,000</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

4. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Investments (continued)

The activity in investments in County Bonds for the year ended December 31, 2014 is summarized as follows:

	December 31, 2013	Purchased	Payments Received	December 31, 2014	Due Within One Year
Year ended December 31, 2014					
Investment in County Bonds					
County Secured Revenue Bonds					
(Koppers Site Refinance Completion Project):					
\$6,265,000 Series 2012	\$ 5,850,000	\$ -	\$ 425,000	\$ 5,425,000	\$ 435,000
\$19,880,000 Series 2013	19,880,000	-	1,440,000	18,440,000	1,475,000
Investment in County Bonds	<u>\$ 25,730,000</u>	<u>\$ -</u>	<u>\$ 1,865,000</u>	<u>\$ 23,865,000</u>	<u>\$ 1,910,000</u>

Investment in County Secured Revenue Bonds, Series 2012

On May 1, 2012, the Authority purchased from itself callable County Secured Revenue Bonds, Series 2012 (Koppers Site Refinance Completion Project) (the “Series 2012 Bonds”) (Note 10) as an Investment Obligation under the Bond Reserve Fund of the Essential Purpose Pooled Loan Bond Program.

The investment in the Series 2012 Bonds dated May 1, 2012 bear an interest rate at 2.5% a year due semiannually and annual principal payments from 2015 to 2025 (final maturity) in amounts ranging from \$435,000 to \$555,000.

The investment maturity schedule of the Investment in County Secured Revenue Bonds, Series 2012 is as follows:

	Principal	Interest (2.50%)
2016	\$ 445,000	\$ 119,187
2017	455,000	107,938
2018	470,000	96,375
2019	480,000	84,500
2020	490,000	72,375
2021-2025	2,650,000	168,875
	<u>\$ 4,990,000</u>	<u>\$ 649,250</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

4. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Investments (continued)

Investment in County Secured Revenue Bonds, Series 2013

On May 1, 2013, the Authority purchased from itself callable County Secured Revenue Bonds, Series 2013 (Koppers Site Refinance Completion Project) (the "Series 2013 Bonds") (Note 10) as an Investment Obligation under the Bond Reserve Fund of the Essential Purpose Pooled Loan Bond Program.

The investment in the Series 2013 Bonds dated May 1, 2012 bear an interest rate at 2.5% a year due semiannually and annual principal payments from 2015 to 2025 (final maturity) in amounts ranging from \$1,475,000 to \$1,895,000.

The investment maturity schedule of the Investment in County Secured Revenue Bonds, Series 2013 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest (2.50%)</u>
2016	\$ 1,515,000	\$ 405,188
2017	1,550,000	366,875
2018	1,590,000	327,625
2019	1,630,000	287,375
2020	1,670,000	246,125
2021-2025	9,010,000	574,375
	<u>\$ 16,965,000</u>	<u>\$ 2,207,563</u>

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the Authority's name, and are held by either:

- a. The counterparty or
- b. The counterparty's trust department or agent but not in the Authority's name

Foreign currency risk is the risk that changes in exchange rates will adversely affect investments. The Authority does not have investments denominated in foreign currency.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

4. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Investments (continued)

At December 31, 2015 and 2014, the Authority’s investments were not exposed to custodial credit risk or foreign currency risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority does not have an investment policy regarding the management of credit risk. GASB Statement No. 40 requires that the Authority disclose the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. At December 31, 2015 and 2014 the Authority’s investments in its own County Secured Revenue Bonds were unrated.

C. Concentration of Credit Risk

The Authority places no formal limits on the amount the Authority may invest in any one issue. At December 31, 2015 and 2014, the majority of the Authority’s investments were in its own callable County Secured Revenue Bonds totaling 99.5% of investments and a small percentage of investments were in equity securities totaling .5% of investments.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. At December 31, 2015 the Authority’s exposure to interest rate risk was limited to investments in its own callable County Secured Revenue Bonds as follows:

<u>Type of Investment:</u>	<u>Fair Value</u>	<u>Less Than</u> <u>1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>Over 10 Years</u>
County Secured Revenue Bonds	\$ 21,955,000	\$ 1,960,000	\$ 10,555,000	\$ 9,440,000	\$ -

5. RESTRICTED ACCOUNTS

In accordance with the general bond resolution of the Series 1998 Solid Waste System Revenue Bonds (the “Series 1998 Bonds”) and subsequently, the Series 2010 Solid Waste System Revenue Bonds (the “Series 2010 Bonds), the Authority established and created the following funds:

Revenue Fund	Operating Reserve Fund
Bond Service Fund	General Fund
Bond Reserve Fund	County Repayment Fund

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

5. RESTRICTED ACCOUNTS (continued)

Revenue Fund

The Revenue Fund is held by the Authority. All Solid Waste System revenues are deposited into the Revenue Fund account.

Bond Reserve Fund

The Bond Reserve Fund was established to secure payment of principal and interest equally and ratably on all Series 2010 and Series 1998 Bonds for the years ended December 31, 2010 and 2009, respectively. If at any time there is a deficiency to pay the principal or any Sinking Fund Installment or interest on the Series 2010 Bonds, the Trustee is required to withdraw an amount which is sufficient to make up such deficiency from the Bond Reserve Fund. Amounts on deposit in the Bond Reserve Fund account in excess of the Bond Reserve Requirement may be withdrawn and deposited into the General Fund. The following amounts were on deposit in the Bond Reserve Fund account as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 6,007,509	\$ 6,006,871
Bond reserve requirement	6,000,000	6,000,000
Excess	<u>\$ 7,509</u>	<u>\$ 6,871</u>

The County guaranty of the Series 2010 Bonds (the “County Guaranty”) provides that if funds on deposit in the Bond Service Fund or Bond Reserve Fund are not sufficient to provide for the payment of principal and interest on the Series 2010 Bonds the County will pay such deficiency to the Trustee to pay the principal of and interest on the Bonds. All County Guaranty Funds received by the Authority pursuant to enforcement of the County Guaranty shall be deposited promptly by the Authority into the fund accounts held by the Trustee.

Operating Reserve Fund

The Operating Reserve Fund was established to fund shortfalls in operating expenses. The operating reserve requirement for the Series 2010 and Series 1998 Bonds at December 31, 2015 and 2014, respectively, was determined to be \$0 and no amounts were on deposit in the Operating Reserve Fund account. Amounts in the Operating Reserve Fund account may be withdrawn to fund operations as requisitioned by the Authority. The operating reserve requirement is determined by a financial consultant and as the amount that is reasonably necessary as a reserve to fund shortfalls in operating expenses as stated in a certificate executed annually by the independent consulting engineer.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

6. NOTE RECEIVABLE

On November 30, 2011, the Authority purchased property located at 830 Bergen Avenue, Jersey City, New Jersey containing approximately 110,000 square feet of office space and associated parking for approximately one hundred and fifty cars (the "Property") and converted the Property into two condominiums. The Authority retained one of the condominiums consisting of one floor of office space and a 12.5% interest in the Property and the second condominium was sold to the County consisting of seven floors of office space and an 87.5% interest in the Property pursuant to an installment purchase agreement.

The Property acquisition was financed by \$17,835,000 County-Guaranteed Special Acquisition Bonds, Series 2011 (Property Development Bonds) issued by the Authority (see Note 10). Pursuant to the installment purchase agreement, the County will make installment payments to the Authority for its ownership interest in the Property at an equal 87.5% of the debt service on the Property Development Bonds as they come due. The note receivable portion derived from County portion of the Property Development Bonds is \$13,711,250 at December 31, 2015.

The note receivable receipt schedule is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest (2.125 - 5.00%)</u>
2016	\$ 660,625	\$ 523,895
2017	678,125	509,857
2018	691,250	493,751
2019	713,125	475,606
2020	730,625	454,213
2021-2025	4,125,625	1,811,403
2026-2030	4,983,125	949,725
2031-2035	1,128,750	56,438
	<u>\$ 13,711,250</u>	<u>\$ 5,274,888</u>

Reserve for Property Development Deposits

The Authority is currently holding \$2,016,692 of the County note proceeds at December 31, 2015 that are reserved for the property development. In the instance that the deposits are not spent on the property development they will be utilized to pay down the note receivable.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

7. POOLED LOAN PROGRAM LOANS RECEIVABLE

These consisted of the following loans to various governmental agencies in the County:

	<u>2015</u>	<u>2014</u>
Variable rate loans	\$ 24,242,000	\$ 26,241,112
Less current portion	2,262,000	1,999,112
Long term portion	<u>\$ 21,980,000</u>	<u>\$ 24,242,000</u>

The loans bear interest at the same interest rates paid on the corresponding variable bonds (Note 10). In addition, the Authority charges each participant the costs of administering the program, which include fees of the Authority, remarketing agent, letter of credit bank, financial advisor, program administrator and bond counsel.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

8. NET INVESTMENT IN DIRECT FINANCING LOAN AND LEASES

The proceeds from facilities loan and lease revenue bonds issued by the Authority (Note 10) are used to finance projects that are related to the Authority and the County. These are treated as direct financing loans and leases and are recorded at the present value of the minimum lease payments determined at the time of the issuance of the bonds. The following is a schedule of the future minimum payments (excluding the annual administrative fees) over the terms of the respective loan or leases:

	December 31, 2015			
	Future Minimum Lease Payments	Amount Representing Interest	Amount Representing Principal (Present Value)	Due Within One Year
Facility and Loan Lease Program:				
Hudson County Facilities and Hospital Remediation:				
Series 1997	\$ 25,209,636	\$ 7,824,636	\$ 17,385,000	\$ 1,235,000
Series 2010	64,367,756	15,327,756	49,040,000	3,905,000
County Administration Building	2,839,937	194,937	2,645,000	2,645,000
County Services Building Project				
Refunding Series 2013	34,836,818	9,921,818	24,915,000	825,000
County Services Building Completion Project:				
Series 2007	10,730,075	4,230,075	6,500,000	735,000
Refunding Series 2015	24,398,394	7,063,394	17,335,000	200,000
Hudson County Command Center Project				
Series 2010	30,645,448	10,945,448	19,700,000	200,000
Hudson County Lincoln Park Golf Course				
Project Series 2011	22,569,097	10,129,097	12,440,000	195,000
County Guaranteed Renewable Energy				
Series 2012A	6,040,242	1,305,242	4,735,000	365,000
County Secured Koppers Site Refinance Completion Project:				
Series 2012	5,639,250	649,250	4,990,000	445,000
Series 2013	19,172,563	2,207,563	16,965,000	1,515,000
Guaranteed Pooled Note Program:				
Hudson County Guaranteed Pooled Notes				
Pooled Notes Series 2015W	33,317,343	337,343	32,980,000	32,980,000
Pooled Notes Series 2015X	86,347,038	1,195,038	85,152,000	85,152,000
Pooled Notes Series 2015Y	76,782,324	1,281,324	75,501,000	75,501,000
NJ Environmental Infrastructure Trust Program:				
NJ Environmental Infrastructure Trust				
Water	1,433,661	119,975	1,313,686	89,413
Sewer	11,784,984	979,976	10,805,008	732,888
	<u>\$ 456,114,566</u>	<u>\$ 73,712,872</u>	<u>\$ 382,401,694</u>	<u>\$ 206,720,301</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

8. NET INVESTMENT IN DIRECT FINANCING LOAN AND LEASES (continued)

The schedule of the future minimum payments for each of the loan and leases matches the debt service schedule for the underlying bonds as set forth in Note 10. The terms of the leases and related agreements generally require the lessors or borrowers to make lease or principal payments to the Authority in such amounts and on such dates as to enable the Authority to pay the debt service due on the bonds and notes in a timely manner. In addition, the leases and loans terminate upon the full payment of the related bonds and notes.

	December 31, 2014			
	Future Minimum Lease Payments	Amount Representing Interest	Amount Representing Principal (Present Value)	Due Within One Year
Facility and Loan Lease Program:				
Hudson County Facilities and Hospital Remediation:				
Series 1997	\$ 27,728,840	\$ 9,193,840	\$ 18,535,000	\$ 1,150,000
Series 2010	70,802,340	18,037,340	52,765,000	3,725,000
County Administration Building	5,681,544	571,544	5,110,000	2,465,000
County Services Building Project:				
Series 2005A	732,875	17,875	715,000	715,000
Refunding Series 2013	35,855,756	10,865,756	24,990,000	75,000
County Services Building Completion Project	37,616,596	13,791,596	23,825,000	700,000
Hudson County Command Center Project				
Series 2010	32,083,520	12,183,520	19,900,000	200,000
Hudson County Lincoln Park Golf Course				
Project Series 2011	23,342,171	10,712,171	12,630,000	190,000
County Guaranteed Renewable Energy				
Series 2012A	6,593,591	1,493,591	5,100,000	365,000
County Secured Koppers Site Refinance Completion Project:				
Series 2012	6,204,438	779,438	5,425,000	435,000
Series 2013	21,090,125	2,650,125	18,440,000	1,475,000
Guaranteed Pooled Note Program:				
Hudson County Guaranteed Pooled Notes				
Pooled Notes Series 2014T	35,583,360	365,360	35,218,000	35,218,000
Pooled Notes Series 2014U	93,816,470	890,955	92,925,515	92,925,515
Pooled Notes Series 2014V	68,852,710	681,710	68,171,000	68,171,000
NJ Environmental Infrastructure Trust Program:				
NJ Environmental Infrastructure Trust				
Water	1,539,274	136,175	1,403,099	89,413
Sewer	12,644,883	1,111,988	11,532,895	727,888
	<u>\$ 480,168,493</u>	<u>\$ 83,482,984</u>	<u>\$ 396,685,509</u>	<u>\$ 208,626,816</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

9. CAPITAL ASSETS

The activity in capital assets is summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Year ended December 31, 2015				
Cost:				
Land improvements	\$ 712,437	\$ -	\$ -	\$ 712,437
Building	1,031,068	-	-	1,031,068
Building improvements	686,081	-	-	686,081
Machinery and equipment	930,184	150,833	-	1,081,017
Furniture and fixtures	160,288	-	-	160,288
	<u>3,520,058</u>	<u>150,833</u>	<u>-</u>	<u>3,670,891</u>
Less accumulated depreciation:				
Building	35,251	26,438	-	61,689
Building improvements	60,985	45,739	-	106,724
Machinery and equipment	622,159	137,270	-	759,429
Furniture and fixtures	32,163	14,760	-	46,923
	<u>750,558</u>	<u>224,207</u>	<u>-</u>	<u>974,765</u>
Capital assets, net of accumulated depreciation	<u>\$ 2,769,500</u>	<u>\$ (73,374)</u>	<u>\$ -</u>	<u>\$ 2,696,126</u>
Year ended December 31, 2014				
Cost:				
Land improvements	\$ 712,437	\$ -	\$ -	\$ 712,437
Building	1,031,068	-	-	1,031,068
Building improvements	686,081	-	-	686,081
Machinery and equipment	838,299	173,355	81,470	930,184
Furniture and fixtures	160,288	-	-	160,288
	<u>3,428,173</u>	<u>173,355</u>	<u>81,470</u>	<u>3,520,058</u>
Less accumulated depreciation:				
Building	8,813	26,438	-	35,251
Building improvements	15,246	45,739	-	60,985
Machinery and equipment	573,529	130,100	81,470	622,159
Furniture and fixtures	17,403	14,760	-	32,163
	<u>614,991</u>	<u>217,037</u>	<u>81,470</u>	<u>750,558</u>
Capital assets, net of accumulated depreciation	<u>\$ 2,813,182</u>	<u>\$ (43,682)</u>	<u>\$ -</u>	<u>\$ 2,769,500</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

10. BONDS AND NOTES PAYABLE

The activity in bonds and notes payable for the year ended December 31, 2015 is summarized as follows:

	December 31, 2014	Issuance/ (Refunding)	Amortization	Payments	December 31, 2015	Due Within One Year
Year ended December 31, 2015						
Public Sector Financing						
Essential Purpose Pooled Government Loan Program Bonds						
\$175,000,000 Series 1986 consisting of variable rate bonds	\$ 74,640,000	\$ -	\$ -	\$ 20,400,000	\$ 54,240,000	\$ -
Facility Loan and Lease Revenue Bonds and Notes						
Facility Lease Revenue Bonds:						
\$91,575,000 Series 2010	52,765,000	-	-	3,725,000	49,040,000	3,905,000
\$29,735,000 Series 1997	18,535,000	-	-	1,150,000	17,385,000	1,235,000
\$29,660,000 Series 1996	5,110,000	-	-	2,465,000	2,645,000	2,645,000
County Secured Revenue Bonds						
(County Services Building Project):						
\$29,505,000 Series 2005A	715,000	-	-	715,000	-	-
\$25,460,000 Refunding Series 2013	24,990,000	-	-	75,000	24,915,000	825,000
County Secured Lease						
(County Services Building Completion Project):						
\$27,490,000 Revenue Bonds, Series 2007	23,825,000	(16,625,000)	-	700,000	6,500,000	735,000
\$17,335,000 Refunding Series 2015	-	17,335,000	-	-	17,335,000	200,000
\$20,700,000 Hudson County Command Center Project General Obligation Recovery Zone Economic Development Bonds Series 2010	19,900,000	-	-	200,000	19,700,000	200,000
\$12,995,000 County Guaranteed Lease Revenue Bonds, Series 2011 (Lincoln park Golf Course Project)	12,630,000	-	-	190,000	12,440,000	195,000
\$5,465,000 County Guaranteed Renewable Energy Lease Revenue Bonds, Series 2012A	5,100,000	-	-	365,000	4,735,000	365,000
County Secured Revenue Bonds						
(Koppers Site Refinance Completion Project):						
\$6,265,000 Series 2012	5,425,000	-	-	435,000	4,990,000	445,000
\$19,880,000 Series 2013	18,440,000	-	-	1,475,000	16,965,000	1,515,000
	<u>187,435,000</u>	<u>710,000</u>	<u>-</u>	<u>11,495,000</u>	<u>176,650,000</u>	<u>12,265,000</u>
Guaranteed Pooled Note Program						
\$196,314,515 Hudson County Guaranteed Pooled Notes Series 2014 consisting of:						
\$35,218,000 Hudson County Guaranteed Pooled Notes Series 2014T	35,218,000	-	-	35,218,000	-	-
\$92,925,515 Hudson County Guaranteed Pooled Notes Series 2014U	92,925,515	-	-	92,925,515	-	-
\$68,171,000 Hudson County Guaranteed Pooled Notes Series 2014V	68,171,000	-	-	68,171,000	-	-
\$199,932,000 Hudson County Guaranteed Pooled Notes Series 2015 consisting of:						
\$35,007,000 Hudson County Guaranteed Pooled Notes Series 2015W	-	32,980,000	-	-	32,980,000	32,980,000
\$89,424,000 Hudson County Guaranteed Pooled Notes Series 2015X	-	85,152,000	-	-	85,152,000	85,152,000
\$75,501,000 Hudson County Guaranteed Pooled Notes Series 2015Y	-	75,501,000	-	-	75,501,000	75,501,000
	<u>196,314,515</u>	<u>193,633,000</u>	<u>-</u>	<u>196,314,515</u>	<u>193,633,000</u>	<u>193,633,000</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

	December 31, 2014	Issuance/ (Refunding)	Amortization	Payments	December 31, 2015	Due Within One Year
Year ended December 31, 2015 (continued)						
Public Sector Financing (continued)						
New Jersey Environmental Infrastructure Trust Loan Program Bonds						
\$16,786,913 New Jersey Environmental Infrastructure Trust 2009 consisting of:						
\$14,996,795 New Jersey Environmental Infrastructure Trust, Fund Loan Series 2009A (Hudson County, IA Harrison Project)						
	\$ 11,532,895	\$ -	\$ -	\$ 727,887	\$ 10,805,008	\$ 732,888
\$1,820,118 New Jersey Environmental Infrastructure Trust, Loan Series 2009A (Hudson County, IA Harrison Project)						
	1,403,099	-	-	89,413	1,313,686	89,413
	<u>12,935,994</u>	<u>-</u>	<u>-</u>	<u>817,300</u>	<u>12,118,694</u>	<u>822,301</u>
	<u>\$ 471,325,509</u>	<u>\$ 194,343,000</u>	<u>\$ -</u>	<u>\$ 229,026,815</u>	<u>\$ 436,641,694</u>	<u>\$ 206,720,301</u>
Solid Waste System Revenue Bonds						
\$84,945,000 Refunding Series 2010 consisting of:						
\$31,815,000 Tax Exempt Series 2010A Term Bonds						
	\$ 31,815,000	\$ -	\$ -	\$ -	\$ 31,815,000	\$ -
\$43,655,000 Tax Exempt Series 2010B Term Bonds						
	-	-	-	-	-	-
\$9,475,000 Taxable Series 2010C Term Bonds						
	4,975,000	-	-	1,700,000	3,275,000	1,805,000
\$45,605,000 Refunding Series 2012 Term Bonds						
	<u>45,605,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,605,000</u>	<u>-</u>
	<u>82,395,000</u>	<u>-</u>	<u>-</u>	<u>1,700,000</u>	<u>80,695,000</u>	<u>1,805,000</u>
Add:						
Original issue premium/(discount) on Solid Waste Revenue Bonds						
	1,743,065	-	(72,566)	-	1,670,499	(68,229)
	<u>\$ 84,138,065</u>	<u>\$ -</u>	<u>\$ (72,566)</u>	<u>\$ 1,700,000</u>	<u>\$ 82,365,499</u>	<u>\$ 1,736,771</u>
Property Development Revenue Bonds						
\$17,835,000 County Guaranteed Revenue Bonds Series 2011 (830 Bergen Avenue Acquisition Project)						
	\$ 16,410,000	\$ -	\$ -	\$ 740,000	\$ 15,670,000	\$ 755,000
Add:						
Original issue premium on Property Development Revenue Bonds						
	124,197	-	(11,647)	-	112,550	(11,281)
	<u>\$ 16,534,197</u>	<u>\$ -</u>	<u>\$ (11,647)</u>	<u>\$ 740,000</u>	<u>\$ 15,782,550</u>	<u>\$ 743,719</u>
Bonds payable – net	<u>\$ 571,997,771</u>	<u>\$ 194,343,000</u>	<u>\$ (84,213)</u>	<u>\$ 231,466,815</u>	<u>\$ 534,789,743</u>	<u>\$ 209,200,791</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

The activity in bonds and notes payable for the year ended December 31, 2014 is summarized as follows:

	December 31, 2013	Issuance/ (Refunding)	Amortization	Payments	December 31, 2014	Due Within One Year
Year ended December 31, 2014						
Public Sector Financing						
Essential Purpose Pooled Government Loan Program Bonds						
\$175,000,000 Series 1986 consisting of variable rate bonds	\$ 74,640,000	\$ -	\$ -	\$ -	\$ 74,640,000	\$ -
Facility Loan and Lease Revenue Bonds and Notes						
Facility Lease Revenue Bonds:						
\$91,575,000 Series 2010	56,310,000	-	-	3,545,000	52,765,000	3,725,000
\$29,735,000 Series 1997	19,610,000	-	-	1,075,000	18,535,000	1,150,000
\$29,660,000 Series 1996	7,405,000	-	-	2,295,000	5,110,000	2,465,000
County Secured Revenue Bonds						
(County Services Building Project):						
\$29,505,000 Series 2005A	1,400,000	-	-	685,000	715,000	715,000
\$25,460,000 Refunding Series 2013	25,065,000	-	-	75,000	24,990,000	75,000
\$27,490,000 County Secured Lease Revenue Bonds, Series 2007 (County Services Building Completion Project)						
	24,495,000	-	-	670,000	23,825,000	700,000
\$20,700,000 Hudson County Command Center Project General Obligation Recovery Zone Economic Development Bonds Series 2010						
	20,100,000	-	-	200,000	19,900,000	200,000
\$12,995,000 County Guaranteed Lease Revenue Bonds, Series 2011 (Lincoln park Golf Course Project)						
	12,815,000	-	-	185,000	12,630,000	190,000
\$5,465,000 County Guaranteed Renewable Energy Lease Revenue Bonds, Series 2012A						
	5,465,000	-	-	365,000	5,100,000	365,000
County Secured Revenue Bonds						
(Koppers Site Refinance Completion Project):						
\$6,265,000 Series 2012	5,850,000	-	-	425,000	5,425,000	435,000
\$19,880,000 Series 2013	19,880,000	-	-	1,440,000	18,440,000	1,475,000
	198,395,000	-	-	10,960,000	187,435,000	11,495,000
Guaranteed Pooled Note Program						
\$245,893,000 Hudson County Guaranteed Pooled Notes Series 2013 consisting of:						
\$43,764,000 Hudson County Guaranteed Pooled Notes Series 2013P	43,764,000	-	-	43,764,000	-	-
\$137,326,000 Hudson County Guaranteed Pooled Notes Series 2013Q	137,326,000	-	-	137,326,000	-	-
\$15,000,000 Hudson County Guaranteed Pooled Notes Series 2013R	15,000,000	-	-	15,000,000	-	-
\$49,803,000 Hudson County Guaranteed Pooled Notes Series 2013S	49,803,000	-	-	49,803,000	-	-
\$196,314,515 Hudson County Guaranteed Pooled Notes Series 2014 consisting of:						
\$35,218,000 Hudson County Guaranteed Pooled Notes Series 2014T	-	35,218,000	-	-	35,218,000	35,218,000
\$92,925,515 Hudson County Guaranteed Pooled Notes Series 2014U	-	92,925,515	-	-	92,925,515	92,925,515
\$68,171,000 Hudson County Guaranteed Pooled Notes Series 2014V	-	68,171,000	-	-	68,171,000	68,171,000
	245,893,000	196,314,515	-	245,893,000	196,314,515	196,314,515

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

	December 31, 2013	Issuance/ (Refunding)	Amortization	Payments	December 31, 2014	Due Within One Year
Year ended December 31, 2014 (continued)						
Public Sector Financing (continued)						
New Jersey Environmental Infrastructure Trust Loan Program Bonds						
\$16,786,913 New Jersey Environmental Infrastructure Trust 2009 consisting of:						
\$14,996,795 New Jersey Environmental Infrastructure Trust, Fund Loan Series 2009A (Hudson County, IA Harrison Project)						
	\$ 12,250,783	\$ -	\$ -	\$ 717,888	\$ 11,532,895	\$ 727,888
\$1,820,118 New Jersey Environmental Infrastructure Trust, Loan Series 2009A (Hudson County, IA Harrison Project)						
	1,492,512	-	-	89,413	1,403,099	89,413
	<u>13,743,295</u>	-	-	<u>807,301</u>	<u>12,935,994</u>	<u>817,301</u>
	<u>\$ 532,671,295</u>	<u>\$ 196,314,515</u>	<u>\$ -</u>	<u>\$ 257,660,301</u>	<u>\$ 471,325,509</u>	<u>\$ 208,626,816</u>
Solid Waste System Revenue Bonds						
\$84,945,000 Refunding Series 2010 consisting of:						
\$31,815,000 Tax Exempt Series 2010A Term Bonds						
	\$ 31,815,000	\$ -	\$ -	\$ -	\$ 31,815,000	\$ -
\$43,655,000 Tax Exempt Series 2010B Term Bonds						
	-	-	-	-	-	-
\$9,475,000 Taxable Series 2010C Term Bonds						
	6,575,000	-	-	1,600,000	4,975,000	1,700,000
\$45,605,000 Refunding Series 2012 Term Bonds						
	<u>45,605,000</u>	-	-	-	<u>45,605,000</u>	-
	<u>83,995,000</u>	-	-	<u>1,600,000</u>	<u>82,395,000</u>	<u>1,700,000</u>
Add:						
Original issue premium/(discount) on Solid Waste Revenue Bonds						
	1,819,071	-	(76,006)	-	1,743,065	(72,566)
	<u>\$ 85,814,071</u>	<u>\$ -</u>	<u>\$ (76,006)</u>	<u>\$ 1,600,000</u>	<u>\$ 84,138,065</u>	<u>\$ 1,627,434</u>
Property Development Revenue Bonds						
\$17,835,000 County Guaranteed Revenue Bonds Series 2011 (830 Bergen Avenue Acquisition Project)						
	\$ 17,130,000	\$ -	\$ -	\$ 720,000	\$ 16,410,000	\$ 740,000
Add:						
Original issue premium on Property Development Revenue Bonds						
	136,160	-	(11,963)	-	124,197	(11,646)
	<u>\$ 17,266,160</u>	<u>\$ -</u>	<u>\$ (11,963)</u>	<u>\$ 720,000</u>	<u>\$ 16,534,197</u>	<u>\$ 728,354</u>
Bonds payable – net	<u>\$ 635,751,526</u>	<u>\$ 196,314,515</u>	<u>\$ (87,969)</u>	<u>\$ 259,980,301</u>	<u>\$ 571,997,771</u>	<u>\$ 210,982,604</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

Essential Purpose Pooled Government Loan Program Bonds

The bonds are special obligations of the Authority payable solely from loan repayments to be made by the various qualified local units who borrow from the pool and from funds which are held under the resolution authorizing the issuance of such bonds. Most of the proceeds are invested until such time as they are needed for loans to qualified local units.

The bonds may be converted at the election of the Authority to bear interest for an interest rate period, which is variable (weekly, monthly, quarterly, semi-annual or annual) flexible or fixed. In no case will the interest rate be higher than the maximum interest rate of 15% per annum or such other rate as provided by the resolution of the credit facility from time to time.

The variable-rate bonds mature on August 1, 2025 subject to optional redemption prior to maturity. The rate of interest per annum will be the minimum rate of interest, in the opinion of the Market Agent, necessary to market the Bonds in a secondary market transaction at a price equal to the principal amount thereof. The range of interest paid for the year ended December 31, 2015 was 0.01% to 0.13% and for the year ended December 31, 2014 was 0.03% to 0.12%

The principal of and interest on the variable-rate bonds are payable by funds drawn under an irrevocable direct pay letter of credit issued by a major financial institution in the amount of \$74,640,000 representing the principal portion of the outstanding variable rate bonds, plus related interest in an amount up to \$5,981,425. Such letter of credit expired on December 15, 2014 and was extended to August 1, 2015 as provided in the Authority's bond resolution and the letter of credit. On August 1, 2015 the letter of credit was extended to September 1, 2015. On September 1, 2015 the letter of credit was reduced to \$58,586,630, which reflects outstanding bonds of \$54,240,000 plus interest in the amount of \$4,346,630. The letter of credit expires on August 31, 2018. The letter of credit permits the Tender Agent or the Trustee, as the case may be, to draw up to an amount sufficient to pay principal upon a partial redemption or upon a mandatory redemption as a whole and at maturity, plus accrued interest thereon. The Authority, upon certain conditions, may substitute a letter of credit or other credit and/or liquidity facility for the letter of credit.

The bonds which bear interest for any variable or flexible interest rate period are subject to redemption prior to their stated maturity date at the option of the bank or the Authority on any interest payment date as provided in the resolution.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

1997 and 2010 Facility Lease Revenue Bonds (Hudson County Facilities Lease Project and Hospital Remediation)

In 1992, the Authority issued its \$112,700,000 Facility Lease Revenue Bonds (Hudson County Lease Project, Series 1992) (the “1992 Bonds”) to finance the construction of a County hospital facility. The County abandoned this project and transferred the operation and ownership of Meadowview Nursing Center (“Meadowview”) and the B.S. Pollack Hospital (“B.S. Pollack”) to Progressive Health Care of Hudson County, Inc. (“Progressive”). Pursuant to an Internal Revenue Service Letter Ruling, in order to effectuate the transfer of the hospitals, the Authority was required to make a tender offer of \$26,735,000 to the bondholders and defease any of the bonds for which the tender offer was made but which were not acquired in the tender offer.

On February 15, 1997, the Authority issued its \$29,735,000 of Facility Lease Revenue Bonds (Hudson County Lease Project, Hospital Remediation Series 1997) (the “1997 Bonds”). The proceeds were issued to purchase \$21,360,000 of bonds and defease the balance of \$5,375,000 principal of the bonds in order to satisfy the requirements of the IRS Letter Ruling referred to above with respect to the Series 1992 Bonds. No economic gain or loss was incurred as a result of the defeasance.

The 1997 Bonds are County-guaranteed taxable revenue bonds maturing annually through 2025. Bonds maturing in 2010, 2016 and 2025 are subject to mandatory redemption prior to maturity. The debt service on the 1997 Bonds is due in amounts and at interest rates set forth in the table below:

Year	Principal	Interest (7.30 - 7.40%)
2016	\$ 1,235,000	\$ 1,285,256
2017	1,325,000	1,195,100
2018	1,425,000	1,097,050
2019	1,530,000	991,600
2020	1,645,000	878,380
2021-2025	10,225,000	2,377,250
	<u>\$ 17,385,000</u>	<u>\$ 7,824,636</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

1997 and 2010 Facility Lease Revenue Bonds (Hudson County Facilities Lease Project and Hospital Remediation) (continued)

On August 12, 1998, the Authority, at the consent of the County, as lessee, issued the \$91,575,000 Facility Lease Revenue Refunding Bonds; Series 1998 (the "1998 Bonds") to advance refund all of the then outstanding \$85,635,000 of the Series 1992 Bonds. As a direct financing lease, the advance refunding was accounted for by adjusting the net investment in direct financing lease and bonds payable to the amount equal to the principal amount of the 1998 bonds. Accordingly, no gain or loss on refunding was recognized in the Authority's financial statements.

On March 12, 2004, the Authority entered into a forward bond purchase contract for the benefit of the County to purchase up to \$71,520,000 of the outstanding 1998 Bonds between October 1, 2008 and October 1, 2010 through the issuance of bonds (the "Future Bonds") during that period, provided that the debt service on the Future Bonds did not exceed the debt service on the 1998 Bonds purchased. The Authority exercised its right to issue the Future Bonds.

On November 30, 2010, the Authority, at the consent of the County, as lessee, issued the \$65,900,000 Facility Lease Revenue Refunding Bonds; Series 2010 (the "2010 Bonds") to call all of the outstanding \$91,575,000 of the 1998 Bonds.

The 2010 Bonds are guaranteed by the County and mature annually through 2025. The 2010 Bonds are not subject to a mandatory redemption prior to maturity. The debt service on the 2010 Bonds is due in amounts and at interest rates set forth in the table below:

<u>Year</u>	<u>Principal</u>	<u>Interest (4.75 - 5.40%)</u>
2016	\$ 3,905,000	\$ 2,532,646
2017	4,090,000	2,347,159
2018	4,280,000	2,152,884
2019	4,490,000	1,949,583
2020	4,700,000	1,736,309
2021-2025	27,575,000	4,609,175
	<u>\$ 49,040,000</u>	<u>\$ 15,327,756</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

1996 Facility Lease Taxable Revenue Bonds (County Administration Building Project)

In 1996, the Authority issued the 1996 Facility Lease Taxable Revenue Bonds (the “1996 Bonds”) to finance the purchase of the County’s Administration Building (the “Facility”) and related costs associated with expansion and repairs, reconstruction and restoration of the Facility. As part of the project, the County and the Authority entered into a lease agreement whereby the County has sold to the Authority certain real property and the County Administration Building. At the same time, the Authority leased its interest back to the County (the “Lease”). The Lease terminates upon retirement of the 1996 Facility Lease Taxable Revenue Bonds, scheduled to occur in 2016. Under the terms of the Lease, the County is required to make rental payments to the Authority sufficient to pay debt service on the 1996 Bonds and other expenses of the Authority and the trustee (administrative expenses).

The 1996 Bonds are County-guaranteed taxable revenue bonds maturing annually through 2016. Bonds maturing in 2016 are subject to mandatory redemption prior to maturity. The debt service on the 1996 Bonds is due in amounts and at interest rates set forth in the table below:

<u>Year</u>	<u>Principal</u>	<u>Interest (7.37%)</u>
2016	\$ 2,645,000	\$ 194,937
	<u>\$ 2,645,000</u>	<u>\$ 194,937</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

County Secured Lease Revenue Bonds, Series 2005 (County Services Building Project)

On March 29, 2005, the Authority issued its \$29,505,000 County Secured Lease Revenue Bonds, Series 2005 (the “2005 County Services Building Bonds”) to finance the acquisition and renovation of the Facilities to house the relocation of a number of social service agencies that are currently leasing space from private owners. The proceeds of the 2005 County Services Building Bonds included funds to make a deposit to the bond reserve fund, finance a portion of certain capitalized interest and pay the costs of issuance thereof. Under the terms of the financing, the Authority will acquire and renovate the building. The Authority will lease the building to the County of Hudson which is obligated to make rental payments to the Authority in amounts sufficient to pay the debt service on the 2005 County Services Building Bonds when due and other expenses of the Authority and the trustee. The Lease terminates upon retirement of the 2005 County Services Building Bonds, scheduled to occur in 2035.

On January 15, 2013, the Authority issued its \$25,460,000 Lease Revenue Refunding Bonds, Series 2013 (Hudson County Plaza Refunding Project) (the “Series 2013 Refunding Bonds”) to provide funds to (i) advance refund a \$24,010,000 the Authority’s outstanding County Secured Lease Revenue Bonds Series 2005 (County Services Building Project), and (ii) pay certain costs of issuance of the Series 2013 Refunding Bonds. Under the terms of the amended financing, the Authority leased back its interest in the Project to the County, and the County is obligated to make rental payments to the Authority in amounts sufficient to pay the debt service on the Series 2013 Refunding Bonds when due and other expenses of the Authority and the Trustee.

On April 1, 2015 the 2005 County Secured Bonds were paid in full and applicable lease was terminated.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

County Secured Lease Revenue Refunding Bonds, Series 2013 (Hudson County Plaza Refunding Project)

On January 15, 2013, the Authority issued its \$25,460,000 Lease Revenue Refunding Bonds, Series 2013 (Hudson County Plaza Refunding Project) (the "Series 2013 Refunding Bonds") to provide funds to (i) advance refund a \$24,010,000 the Authority's outstanding County Secured Lease Revenue Bonds Series 2005 (County Services Building Project), and (ii) pay certain costs of issuance of the Series 2013 Refunding Bonds. Under the terms of the amended financing, the Authority leased back its interest in the Project to the County, and the County is obligated to make rental payments to the Authority in amounts sufficient to pay the debt service on the Series 2013 Refunding Bonds when due and other expenses of the Authority and the Trustee.

The 2013 Bonds consist of (i) serial bonds in the amount of \$14,045,000 bearing interest rates ranging from 3.00% to 5.00% a year maturing from 2016 to 2028 in varying amounts ranging from \$825,000 to \$1,380,000, (ii) \$5,935,000 term bond bearing interest at 3.00% a year, subject to mandatory sinking fund redemption from 2029 to 2032 (final maturity) in varying amounts from \$1,420,000 to \$1,550,000, (iii) \$4,935,000 term bond bearing interest at 3.25% a year, subject to mandatory sinking fund redemption from 2033 to 2035 (final maturity) in varying amounts from \$1,595,000 to \$1,695,000.

The debt service requirements on these bonds follow:

Year	Principal	Interest (3.00 - 5.00%)
2016	825,000	930,812
2017	855,000	901,338
2018	890,000	866,438
2019	925,000	830,137
2020	965,000	787,512
2021-2025	5,580,000	3,146,437
2026-2030	6,885,000	1,802,212
2031-2035	7,990,000	656,932
	<u>\$ 24,915,000</u>	<u>\$ 9,921,818</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

County Secured Lease Revenue Bonds, Series 2007 (County Services Building Completion Project)

On June 11, 2007, the Authority issued its \$27,490,000 County Secured Lease Revenue Bonds, Series 2007 (County Services Building Completion Project) (the “Series 2007 Bonds”). The proceeds of the Series 2007 Bonds were used to (a) finance the renovation of the facilities to house the relocation of a number of social services agencies that are currently leasing space from private owners; (b) pay twelve (12) months of capitalized interest on the Series 2007 Bonds; (c) pay the costs of issuance of the Series 2007 Bonds; and (d) establish a Bond Reserve Fund.

On June 11, 2015 the Authority issued its \$17,335,000 Lease Revenue Refunding Bonds, Series 2015 (Hudson County Plaza Completion Refunding Project) (the “Series 2015 Refunding Bonds”) to provide funds to (i) advance refund \$16,625,000 of the Authority’s outstanding County Secured Lease Revenue Bonds Series 2007 (County Services Building Completion Project), the Refunding Plan calls for the Advance refunding of the Refunded Bonds, together with the interest payable thereon April 1, 2017. The Refunding Bonds are subject to Optional and mandatory sinking fund redemption prior to their stated maturities and (ii) pay certain costs of issuance of the Series 2013 Refunding Bonds. Under the terms of the amended financing, the Authority leased back its interest in the Project to the County, and the County is obligated to make rental payments to the Authority in amounts sufficient to pay the debt service on the Series 2015 Refunding Bonds when due and other expenses of the Authority and the Trustee.

The remaining balance of the Series 2007 Bonds at December 31, 2015 consist of (i) serial bonds in the amount of \$1,500,000 bearing interest rates at 4.00% per year maturing in varying amounts from \$735,000 in 2016 to \$765,000, in 2017 and (ii) \$5,000,000 term bonds bearing interest rates ranging from 4.10% to 5.00% a year subject to annual mandatory sinking fund redemption from 2033 to 2035 (final maturity) in annual amounts ranging from \$1,590,000 to \$1,745,000.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

County Secured Lease Revenue Bonds, Series 2007 (County Services Building Completion Project) (continued)

The debt service requirements on these bonds follow:

Year	Principal	Interest (4.00 - 5.00%)
2016	\$ 735,000	\$ 270,300
2017	765,000	240,300
2018	-	225,000
2019	-	225,000
2020	-	225,000
2021-2025	-	1,125,000
2026-2031	-	1,125,000
2031-2035	5,000,000	794,475
	\$ 6,500,000	\$ 4,230,075

County Secured Lease Revenue Refunding Bonds, Series 2015 (Hudson County Plaza Completion Project Refunding Project)

On June 11, 2015 the Authority issued its \$17,335,000 Lease Revenue Refunding Bonds, Series 2015 (Hudson County Plaza Completion Refunding Project) (the “Series 2015 Refunding Bonds”) to provide funds to (i) advance refund a portion of the Authority’s outstanding County Secured Lease Revenue Bonds Series 2007 (County Services Building Completion Project), the Refunding Plan calls for the Advance refunding of the Refunded Bonds, together with the interest payable thereon April 1, 2017. The Refunding Bonds are subject to Optional and mandatory sinking fund redemption prior to their stated maturities and (ii) pay certain costs of issuance of the Series 2013 Refunding Bonds. Under the terms of the amended financing, the Authority leased back its interest in the Project to the County, and the County is obligated to make rental payments to the Authority in amounts sufficient to pay the debt service on the Series 2015 Refunding Bonds when due and other expenses of the Authority and the Trustee.

The 2015 Bonds consist of (i) serial bonds in the amount of \$14,420,000 bearing interest rates ranging from 2.00% to 5.00% a year maturing from 2016 to 2030 in varying amounts ranging from \$200,000 to \$1,380,000, (ii) \$2,915,000 term bond bearing interest at 3.75% a year, subject to mandatory sinking fund redemption from 2031 to 2032 (final maturity) in varying amounts from \$1,430,000 to \$1,485,000

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

County Secured Lease Revenue Refunding Bonds, Series 2015 (Hudson County Plaza Completion Project Refunding Project) (continued)

The debt service requirements on these bonds follow:

Year	Principal	Interest (2.00 - 5.00%)
2016	\$ 200,000	\$ 722,388
2017	-	720,388
2018	820,000	703,988
2019	855,000	666,212
2020		
2021-2025	4,955,000	2,628,312
2026-2030	6,210,000	1,378,300
2031-2032	4,295,000	243,806
	<u>\$ 17,335,000</u>	<u>\$ 7,063,394</u>

County Improvement Bonds, Series 2010 (Hudson County Command Center Project – County General Obligation Recovery Zone Economic Development Bonds)

On December 9, 2010, the Authority issued its \$20,700,000 Federally Taxable County Improvement Bonds (Hudson County Command Center Project - County General Obligation Recovery Zone Economic Development Bonds, Series 2010) (the HCCC Series 2010 Bonds). The HCCC Series 2010 Bonds are taxable obligations and the Authority designates them as “Recovery Zone Economic Development Bonds,” for purposes of Section 1400U-2 of the Code, as authorized by the “American Recovery and Reinvestment Act of 2009,” Pub. L. 111-5, enacted February 17, 2009. The proceeds of the HCCC Series 2010 Bonds were used to: (a) purchase general obligation bonds of the County of Hudson, the proceeds of which will be used to finance the renovation of an existing warehouse building (the “Command Center” or “Project”) located in Kearny, New Jersey, for use by the County as storage space and a Command Center for the County’s Office of Emergency Management, storage space and a Command Center for the County Correctional Center and an archive record storage facility for the Hudson County Prosecutor’s Office and (b) pay costs of issuance associated with the Project and the Bonds.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

County Improvement Bonds, Series 2010 (Hudson County Command Center Project – County General Obligation Recovery Zone Economic Development Bonds) (continued)

The balance of the HCCC Series 2010 Bonds at December 31, 2015 consist of (i) serial bonds in the amount of \$7,100,000 bearing interest rates ranging from 4.340% to 5.816% maturing in annual amounts ranging from \$200,000 in 2016 to \$1,400,000 in 2021, (ii) \$5,600,000 term bonds bearing interest at 6.516% per year subject to annual mandatory sinking fund redemption from 2022 to 2025 (final maturity) in annual amounts of \$1,400,000 and (iii) \$7,000,000 term bonds bearing interest at 6.928% per year subject to annual mandatory sinking fund redemption from 2026 to 2030 (final maturity) in annual amounts of \$1,400,000.

The debt service requirements on these bonds follow:

Year	Principal	Interest (4.340 - 6.928%)
2016	\$ 200,000	\$ 1,230,402
2017	1,300,000	1,221,722
2018	1,400,000	1,159,452
2019	1,400,000	1,085,728
2020	1,400,000	1,009,904
2021-2025	7,000,000	3,783,360
2026-2029	7,000,000	1,454,880
	<u>\$ 19,700,000</u>	<u>\$ 10,945,448</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

County – Guaranteed Lease Revenue Bonds, Series 2011 (Lincoln Park Golf Course Project)

On June 15, 2011, the Authority issued its \$12,995,000 County – Guaranteed Lease Revenue Bonds, Series 2011 (Lincoln Park Golf Course Project) to (i) finance the cap and closure of a municipal landfill and the construction of a public, nine-hole golf course thereon, together with all materials and work necessary (the “Project”) and (ii) pay costs of issuance associated with the Project. Under the terms of the financing, the Authority leased back its interest in the Project to the County, and the County is obligated to make rental payments to the Authority in amounts sufficient to pay the debt service on the 2011 Bonds when due and other expenses of the Authority and the Trustee.

The balance of the Series 2011 Bonds at December 31, 2015 consist of (i) serial bonds in the amount of \$5,750,000 bearing interest rates ranging from 2.00% to 4.75% maturing in annual amounts ranging from \$195,000 in 2016 to \$515,000 in 2032, (ii) \$1,845,000 term bonds bearing interest at 5.00% a year, subject to annual mandatory sinking fund redemption from 2033 to 2035 (final maturity) in varying amounts ranging from \$585,000 to \$645,000, (iii) \$2,190,000 term bonds bearing interest at 5.00% a year subject to annual mandatory sinking fund redemption from 2036 to 2038 (final maturity) in varying amounts ranging from \$680,000 to \$795,000 and (iv) \$2,655,000 term bonds bearing interest at 5.50% a year subject to mandatory sinking fund redemption from 2039 to 2041 (final maturity) in varying amounts from \$835,000 to \$935,000.

The debt service requirements on these bonds follow:

Year	Principal	Interest (2.00 - 5.50%)
2016	\$ 195,000	\$ 577,324
2017	200,000	572,874
2018	240,000	566,774
2019	245,000	559,192
2020	255,000	550,908
2021-2025	1,530,000	2,595,331
2026-2030	2,075,000	2,222,441
2031-2035	2,855,000	1,651,641
2036-2040	3,910,000	806,900
2041	935,000	25,712
	\$ 12,440,000	\$ 10,129,097

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

County – Guaranteed Renewable Energy Program Revenue Bonds, Series 2012A

On May 3, 2012, the Authority issued its \$5,465,000 Federally Taxable County – Guaranteed Renewable Energy Program Lease Revenue Bonds, Series 2012A (The “Series 2012A Bonds”). The proceeds of the Series 2012A Bonds were used to: (a) finance a portion of the costs of Renewable Energy Projects of which the County is a participant, (b) reimburse certain costs paid by the County of Hudson and Authority in connection with the Renewable Energy Program, (c) pay certain Company Development Fees and Expenses, if any, (d) fund capitalized interest; and (e) pay the cost of issuance. Basic Lease Payments will be made by G&S Hudson Solar, L.L.C. (the Company or Lessee), a limited liability company. The Series 2012A Bonds are special obligations of the Authority, payable as to principal, redemption premium, if any, and interest solely from and secured by the Authority’s pledge of the Trust Estate to the Trustee in the indenture. Neither the faith and credit nor taxing power of the State, nor any political subdivision thereof (other than the County to the extent of the County Guaranty), is pledged to the payment of the principal of, or interest on, the Series 2012A Bonds.

The balance of the Series 2012A Bonds at December 31, 2015 consist of \$4,735,000 serial bonds bearing interest ranging from 2.66% to 4.7% and maturing annually through 2028 in varying amounts ranging from \$365,000 to \$360,000.

The debt service requirements on these bonds follow:

Year	Principal	Interest (2.66 - 4.70%)
2016	365,000	179,152
2017	365,000	169,169
2018	365,000	158,146
2019	365,000	145,990
2020	365,000	132,943
2021-2025	1,825,000	444,490
2026-2028	1,085,000	75,352
	<u>\$ 4,735,000</u>	<u>\$ 1,305,242</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

County Secured Revenue Bonds, Series 2012 (Koppers Site Refinance Completion Project)

On May 1, 2012, the Authority issued \$6,265,000 in Federally Taxable County Secured Revenue Bonds, Series 2012 (Koppers Site Refinance Completion Project) (the "County Bonds") to permanently finance a series of county bond anticipation notes originally issued in order for the County to acquire an interest in the Koppers site owned by the Authority. The County Bonds are callable and the County is obligated to make debt service payments on the County bonds in an amount sufficient to pay the debt service on the bonds when due and other expenses of the Authority and the Trustee.

The balance of the County Series 2012 Bonds at December 31, 2015 consist of a \$4,990,000 term bond bearing interest at 2.50% a year, subject to annual mandatory sinking fund redemption from 2015 to 2025 (final maturity) in varying amounts ranging from \$445,000 to \$555,000.

The debt service requirements on these bonds follow:

Year	Principal	Interest (2.5%)
2016	445,000	119,187
2017	455,000	107,938
2018	470,000	96,375
2019	480,000	84,500
2020	490,000	72,375
2021-2025	2,650,000	168,875
	<u>\$ 4,990,000</u>	<u>\$ 649,250</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

County Secured Revenue Bonds, Series 2013 (Koppers Site Refinance Completion Project)

On May 1, 2013, the Authority issued \$19,880,000 in Federally Taxable County Secured Revenue Bonds, Series 2013 (Koppers Site Refinance Completion Project) (the “Series 2013 Bonds”) to purchase County issued \$19,880,000 in Federally Taxable General Obligation Bonds, Series 2012 (Koppers Site Refinance Completion Project) (the “County Bonds”). The County bonds were issued by the County to permanently finance the remaining \$19,900,000 portion of the two series \$11,000,000 each of county bond anticipation notes originally issued in order for the County to acquire an interest in the Koppers site owned by the Authority.

The Series 2013 Bonds are callable and are secured by revenues from the County Bonds under the terms of the bond purchase contract, where the County is obligated to make debt service payments on the County bonds in an amount sufficient to pay the debt service on the Series 2013 Bonds when due and other expenses of the Authority and the Trustee.

The balance of the Series 2013 Bonds at December 31, 2015 consist of a \$16,965,000 term bond bearing interest at 2.50% a year, subject to annual mandatory sinking fund redemption from 2016 to 2025 (final maturity) in varying amounts ranging from \$1,515,000 to \$1,895,000.

The Authority purchased from itself the Series 2013 Bonds as an Investment Obligation under the Bond Reserve Fund of the Essential Purpose Pooled Loan Bond Program.

The debt service requirements and investment maturity on these bonds follow:

Year	Principal	Interest (2.5%)
2016	\$ 1,515,000	\$ 405,188
2017	1,550,000	366,875
2018	1,590,000	327,625
2019	1,630,000	287,375
2020	1,670,000	246,125
2021-2025	9,010,000	574,375
	<u>\$ 16,965,000</u>	<u>\$ 2,207,563</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

Guaranteed Pooled Notes, Series 2013P

On May 2, 2013 the Authority issued its \$ 43,764,000 County Guaranteed Pool Notes Series 2013P consisting of: \$38,294,000 Tax-Exempt County Guaranteed Pool Notes Series 2012P-1 and \$5,470,000 Federally Taxable County Guaranteed Pool Notes Series 2013P-2. The Notes were issued to provide funds to make loans to the City of Hoboken, City of Union City, the Township of Weehawken, and the Authority on behalf of the special improvement district in the Township of Weehawken, to: (i) refinance certain outstanding refunding bond anticipation notes of the Borrowers issued to temporarily finance tax appeals and self-insurance, and bond anticipation notes or project notes of the Borrowers to temporarily finance capital projects of the Borrowers, (ii) temporarily finance capital projects of the Borrowers, and (iii) pay certain of the costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Authority and will be payable from and secured by payments made on general obligations Notes purchased from each of the Borrowers. The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full.

The notes were paid in full on May 1, 2014 and the County Guaranty was terminated.

Guaranteed Pooled Notes, Series 2013Q

On July 25, 2013 the Authority issued its \$137,326,000 County – Guaranteed Pooled Notes, Series 2013Q consisting of \$76,910,000 Tax-Exempt County Guaranteed Pool Notes Series 2013Q-1 and \$60,416,000 Federally Taxable Guaranteed Notes Series 2013Q-2. The Notes were issued to provide funds to make loans to City of Bayonne, Bayonne Local Redevelopment Authority, City of Hoboken, City of Jersey City, and the Township of Weehawken, to: (i) refinance certain outstanding refunding bond anticipation notes of the Borrowers issued to temporarily finance tax appeals and self-insurance, and bond anticipation notes or project notes of the Borrowers to temporarily finance capital projects of the Borrowers, (ii) temporarily finance capital projects of the Borrowers, and (iii) pay certain of the costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Authority and will be payable from and secured by payments made on general obligations Notes purchased from each of the Borrowers. The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full.

The notes were paid in full on July 24, 2014 and the County Guaranty was terminated.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

Guaranteed Pooled Notes, Series 2013R

On September 20, 2013 the Authority issued its \$ 15,000,000 Federally Taxable County Guaranteed Pool Notes Series 2013R. The Notes were issued to provide funds to make a loan to City of Bayonne, to: (i) refinance certain of the outstanding bond anticipation note or project note of the Bayonne Local Redevelopment Agency to temporarily finance capital projects of the Borrower, issued to temporarily finance capital projects of the BLRA, and (ii) pay certain of the costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Authority and will be payable from and secured by payments made on general obligations Notes purchased from each of the Borrowers. The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full.

The notes were paid in full on July 25, 2014 and the County Guaranty was terminated.

County – Guaranteed Pooled Note Series 2013S

On December 10, 2013, the Authority issued its \$49,803,000 County – Guaranteed Pooled Notes, Series 2013S consisting of \$34,553,000 Tax-Exempt County Guaranteed Notes Series 2013S-1 and \$15,250,000 Federally Taxable County Guaranteed Notes Series 2012S-2. The Notes were issued to provide funds to make loans to City of Jersey City, City of Union City, Township of Weehawken, Town of West New York, and the Parking Authority of the Township of Weehawken to: (i) refinance certain outstanding bond anticipation notes or project notes of the Borrowers issued to temporarily finance capital projects of the Borrowers, (ii) temporarily finance capital projects of the Borrowers, and (iii) pay certain costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Authority and will be payable from and secured by payments made on general obligations Notes purchased from each of the Borrowers. The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full

The notes were paid in full on December 10, 2014 and the County Guaranty was terminated.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

Guaranteed Pooled Notes, Series 2014T

On April 23, 2014 the Authority issued it's \$ 35,218,000 County Guaranteed Pool Notes Series 2013T consisting of: \$29,946,000 Tax-Exempt County Guaranteed Pool Notes Series 2014T-1 and \$5,272,000 Federally Taxable County Guaranteed Pool Notes Series 2014T-2. The Notes were issued to provide funds to make loans to the City of Union City, the Township of Weehawken, and the Authority on behalf of the special improvement district in the Township of Weehawken, to: (i) refinance certain outstanding refunding bond anticipation notes of the Borrowers issued to temporarily finance tax appeals and self-insurance, and bond anticipation notes or project notes of the Borrowers to temporarily finance capital projects of the Borrowers, (ii) temporarily finance capital projects of the Borrowers, and (iii) pay certain of the costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Authority and will be payable from and secured by payments made on general obligations Notes purchased from each of the Borrowers. The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full.

The notes were paid in full on May 13, 2015 and the County Guaranty was terminated.

County – Guaranteed Pooled Notes 2014U-1A and U-1B

On July 15, 2014 the Authority issued it's \$ 37,718,000 County Guaranteed Pool Notes Series 2014U consisting of: \$25,274,000 Tax-Exempt County Guaranteed Pool Notes Series 2014U-1A and \$15,500,000 Tax-Exempt County Guaranteed Pool Notes Series 2014U-1B. The Notes were issued to provide funds to make loans to the City of Bayonne, City of Jersey City, and the Township of Weehawken to: (i) refinance certain outstanding refunding bond anticipation notes, tax appeal refundings notes or project notes of the Borrowers issued to temporarily finance capital projects, (ii) temporarily finance capital projects and/or tax appeal refundings ,(iii)finance tax anticipation notes and (iv) pay certain costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Notes of the Authority and will be payable from and secured by payments made on general obligation Notes purchased from each of the Borrowers. The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full.

The notes were paid in full on July 15, 2015 and January 15, 2015 and the County Guaranty was terminated.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

10. BONDS AND NOTES PAYABLE (continued)

County – Guaranteed Pooled Notes 2014U-2A and U-2B

In a private concurrent placement on July 15, 2014 the Authority also issued its \$55,207,515 Federally Taxable County Guaranteed Pooled Notes, Series 2014 U-2 consisting of: \$54,180,046 Federally Taxable County Guaranteed Pooled Notes, Series 2014 U-2A and \$1,027,469 Federally Taxable County Guaranteed Pooled Notes, Series 2014 U-2B. The Notes were issued to provide funds to make loans to the City of Bayonne and the Township of Weehawken, to: (i) refinance certain of the outstanding bond anticipation notes of the Borrowers issued to temporarily finance capital projects of the Borrowers, (ii) pay certain of the costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Authority and will be payable from and secured by payments made on general obligations Notes purchased from each of the Borrowers. The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full.

The notes were paid in full on July 15, 2015 and January 15, 2015 and the County Guaranty was terminated.

County – Guaranteed Pooled Note Series 2014V

On November 25, 2014, the Authority issued its \$68,171,000 County – Guaranteed Pooled Notes, Series 2014V consisting of \$53,271,000 Tax-Exempt County Guaranteed Notes Series 2014V-1 and \$14,900,000 Federally Taxable County Guaranteed Notes Series 2014V-2. The Notes were issued to provide funds to make loans to City of Jersey City, City of Union City, Township of Weehawken, Town of West New York, and the Parking Authority of the Township of Weehawken to: (i) refinance certain outstanding bond anticipation notes or project notes of the Borrowers issued to temporarily finance capital projects of the Borrowers, (ii) temporarily finance capital projects of the Borrowers, and (iii) pay certain costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Authority and will be payable from and secured by payments made on general obligations Notes purchased from each of the Borrowers. The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full.

These notes were paid in full on November 25, 2015 and the County Guaranty was terminated.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

Guaranteed Pooled Notes, Series 2015W

On April 14, 2015 the Authority issue it's \$ 35,007,000 County Guaranteed Pool Notes Series 2014W consisting of: \$29,263,000 Tax-Exempt County Guaranteed Pool Notes Series 2015W-1 \$3,017,000, Federally Taxable County Guaranteed Pool Notes Series 2015W-2A and \$2,027,000 Federally Taxable County Guaranteed Pool Notes Series 2015W-2B. The Notes were issued to provide funds to make loans to the City of Union City, the Township of Weehawken, and the Authority on behalf of the special improvement district in the Township of Weehawken, to: (i) refinance certain outstanding refunding bond anticipation notes of the Borrowers issued to temporarily finance tax appeals and self-insurance, and bond anticipation notes or project notes of the Borrowers to temporarily finance capital projects of the Borrowers, (ii) temporarily finance capital projects of the Borrowers, and (iii) pay certain of the costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Authority and will be payable from and secured by payments made on general obligations Notes purchased from each of the Borrowers.

The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full.

The 2015W-2B Notes were paid in full on October 30, 2015 and the County Guaranty was terminated.

Debt service on these 2015 W-1 and 2015 W-2B Notes due April 29, 2016 are in amounts and at interest rates set forth in the table below:

	Interest	Principal	Interest	Total
	Rate			
Series 2015 W -1 Tax Exempt	1.00%	\$ 29,963,000	\$ 299,630	\$ 30,262,630
Series 2015 W-2A Taxable	1.25%	3,017,000	37,713	3,054,713
		<u>\$ 32,980,000</u>	<u>\$ 337,343</u>	<u>\$ 33,317,343</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

County – Guaranteed Pooled Notes 2015X

On June 17, 2015 the Authority issue it's \$ 29,659,000 County Guaranteed Pool Notes Series 2015X-1 consisting of: \$25,387,000 Tax-Exempt County Guaranteed Pool Notes Series 2015X-1A \$4,272,000 Tax-Exempt County Guaranteed Pool Notes Series 2015X-1B The Notes were issued to provide funds to make loans to the City of Bayonne, City of Union City, and the Township of Weehawken to: (i) refinance certain outstanding refunding bond anticipation notes, tax appeal refundings notes or project notes of the Borrowers issued to temporarily finance capital projects, (ii) temporarily finance capital projects and/or tax appeal refundings ,(iii)finance tax anticipation notes and (iv) pay certain costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Notes of the Authority and will be payable from and secured by payments made on general obligation Notes purchased from each of the Borrowers. The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full.

The 2015X-1B Notes were paid in full on October 30, 2015 and the County Guaranty on this note was terminated.

In a private concurrent placement on June 17, 2015 the Authority also issued it's \$59,765,000 Federally Taxable County Guaranteed Pooled Notes, Series 2015 X-2. The Notes were issued to provide funds to make loans to the City of Bayonne and the Township of Weehawken, to: (i) refinance certain of the outstanding bond anticipation notes of the Borrowers issued to temporarily finance capital projects of the Borrowers, (ii) pay certain of the costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Authority and will be payable from and secured by payments made on general obligations Notes purchased from each of the Borrowers. The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

County – Guaranteed Pooled Notes 2015X (continued)

Debt service on these 2015X-1 Notes due July 06, 2016 are in amounts and at interest rates set forth in the table below:

	Interest Rate	Principal	Interest	Total
Series 2015 X-1A Tax Exempt	2.00%	\$ 25,387,000	\$ 507,740	\$ 25,894,740
Series 2015 X-2 Taxable	1.150%	59,765,000	687,298	60,452,298
		<u>\$ 85,152,000</u>	<u>\$ 1,195,038</u>	<u>\$ 86,347,038</u>

Guaranteed Pooled Notes, Series 2015Y

On November 12, 2015, the Authority issued its \$75,501,000 County – Guaranteed Pooled Notes, Series 2015Y consisting of \$60,951,000 Tax-Exempt County Guaranteed Notes Series 2015Y-1 and \$14,550,000 Federally Taxable County Guaranteed Notes Series 2015Y-2. The Notes were issued to provide funds to make loans to City of Jersey City, City of Union City, Township of Weehawken, Town of West New York, and the Parking Authority of the Township of Weehawken to: (i) refinance certain outstanding bond anticipation notes or project notes of the Borrowers issued to temporarily finance capital projects of the Borrowers, (ii) temporarily finance capital projects of the Borrowers, and (iii) pay certain costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Authority and will be payable from and secured by payments made on general obligations Notes purchased from each of the Borrowers. The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

Guaranteed Pooled Notes, Series 2015Y (continued)

Debt service on these 2015Y Notes due November 11, 2016, in amounts and at interest rates set forth in the table below:

		Interest			
		Rate	Principal	Interest	Total
Series 2015Y - 1	Tax Exempt	1.75%	\$ 60,951,000	\$ 1,063,680	\$ 62,014,680
Series 2015Y - 2	Taxable	1.50%	14,550,000	217,644	14,767,644
			<u>\$ 75,501,000</u>	<u>\$ 1,281,324</u>	<u>\$ 76,782,324</u>

New Jersey Environmental Infrastructure Trust Fund Loan

On September 9, 2009, the Authority received approval for permanent financing by the New Jersey Department of Environmental Protection for a loan in the amount of \$1,820,118 for water lines and \$14,996,795 for storm sewer lines from the New Jersey Environmental Infrastructure Trust Fund. The source of funding for the New Jersey Environmental Infrastructure Trust Fund is 75% from a revolving loan fund, which is interest free, and 25% through issuance of market rate bonds. The New Jersey Environmental Infrastructure Trust Fund issued its Series 2009 Bonds dated December 2, 2009.

On April 4, 2008, the Authority adopted a Resolution authorizing it to act as an applicant for a loan application with the New Jersey Environmental Infrastructure Trust Fund on behalf of the Town of Harrison for the installation of water and storm sewer lines, and environmental capping in an area designated "Harrison Waterfront Redevelopment Area". The Town of Harrison selected Advance at Harrison Urban Renewal I, L.L.C. to perform the improvements necessary for construction of Harrison Metro Centre and improvements required for the opening of Red Bull Stadium. Advance at Harrison Urban Renewal I, L.L.C. is responsible for the repayment of the loan as part of a pilot payment agreement between Advance at Harrison Urban Renewal I, L.L.C. and the Town of Harrison. The Town of Harrison entered into a Guarantee Agreement with the Authority dated July 30, 2009 for repayment of the loan.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

New Jersey Environmental Infrastructure Trust Fund Loan (continued)

The schedule of loan repayments follows:

	Water Lines		Sewer Lines	
	Principal	Interest	Principal	Interest
2016	\$ 89,413	\$ 15,200	\$ 732,888	\$ 124,262
2017	89,413	14,200	742,888	116,263
2018	89,413	13,200	752,888	107,762
2019	94,412	12,200	757,888	98,763
2020	94,412	11,200	767,888	91,363
2021-2025	581,477	46,175	3,959,439	336,363
2026-2029	275,146	7,800	3,091,129	105,200
	\$ 1,313,686	\$ 119,975	\$ 10,805,008	\$ 979,976

Solid Waste System Revenue Bonds

On December 22, 2010, the Authority issued refunding bonds and defeased all of the Authority’s \$85,660,000 in outstanding solid waste bonds and combined the balance of the 1999 deferred costs with those resulting from the 2010 refunding. The Authority issued \$84,945,000 County-Guaranteed Solid Waste System Revenue Refunding Bonds, Series 2010 (the “Series 2010 Bonds”) consisting of: (a) \$31,815,000 Tax Exempt Series 2010A Bonds (the “Series 2010A Bonds”), (b) \$43,655,000 Tax Exempt Series 2010B Bonds (the “Series 2010B Bonds”), and (c) \$9,475,000 Federally Taxable Series 2010C Bonds (the “Series 2010C Bonds”).

The Series 2010 Bonds were issued to: (a) refund the Authority’s outstanding \$85,660,000 solid waste bonds consisting of: (i) \$31,490,000 Solid Waste System Revenue Bonds, Refunding Series 1998-1 (Non-AMT) (ii) \$27,230,000 Solid Waste System Revenue Bonds, Refunding Series 1998-2 (Non-AMT) (iii) \$17,510,000 Solid Waste System Revenue Bonds, Koppers Site Project Series 1998A (AMT) and (iv) \$9,430,000 Solid Waste System Revenue Bonds, Federally Taxable Series 1998B (b) fund a Bond Reserve Fund and (c) pay costs of issuance associated with the Bonds.

As a result of the refunding, the Authority recorded in 2010 a deferred amount on refunding of \$8,396,417, of which \$644,547 and \$671,081 was amortized to interest expense in 2015 and 2014, respectively.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

10. BONDS AND NOTES PAYABLE (continued)

Solid Waste System Revenue Bonds (continued)

In order to refund, \$89,873,364 of the Series 2010 Bonds' proceeds consisting of \$4,775,752 in cash and \$85,097,612 in State and Local Government Series Securities ("SLGS") were deposited into an irrevocable trust with an escrow agent to provide future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased, and the related liability for the bonds has been removed from the Authority's liabilities.

The refunding was done in order to utilize lower borrowing interest rates and extend and restructure the debt service payments. The refunding decreased the Authority's total Solid Waste Service debt service payments by \$6,726,380. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$8,102,178.

The Authority anticipated the transfer of a portion of the Koppers Site to a public entity as part of the construction of a second rail tunnel into New York City (tunnel project). If the Koppers Site was transferred to a private party, the transfer would constitute a change in use from the original governmental purpose for which the Series 2010B Bonds have been issued. Under the current provisions of the Internal Revenue Code, such a change in use would adversely affect the exclusion from gross income of interest on the Series 2010B Bonds. Due to the uncertainty of the Koppers Site being transferred to a public entity and the increased cost of borrowing to provide an early call feature on the bonds, the Authority structured the 2010B Bonds to mature early. This would allow for transfer to be consummated and the proceeds of the transfer utilized to retire the Series 2010B Bonds or a portion of the Series 2010 Bonds and restructure any remaining bonds.

On December 31, 2012, the anticipated transfer of the Koppers Site did not occur, in part, as a result of the tunnel project being cancelled. In addition, it was determined that the future transfer would involve a private party. Accordingly, the Authority issued \$45,605,000 Federally Taxable County-Guaranteed Solid Waste System Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds") to refund the Series 2010B Tax Exempt Bonds which were scheduled to mature on January 1, 2013 and to pay costs of issuance associated with the Bonds.

The balance of the Series 2010A Bonds at December 31, 2015 consisted of (i) \$6,065,000 Term Bond bearing interest at 5.75% a year, subject to mandatory sinking fund redemption of \$1,805,000 in 2034 and \$4,260,000 in 2035 (final maturity) (ii) \$4,530,000 Serial Bond bearing interest at 5.25% a year, maturing in 2036 (iii) \$5,000,000 Term Bond bearing interest at 5.75% a year, subject to mandatory sinking fund redemption from 2037 through 2040 (final maturity) in varying amounts ranging from \$1,150,000 to \$1,350,000 and (iv) \$16,220,000 Term Bond bearing interest at 6.00% a year, subject to mandatory sinking fund redemption from 2037 through 2040 (final maturity) in varying amounts ranging from \$3,705,000 to \$4,420,000.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

Solid Waste System Revenue Bonds (continued)

The balance of the Series 2010C Bonds at December 31, 2015 consisted of (i) \$1,805,000 Bond bearing interest at 4.75% a year, maturing on January 1, 2016 (ii) \$1,470,000 Bond bearing interest at 5% a year, maturing on January 1, 2017.

The balance of the Series 2012 Bonds at December 31, 2015 consisted of (i) serial bonds in the amount of \$30,085,000 bearing interest rates ranging from 2.14% to 4.00% a year maturing in annual amounts ranging from \$2,100,000 in 2018 to \$3,045,000 in 2029 and (ii) \$15,520,000 term bond bearing interest at 4.25% a year subject to annual mandatory sinking fund redemption from 2030 to 2034 (final maturity) in varying amounts ranging from \$3,175,000 to \$1,970,000.

The debt service requirements on the Series 2010 and 2012 Bonds are set forth below:

<u>Year</u>	<u>Principal</u>	<u>Interest (2.14 - 5.75%)</u>
2016	\$ 1,805,000	\$ 3,654,047
2017	1,470,000	3,574,428
2018	2,100,000	3,515,208
2019	2,150,000	3,466,508
2020	2,205,000	3,409,187
2021-2025	12,145,000	15,926,226
2026-2030	14,660,000	13,406,653
2031-2035	18,410,000	9,924,925
2036-2040	25,750,000	3,991,687
	<u>\$ 80,695,000</u>	<u>\$ 60,868,869</u>

As discussed in note 2, the Koppers Site was originally purchased with the intent of the site housing a major solid waste system component. Such plans have been abandoned. The County acquired an interest in Koppers Site with the payment of \$33,000,000 to the Authority in annual installments of \$11,000,000 from 2001 to 2003 as required by the debt covenant of the Series 1998 Bonds. The Authority owns the Koppers Site and has designated a developer to purchase and develop the site. The Authority is currently in a due diligence period. At this time, it is impossible to state whether the site will be sold, and if so, to whom.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

10. BONDS AND NOTES PAYABLE (continued)

Property Development Bonds

On November 9, 2011, the Authority issued its \$17,835,000 County-Guaranteed Special Acquisition Bonds, Series 2011 for the 830 Bergen Avenue Acquisition Project (the "Series 2011 Bonds").

The Series 2011 Bonds were issued to (i) finance the acquisition of property located at 830 Bergen Avenue, Jersey City, New Jersey containing approximately 110,000 square feet of office space and associated parking for approximately one hundred and fifty cars (the "Property"); due diligence and real estate costs relating to the acquisition of the Property; and renovation and fit out costs related to the Property's use by the Authority and the County (collectively, the "Project"); (ii) fund the debt service reserve fund; (iii) fund capitalized interest on the Series 2011 Bonds; and (iv) pay costs of issuance associated with the Project.

On November 30, 2011, the Authority converted the Property into two condominiums. The Authority occupies one of the condominiums consisting of one floor of office space and a 12.5% interest in the Property and the second condominium was sold to the County pursuant to the Installment Purchase Agreement consisting of seven floors of office space and an 87.5% interest in the Property. Pursuant to the Installment Purchase Agreement, the County will make Installment Payments for its ownership interest to the Authority sufficient to pay 87.5% of the debt service on the Series 2011 Bonds.

The Series 2011 Bonds at December 31, 2015 consisted of (i) \$13,150,000 serial bonds bearing interest ranging from 2.00% to 5.00% and maturing annually through 2029 in amounts ranging from \$755,000 to \$980,000 and (ii) \$2,520,000 term bond bearing interest at 4.00% a year and subject to mandatory sinking fund redemption of \$1,230,000 in 2030 and \$1,290,000 in 2031 (final maturity).

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. BONDS AND NOTES PAYABLE (continued)

Property Development Bonds (continued)

The debt service requirements on these bonds follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u> <u>(2.125 - 5.00%)</u>
2016	\$ 755,000	\$ 598,737
2017	775,000	582,694
2018	790,000	564,287
2019	815,000	543,550
2020	835,000	519,100
2021-2025	4,715,000	2,070,175
2026-2030	5,695,000	1,085,400
2031-2035	1,290,000	64,500
	<u>\$ 15,670,000</u>	<u>\$ 6,028,443</u>

11. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION

Substantially all full-time Authority employees participate in the Public Employees Retirement System (PERS) which is a multiple employer plan sponsored and administered by the State of New Jersey. The PERS system is a cost-sharing contributory defined benefit public employee retirement system.

The PERS was established in January 1955 under provisions of N.J.S.A. 43:15A and provides coverage to substantially all full time employees of the Authority provided the employee is not a member of another State administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Employees eligible for enrollment after June 30, 2007 but before November 2, 2008
3	Employees eligible for enrollment after November 1, 2008 but before May 22, 2010
4	Employees eligible for enrollment after May 21, 2010 but before June 28, 2011
5	Employees eligible for enrollment after June 27, 2011

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

11. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

Service retirement benefits of the 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of their respective tier. 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.

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

The State also administers the Pension Adjustment Fund (PAF) which provides cost of living increases, equal to 60 percent of the change in the average consumer price index, to eligible retirees in all State-sponsored pension systems except SACT. The cost of living increases for PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for that system.

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

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the PERS. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in fiscal year 2012. The member contribution rate was 6.92% in the State fiscal year 2015 and 7.06% in the State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and non-contributory death benefits.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

11. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of all retirement systems.

The Authority's and employees' contributions to PERS normal pension and NCGI for the past three years were as follows:

<u>Year</u>	<u>Authority Contribution</u>	<u>Percentage of Covered Payroll</u>	<u>Employee Contributions</u>	<u>Pensionable Employee Salaries</u>
2015	\$ 421,776	10.58%	\$ 283,838	\$4,060,626
2014	368,067	9.37%	273,003	3,985,442
2013	350,965	9.35%	260,943	3,929,866

Chapter 78, P.L. 2011, effective June 28, 2011, established 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 Chapter 78'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.

Under Chapter 78, certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

At December 31, 2015 and 2014, the Authority's net pension liability for PERS was \$11,422,518 and \$9,579,013, respectively.

The net pension liability at December 31, 2015 and 2014 was measured as of June 30, 2015 and 2014, respectively, 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 entities, actuarially determined. At June 30, 2015, the Authority's PERS proportion was 0.0509%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2014. At June 30, 2014, the Authority's PERS proportion was 0.0512%, which was an increase of 0.0024% from its proportion measured as of June 30, 2013.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

11. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

For the years ended December 31, 2015 and 2014, the Authority recognized PERS pension expense of \$808,629 and \$560,924, respectively. At December 31, 2015 and 2014, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2015</u>		<u>2014</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and accrual experience	\$ 272,501	\$ -	\$ -	\$ -
Changes in assumptions	1,226,687	-	301,216	-
Net differences between projected and actual investment earnings on pension plan investments		183,652		570,857
Changes in proportion	304,842	44,176	373,498	-
District contributions subsequent to measurement date	<u>437,469</u>	<u>-</u>	<u>421,776</u>	<u>-</u>
Total	<u>\$ 2,241,499</u>	<u>\$ 227,828</u>	<u>\$ 1,096,490</u>	<u>\$ 570,857</u>

At December 31, 2015 and 2014, the Authority reported \$437,469 and \$421,776, respectively, as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years 2016 and 2015, respectively. Other amounts reported at December 31, 2015 as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2016	\$ 297,108
2017	297,108
2018	297,108
2019	439,046
2020	<u>245,832</u>
	<u>\$ 1,576,202</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

11. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. These actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

	July 1, 2014	July 1, 2013
Inflation rate	3.04%	3.01%
Salary increases:		
2012-2021	2.15 - 4.40%	2.15 - 4.40%
	Based on age	Based on age
Thereafter	3.15 - 5.40%	3.15 - 5.40%
	Based on age	Based on age
Investment rate of return	7.90%	7.90%

Mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projections Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 and 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

11. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments 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 long-term expected rate of return by weighing 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 target asset allocations as of June 30, 2015 and 2014 are summarized in the following table:

Asset Class	June 30, 2015		June 30, 2014	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%	6.00%	0.80%
Core Bonds	1.75%	1.64%	1.00%	2.49%
Intermediate-Term Bonds	10.00%	1.79%	11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds / Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.05%	-0.40%		
REIT	4.25%	5.12%		

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

11. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, 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 based on the average of the last five years of condition made in relation to the last five years of recommended 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Authority's proportionate share of the net pension liability of the as of December 31, 2015 and 2014, 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% lower or 1% higher than the current rate:

	2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Authority's proportionate share of PERS net pension liability	\$ 14,196,793	\$ 11,422,518	\$ 9,096,587
	2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Authority's proportionate share of PERS net pension liability	\$ 12,050,725	\$ 9,579,013	\$ 7,503,404

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

11. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

Pension Plan fiduciary net position

Detailed information about the pension plans' fiduciary net position are available in the separately issued financial reports. These reports may be accessed via the New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

12. POST-RETIREMENT BENEFITS

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. The Authority by resolution 8-2003-5, dated August 13, 2003, elected to adopt the provisions of N.J.S.A. 52:14-17:38 and adhere to the rules and regulations promulgated by the State Health Benefits Commission effective the 1st day of September 2003.

Post-Retirement Medical Benefits Contribution

P.L. 1990, c. 6 required PERS to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate funding of post-retirement medical benefits through PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees. 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. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c. 62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

12. POST-RETIREMENT BENEFITS (continued)

Post-Retirement Medical Benefits Contribution (continued)

The State sets the contribution rate based on a pay as you go basis and not on 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 State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the Authority was not determined or made available by the State of New Jersey.

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the State had a \$16.4 billion unfunded actuarial accrued liability for other postemployment benefits (OPEB) for local employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in 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 Methods and Assumptions

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.

In the July 1, 2014, 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 4.50 percent for investment rate of return for the OPEB.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

12. POST-RETIREMENT BENEFITS (continued)

Actuarial Methods and Assumptions (continued)

The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-july2014.pdf>.

13. COMPENSATED ABSENCES

Under the policy of the Authority, certain employees are allowed to accumulate unused sick pay over the life of their working careers, which may be taken as time off or paid at a later date and at an agreed upon rate. In 2010 the Authority amended their policy to cap the amount of unused sick pay an individual employee may be paid upon termination or retirement with a limitation of \$15,000. According to GASB 16, an accrual for sick leave has been made only to the extent it is probable that the benefits will result in termination payments of \$15,000. As of December 31, 2015 and 2014, the total accumulated compensated absence liability was \$503,640 and \$507,657, respectively.

14. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Authority contracts for commercial liability insurance for property, general liability, auto liability, public official liability, law enforcement liability, workers' compensation, employee health and life insurance. There were no significant reductions in insurance coverage for each of the past three years.

15. DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan administered by Great American Life Insurance Company permits participants to defer a portion of their salary until future years. Amounts deferred under the plan is not available to employees until termination, retirement, death or unforeseeable emergency.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

16. COMMITMENTS AND CONTINGENCIES

Solid Waste System Contracts

The Authority has entered into a series of agreements pursuant to changes made to the County Solid Waste Management Plan. These agreements include the following:

Combined Transfer Station, Transportation and Disposal Capacity Agreement

On July 19, 2009 the Authority entered into an agreement with Advanced Enterprises Recycling, Inc. (“AER”) for three years with an optional two years to provide transfer station services to process County solid waste type ID 10, transportation of processed wastes and disposal capacity for 425,000 tons a year (the 2009 AER Agreement”). Under the terms of the contract, AER will be paid \$67.00 per ton for the first year, increasing to \$72.00 in the fifth year.

On February 8, 2012, the Authority exercised its options for the fourth and fifth years of the contract at \$61.50 per ton during the fourth year and \$62.00 per ton during the fifth year.

The 2009 AER Agreement was extended to June 30, 2015 at \$62.00 per ton awaiting receipt of final approvals. Commencing July 1, 2015, the Authority entered into an agreement with AER for three years with an optional two years to provide transfer station services to process County solid waste. Under the terms of the contract, AER will be paid \$60.30 per ton for the first year, increasing to \$66.50 per ton in the fifth year.

Other Disposal Capacity Agreements

On December 18, 2013 the Authority authorized a Uniform Shared Services and Consolidated Act Agreement with the New Jersey Meadowlands Commission. The terms of the agreement provide for disposal of 100,000 tons per year of Solid Waste Types 13, 13C, 23 and 27 from January 1, 2014 through June 30, 2016. The rate per ton is \$57.00 in 2014, \$59.00 in 2015, and \$60.00 from January 1 to June 30, 2016 and subsequently extended 6 months.

The total solid waste disposal costs for the year amounted to the following:

	<u>2015</u>	<u>2014</u>
Combined transfer station, transportation and disposal services with SWT&R	\$ 22,213,960	\$ 21,490,284
Disposal fee at NJMC	1,553,786	2,115,914
Total	<u>\$ 23,767,746</u>	<u>\$ 23,606,198</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

16. COMMITMENTS AND CONTINGENCIES (continued)

Golf Course Management Services

The Authority entered into a lease agreement on February 9, 2011 with the County to cap a 65 acre site located at Lincoln Park West, a County-Owned park, and construct a 9 hole public golf course. On October 8, 2013 The Authority entered into a five-year contract with Kemper Sports Management, Inc. for construction advisory services and upon completion, operation and management of Skyway Golf Course at Lincoln Park West. Under the terms of the contract, Kemper Sports Management, Inc will be paid \$72,915 for 2016, \$75,116 for 2017, and \$57,685 for 2018. In addition for years 2016 and 2017 an annual incentive payment will be paid equivalent to 15% of net revenue.

Regulations

The Authority is subject to extensive federal and state regulations. The Authority's management is not aware of any violations that may have a material effect on the financial statements.

Litigation

The Authority is a defendant in a number of legal proceedings. If these cases are decided against the Authority, the Authority will pay such amounts from future revenues. The Authority expects such amounts, if any, to be immaterial.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

16. COMMITMENTS AND CONTINGENCIES (continued)

Non-Recourse Conduit Issues

Series 2011 Lease Revenue Bonds (North Hudson Regional Fire and Rescue Project)

In 2011, the Authority issued the \$4,760,000 Lease Revenue Refunding Bonds, (North Hudson Regional Fire and Rescue Project Guaranteed Tax-Exempt Series) Series 2011A and \$10,990,000 Lease Revenue Refunding Bonds, (North Hudson Regional Fire and Rescue Project Guaranteed Taxable Series) Series 2011B to call all of the outstanding \$7,010,000 Lease Revenue Bonds Series 1999A (Original Parties Tax Exempt Series) and \$15,070,000 Lease Revenue Bonds, Series 1999B (Original Parties Guaranteed Taxable Series). to finance the acquisition of an ownership or leasehold interest in and the construction, renovation, improvement, installation, equipping and furnishing of various facilities (the “Project”) used by the municipal members of the North Hudson Regional Fire and Rescue (the “NHRFR”) in the furnishing of fire protection, rescue and emergency services and other interrelated governmental services. The issuances of the bonds represent a conduit financing: the principal of, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the County of Hudson or State of New Jersey. As of December 31, 2015 \$11,865,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

Variable Rate Lease Revenue Bonds, Series 2004 (North Hudson Regional Fire and Rescue Project)

In 2004 the Authority issued its \$15,000,000 Variable Rate Lease Revenue Bonds, Series 2004 (North Hudson Regional Fire and Rescue Project) (Federally Taxable) (the “2004 North Hudson Bonds”) to fund the Rate Stabilization Fund to provide funds necessary to pay working capital costs of the facilities including retroactive pay and increases in annual compensation to the firefighters of the NHRFR. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the County of Hudson or State of New Jersey. As of December 31, 2015, \$11,950,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

16. COMMITMENTS AND CONTINGENCIES (continued)

Non-Recourse Conduit Issues (continued)

Waterfront Improvement Bonds, Series 2004 (Weehawken Project)

In 2004, the Authority issued its \$7,025,000 Waterfront Improvement Bonds, Series 2004 (the “2004 Waterfront Improvement Bonds”) (Weehawken Project) to provide a loan to the Township of Weehawken (the “Township”) District Management Corporation to fund its acquisition of an interest in land located in the Township upon which a waterfront walkway and public park and other public facilities will be constructed, fund a bond reserve fund, finance certain capitalized interest and pay the cost of issuance. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the County of Hudson or State of New Jersey. As of December 31, 2015, \$4,150,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

Lease Revenue Bonds, Series 2004 (Weehawken Pershing Road Project)

In 2004 the Authority issued its \$6,860,000 Lease Revenue Bonds, Series 2004 (Weehawken Pershing Road Project) (the “2004 Weehawken Bonds”) to finance the acquisition of a leasehold interest in and the construction of improvements to, Pershing Road and Pershing Road Bridge in the Township of Weehawken. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the County of Hudson or State of New Jersey. As of December 31, 2015, \$5,380,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

16. COMMITMENTS AND CONTINGENCIES (continued)

Non-Recourse Conduit Issues (continued)

Lease Revenue Bonds, Series 2004 (Bayonne DPW Garage Project)

In 2004, the Authority issued its \$10,000,000 Lease Revenue Bonds, Series 2004 (Bayonne DPW Garage Project) (Federally Taxable) (the “2004 Bayonne Bonds”) to finance the acquisition of a leasehold interest in the Department of Public Works Garage of the City of Bayonne and to, among other things, provide funds for various acquisitions for and improvements to such DPW Garage. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the County of Hudson or State of New Jersey.

On June 24, 2015 the Authority issued its \$8,580,000 Lease Revenue Refunding Bonds, Series 2015 (Bayonne DPW Garage Refunding Project) (Federally Taxable) (the “2015 Refunding Bonds”) to refund the remaining \$8,300,000 of the Authority’s outstanding Lease Revenue Bonds Series 2004.

Lease Revenue Bonds, Series 2015 (Bayonne DPW Garage Refunding Project)

On June 24, 2015 the Authority issued its \$8,580,000 Lease Revenue Refunding Bonds, Series 2015 (Bayonne DPW Garage Refunding Project) (Federally Taxable) (the “2015 Refunding Bonds”) to refund \$8,300,000 of the Authority’s outstanding Lease Revenue Bonds Series 2004. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the County of Hudson or State of New Jersey.

As of December 31, 2015, \$8,580,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

16. COMMITMENTS AND CONTINGENCIES (continued)

Non-Recourse Conduit Issues (continued)

Lease Revenue Bonds, Series 2004 (Harrison facilities lease Project)

In 2004, the Authority issued its Lease Revenue Bonds, Series 2004 in the aggregate principal amount of \$10,000,000, consisting of \$8,810,000 Lease Revenue Bonds 2004 Series A (Harrison Facilities Lease Project) (Federally Taxable) and \$1,190,000 Lease Revenue Bonds 2004 Series B (Harrison Facilities Lease Project) (Tax-Exempt) (collectively, the “2004 Harrison Bonds”) to finance the acquisition of a leasehold interest in certain buildings, land, structures, and other appurtenances in the Town of Harrison, including fire houses located at 323 Cleveland Avenue and 448 Sussex Street, a Community Center located at 200 Frank E. Rogers Boulevard South and the Annex located at 322 Harrison Avenue, and the renovation, improvement and equipping of the aforementioned facilities, finance certain capitalized interest and pay the costs of issuance. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the County of Hudson or State of New Jersey. As of December 31, 2015, \$8,385,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

Lease Revenue Bonds, Series 2006 (Weehawken – Guaranteed Baldwin Avenue Project)

In 2006, the Authority issued its \$10,000,000 Lease Revenue Bonds, Series 2006 (Township of Weehawken – Guaranteed Baldwin Avenue Project) to finance the design, repair and improvement to Baldwin Avenue (the “Road Facility”) in the township, and all ancillary work thereto including improvements to appurtenant roads and lands, entrance and exit ramps, curbs, sidewalks, traffic signals, landscaping, paving and all materials and work necessary therefore or incidental thereto (the “Project”). The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the County of Hudson or State of New Jersey. As of December 31, 2015, \$10,000,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements. These bonds were paid in full in 2016.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

16. COMMITMENTS AND CONTINGENCIES (continued)

Non-Recourse Conduit Issues (continued)

Lease Revenue Bonds (North Hudson Regional Fire and Rescue Project Guaranteed Tax-Exempt Series), Series 2006A and (North Hudson Regional Fire and Rescue Project Guaranteed Taxable Series), Series 2006B

In 2006, the Authority issued its \$4,480,000 North Hudson Regional Fire and Rescue Project Guaranteed Tax-Exempt Series, Series 2006A and \$4,120,000 North Hudson Regional Fire and Rescue Project Guaranteed Taxable Series, Series 2006B (collectively, the “2006 NHRFR Bonds”). The proceeds of the 2006 NHRFR Bonds were used to finance certain costs of acquisition, construction, renovation, improvement, equipping and furnishing of the various properties, public facilities, apparatus, equipment and furnishings and certain working capital requirements in connection with property (the “Facilities”) leased to and utilized by the North Hudson Regional Fire and Rescue (“NHRFR”), fund Bond Reserve Fund and pay the costs of issuance. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the County of Hudson or State of New Jersey. As of December 31, 2015, \$2,795,000 and \$2,620,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

Lease Revenue Bonds Series 2006 (Harrison Redevelopment Project)

In 2006 the Authority issued \$39,400,345 Lease Revenue Bonds Series 2006 consisting of \$30,529,047 Tax-Exempt County-Guaranteed Harrison Stadium Land Acquisition Special Obligation Capital Appreciation Bonds, Series 2006A-1 and \$8,871,298 Federally Taxable County-Guaranteed Harrison Stadium Land Acquisition Special Obligation Capital Appreciation Bonds, Series 2006A-2 (collectively, the “Harrison Stadium Bonds”) to provide funds that will be used by the Authority to purchase the Town General Obligation Bond issued by the Town to the Authority, the proceeds of which will be granted by the Town to the Harrison Redevelopment Agency, to fund certain redevelopment costs related to the Redevelopment Area, including the acquisition of approximately 12.3 acres of land located in the Redevelopment Area in the Town (the “Land”), to remediate the Land, and to demolish and clear structures located thereon (the “Project”), upon which, it is anticipated, among other projects, a privately financed multi-purpose soccer stadium and amphitheater (the “Stadium”) will be constructed (such Stadium will house the New York Red Bulls professional soccer franchise, as well as serve as a location to host other entertainment and sporting events), fund a Bond Reserve Fund and pay the costs of issuance of the Bonds.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

16. COMMITMENTS AND CONTINGENCIES (continued)

Non-Recourse Conduit Issues (continued)

Lease Revenue Bonds Series 2006 (Harrison Redevelopment Project) (continued)

The respective series of the Harrison Stadium Bonds will accrete interest from their delivery dates at the approximate yields compounded semi-annually on each June 15 and December 15 until their respective final maturities and are payable, together with accreted interest at those respective maturities. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the State of New Jersey or any other political subdivision of the State (except for the County pursuant to the guarantee). As of December 31, 2015, \$41,709,526 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

County – Guaranteed Parking Revenue Bonds, Series 2009C (Harrison Parking Facility Redevelopment Project)

In 2009, the Authority issued its \$45,000,000 County – Guaranteed Parking Revenue Bonds, Series 2009C (Harrison Parking Facility Redevelopment Project) (the Series 2009C Bonds). The proceeds of the Series 2009C Bonds will be used to fund the construction of approximately 1440-space parking facility (the “Parking Facility”) next to the Port Authority Trans Hudson (“Path”) station located in the Town of Harrison, New Jersey, fund a Liquidity Reserve Fund, fund Capitalized Interest and pay the cost of issuance. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability the State of New Jersey or any other political subdivision of the State (except for the County pursuant to the guarantee). As of December 31, 2015, \$38,100,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

16. COMMITMENTS AND CONTINGENCIES (continued)

Non-Recourse Conduit Issues (continued)

County – Guaranteed Parking Revenue Bonds, Series 2010C (Harrison Parking Facility Redevelopment Completion Project)

In 2010, the Authority issued its \$6,900,000 County – Guaranteed Parking Revenue Bonds, Series 2010C (Harrison Parking Facility Redevelopment Completion Project) (the Series 2010C Bonds). The proceeds of the Series 2010C Bonds will be used to fund the completion of the construction of approximately 1440-space parking facility (the “Parking Facility”) in close proximity to the Port Authority Trans Hudson (“Path”) station located in the Town of Harrison, State of New Jersey, fund a Liquidity Reserve Fund, fund Capitalized Interest and pay the cost of issuance. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the State of New Jersey or any other political subdivision of the State (except for the County pursuant to the guarantee). As of December 31, 2015, \$6,900,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

County – Guaranteed Special Obligation Revenue Bonds, Series 2011 (Weehawken Port Imperial Parking Redevelopment Project)

In 2011, the Authority issued its \$12,500,000 Federally Taxable County – Guaranteed Special Obligation Revenue Bonds, Series 2011 (Township of Weehawken –Port Imperial Parking Redevelopment Project) to aid in the development of a parking facility (the “Parking Facility”) to be undertaken as a redevelopment project pursuant to the Redevelopment Plan for part of an area in need of rehabilitation located adjacent to the New York Waterway ferry terminal in the Township of Weehawken. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the State of New Jersey or any other political subdivision of the State (except for the County pursuant to the guarantee). As of December 31, 2015, \$12,155,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

16. COMMITMENTS AND CONTINGENCIES (continued)

Non-Recourse Conduit Issues (continued)

Town of Harrison Secured Revenue Bonds, Series 2012 (Town of Harrison Refinance Project)

In 2012, the Authority issued its \$13,500,000 Federally Taxable Town of Harrison Secured Revenue Bonds, Series 2012 (Town of Harrison Notes Refinance Project) (the Series 2012 Bonds). The proceeds of the Series 2012 Bonds will be used to provide funds to purchase general obligation bonds (the "Town Bonds") of the Town, the proceeds of which will be used to currently refund certain of the outstanding bond anticipation notes of the Town, advance refund outstanding bond anticipation notes of the town issued to temporarily finance capital projects of the Town and pay certain of the costs of issuance. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the County of Hudson or State of New Jersey. As of December 31, 2015, \$12,675,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

Columbian Towers Bonds

In 2006, the Authority issued \$9,497,872 of Revenue Bonds (Columbian Towers Development Co of Hoboken, NJ 2006 Project) Series A and Series B to refinance an existing loan used to acquire land and finance the construction of a 134 unit residential apartment building in Hoboken, NJ, finance capital improvements to the building and future costs of issuance of the bonds. The issuances of the bonds represent a conduit financing: the principal of, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the County of Hudson or State of New Jersey. As of December 31, 2015, \$5,993,270 remains outstanding. Neither the bonds nor the proceeds there from are reflected on the accompanying financial statements.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

16. COMMITMENTS AND CONTINGENCIES (continued)

Non-Recourse Conduit Issues (continued)

Columbian Arms Bonds

In 2008, the Authority issued \$4,945,000 of Revenue Bonds (Columbian Arms, Inc 2008 Project) Series A and Series B to refinance an existing loan used to acquire land and finance the construction of a 67 unit residential apartment building in Hoboken, NJ, capital improvements to the apartment building and finance costs of issuance of the bonds. The issuance of the bonds represents a conduit financing: the principal, premium if any, and interest on all bonds issued are payable solely from the revenues and funds derived from the Project financed by such bonds. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the County of Hudson or State of New Jersey. As of December 31, 2015, \$3,699,850 remains outstanding. Neither the bonds nor the proceeds therefore are reflected in the accompanying financial statements.

New Jersey Environmental Infrastructure Trust Fund Loan

In 2009, the Authority adopted a resolution authorizing it to act as an applicant for a loan application with the New Jersey Environmental Infrastructure Trust Fund on the behalf of the Bayonne Local Redevelopment Agency for the acquisition of land and/or various infrastructure improvements associated with the Bayonne Shopping Center Project. The Bayonne Local Redevelopment Agency is responsible for the repayment of the loan by certain payments-in-lieu-of taxes (Annual Service Changes) made by Cameron Bayonne Urban Renewal, LLC (the redeveloper). The County of Hudson entered into a Guarantee Agreement with the Authority dated September 10, 2009. The City of Bayonne entered into a Guarantee Agreement with the Authority dated September 23, 2009. The Authority Obligations are special, limited obligations of the Authority, payable solely out of the Trust Estate (as defined in the indenture) under the Indenture. The Authority Obligations do not constitute obligations against the general credit of the Authority and shall not be in any way a debt or liability of the State of New Jersey or any political subdivision of the State (except for the County and the City pursuant to the Guarantee). As of December 31, 2015, \$15,106,687 remains outstanding. Neither the Bonds nor the proceeds therefore are reflected on the accompanying financial statements.

HUDSON COUNTY IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

16. COMMITMENTS AND CONTINGENCIES (continued)

Non-Recourse Conduit Issues (continued)

Depository Trust and Clearing Corporation Bonds

In 2010, the Authority issued \$24,905,000 Recovery Zone Facility Bonds (DTCC Project), Series 2010 to National Securities Clearing Corporation (Borrower) which will lend the proceeds of the loan to Depository Trust and Clearing Corporation (Project owner and corporate parent of National Securities Clearing Corporation) to finance a portion of a project consisting of substantial renovations and the reconfiguration of a portion of the Newport Office Center VI Building, including the conversion of two floors of the existing office garage to office space and the payment of cost of issuance of the bonds.

The American Recovery and Reinvestment Act of 2009 added sections to the Internal Revenue Code of 1986 to authorize state and local governments to use Recovery Zone Facility Bonds to target areas particularly affected by job loss and to finance eligible facilities for the benefit of private business each within recovery zones. The County of Hudson received an allocation of volume cap in the amount of \$15,179,000 and the City of Jersey City in the County of Hudson received an allocation of volume cap in the amount of \$9,726,000 for the issuance of a total of \$24,905,000 Recovery Zone Facility Bonds.

The issuance of the Bonds and the interest there from shall be payable solely out of the amounts paid by the Borrower and other security pledged to the payment. All such bonds are special limited obligations of the Authority, do not constitute obligations against the general credit of the Authority and are not in any way a debt or liability of the City of Jersey City, County of Hudson or State of New Jersey. As of December 31, 2015, \$13,575,000 remains outstanding. Neither the bonds nor the proceeds therefore are reflected on the accompanying financial statements.

Grant Programs

Each of the grantor agencies reserves the right to conduct additional audits of the Authority's grants programs for economy, efficiency and program results. However, Authority management does not believe such audits would result in material amounts of disallowed costs.

Enforcement of the Solid Waste Management Act

The New Jersey Department of Environmental Protection ("DEP") requires that the Solid Waste Management Act in each County be enforced by a certified health agency. The Hudson Regional Health Commission was certified by order of the DEP on March 27, 1984 as the County's lead agency under the County Environmental Health Act.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

16. COMMITMENTS AND CONTINGENCIES (continued)

Enforcement of the Solid Waste Management Act (continued)

On January 1, 2010, the Authority entered into an agreement with the County of Hudson and the Hudson Regional Health Commission commencing from January 1, 2010 through December 31, 2017, to provide environmental health services, including but not limited to enforcement of the Solid Waste Management Act, N.J.S.A. 13:1E-1 et. Seq. and the Solid Waste Utility Control Act, N.J.S.A. 48:13A-1 ET. seq., pursuant to the Solid Waste component of the County's Environmental Health Program. Under the terms of the agreements, the Authority will pay an annual sum of \$121,959 in the first year plus a cost of living increase of three percent in each subsequent year. The Authority paid the Hudson Regional Health Commission \$141,385 and \$137,267 for the years ended December 31, 2015 and 2014, respectively.

Dredge Materials Processing

On May 19, 2004, The Authority entered into an agreement with Great Lakes Dredge and Dock Company to use the Koppers Site for processing dredge materials. The length of the contract was for three years from the "commencement date", which occurred on September 1, 2009, with two additional one-year terms that the Authority exercised at their option. The Authority was advanced placement fees of \$198,000 that was credited to dredge material unloaded at \$1.00 per cubic yard for each yard of dredge material unloaded and additional payment from \$7.75 to \$8.75 for up to 400,000 cubic yards of dredge material placed and compacted at the site.

On June 26, 2013, the Authority entered into amendment of the May 19, 2004 agreement. The amendment provides for a lease term to end on August 31, 2016. The Authority was advanced placement fees of \$150,000 that is being credited to dredge material unloaded at a rate per cubic yard that is acceptable to Great Lakes Dredge and Dock Company and the Authority. The Authority was also advanced \$125,000 of rent and a \$300,000 fee for the lease consideration, both of which are deferred inflows from lease arrangement revenue applicable to future years. At December 31, 2015 and 2014, the Authority had a balance of deferred inflows from lease arrangement revenue applicable to future years of \$125,000 and \$300,000, respectively.

For the years ended December 31, 2015 and 2014 the Authority received \$792,948 and \$2,238,004, respectively, for the placement of both processed and non-processed dredge material.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

17. SUBSEQUENT EVENTS

Guaranteed Pooled Notes, Series 2016A

On March 31, 2016 the Authority issue it's \$ 41,948,000 County Guaranteed Pool Notes Series 2016A consisting of: \$29,560,000 Tax-Exempt County Guaranteed Pool Notes Series 2016A-1 \$12,388,000, Federally Taxable County Guaranteed Pool Notes Series 2016A-2. The Notes were issued to provide funds to make loans to the City of Union City, the Township of Weehawken, and the Authority on behalf of the special improvement district in the Township of Weehawken, to: (i) refinance certain outstanding refunding bond anticipation notes of the Borrowers issued to temporarily finance tax appeals and self-insurance, and bond anticipation notes or project notes of the Borrowers to temporarily finance capital projects of the Borrowers, (ii) temporarily finance capital projects of the Borrowers, and (iii) pay certain costs of issuance of the Notes and the Borrower Notes. The Notes constitute direct, special and limited obligations of the Authority and will be payable from and secured by payments made on general obligations Notes purchased from each of the Borrowers.

The Borrowers Notes are direct and general obligations of each of the respective Borrowers. As additional security for the Notes, payment of the principal of and interest on the Notes is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on August 13, 2009 by the County. The County Guaranty shall remain in effect until the Notes have been paid in full.

Debt service on these 2016A Notes due April 19, 2017, in amounts and at interest rates set forth in the table below:

		Interest			
		Rate	Principal	Interest	Total
Series 2016A - 1	Tax Exempt	2.25%	\$ 29,560,000	\$ 665,100	\$ 30,225,100
Series 2016A - 2	Taxable	2.00%	12,388,000	247,760	12,635,760
			<u>\$ 41,948,000</u>	<u>\$ 912,860</u>	<u>\$ 42,860,860</u>

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

17. SUBSEQUENT EVENTS (continued)

County Secured Lease Revenue Bonds Series 2016 (Hudson County Vocational –Technical Schools Project)

On April 27, 2016, the Authority issued \$160,000,000 in County Secured Lease Revenue Bonds Series 2016 (Hudson County Vocational –Technical Schools Project) to finance the design, construction, furnishing and equipping of a new Hudson County Vocational-Technical School, to pay Capitalized Interest on the Bonds from their dated date April 27, 2016 to and including May 1, 2018 and pay certain costs of issuance the Bonds. Under the terms of the financing , the Authority leased back its interest in the Project to the County , and the County is obligated to make rental payments to the authority in amounts sufficient to pay the debt service on the 2016 bonds when due and other expenses of the Authority and the Trustee.

The Series 2016 Bonds consist of (i) serial bonds in the amount of \$55,705,000, bearing interest rates ranging from 3.50% to 5.00% maturing in annual amounts ranging from \$1,980,000 in 2019 to \$4,540,000 in 2036, (ii) \$26,445,000 term bonds bearing interest at 5.00% a year, subject to annual mandatory sinking fund redemption 2037 to 2041 (final maturity) in varying amounts ranging from \$4,775,000 to \$5,830,000, (iii) \$33,960,000, term bonds bearing interest at 5.00% a year subject to annual mandatory sinking fund redemption from 2042 to 2046 (final maturity) in varying amounts ranging from \$6,130,000 to \$7,490,000 and (iv) \$43,890,000 term bonds bearing interest at 5.25% a year subject to mandatory sinking fund redemption from 2047 to 2051 (final maturity) in varying amounts from \$7,880,000 to \$9,725,000.

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

17. SUBSEQUENT EVENTS (continued)

County Secured Lease Revenue Bonds Series 2016 (Hudson County Vocational –Technical Schools Project) (continued)

The debt service requirements on these bonds are as follows:

Year	Principal	Interest (4.00 - 5.00%)
2016	\$ -	\$ 3,661,664
2017	-	8,037,800
2018	-	8,037,800
2019	1,980,000	7,998,200
2020	2,075,000	7,906,725
2021-2025	12,070,000	37,825,500
2026-2030	15,435,000	34,462,662
2031-2035	15,285,000	24,638,675
2036-2040	23,930,000	25,965,625
2041-2044	30,725,000	19,168,000
2045-2049	39,550,000	10,342,787
2050-2051	18,950,000	1,008,000
	<u>\$ 160,000,000</u>	<u>\$ 189,053,438</u>

Other Supplementary Information

HUDSON COUNTY IMPROVEMENT AUTHORITY

COMBINING SCHEDULE OF FUND NET POSITION

DECEMBER 31, 2015 WITH COMPARATIVE TOTALS FOR 2014

	Administration	Transportation Management Association	Property Development	Solid Waste Management	Essential Purpose Government Pooled Loan Program
Assets					
Unrestricted assets:					
Cash and cash equivalents	\$ 2,016,363	\$ -	\$ 523,452	\$ 23,170,967	\$ -
Investments	112,135	-	-	-	-
Accounts receivable, net of allowance of \$1,514,378 and \$918,219 in 2015 and 2014, respectively	-	-	150,000	4,322,625	-
Other accounts receivable	1,802,698	-	-	-	-
Due from County of Hudson	8,510,450	38,305	-	-	-
Prepaid expenses	316,308	-	-	47,432	-
Total unrestricted assets	12,757,954	38,305	673,452	27,541,024	-
Restricted assets:					
Cash and cash equivalents	-	15,993	2,822,575	6,007,509	8,328,615
Note receivable	-	-	660,625	-	-
Grants receivable	67,465	358,005	-	-	-
Investments	-	-	-	-	21,955,000
Pooled loan program loans receivable	-	-	-	-	2,262,000
Net investment in direct financing lease	-	-	-	-	-
Interest receivable	-	-	65,487	-	91,479
Prepaid property development projects	-	-	1,075,175	-	-
Prepaid expense and other receivables	-	-	-	-	8,500
Repair escrow deposit	-	-	153,140	-	-
Total restricted assets	67,465	373,998	4,777,002	6,007,509	32,645,594
Total current assets	12,825,419	412,303	5,450,454	33,548,533	32,645,594
Capital assets	136,697	4,891	2,452,795	1,076,508	-
Less accumulated depreciation	(103,745)	(4,646)	(185,625)	(680,749)	-
Net property, plant, and equipment	32,952	245	2,267,170	395,759	-
Interfund transfers receivable	608,464	-	122,889	8,221,644	-
Note receivable (Restricted)	-	-	13,050,625	-	-
Pooled loan program loans receivable	-	-	-	-	21,980,000
Net Investment in direct financing lease	-	-	-	-	-
Total assets	\$ 13,466,835	\$ 412,548	\$ 20,891,138	\$ 42,165,936	\$ 54,625,594
Deferred outflows of resources					
Deferred amount on advance refunding: Solid waste revenue bonds	\$ -	\$ -	\$ -	\$ 4,872,450	\$ -
Deferred pension liability outflows	211,064	106,732	121,801	1,801,903	-
Total deferred outflows of resources	\$ 211,064	\$ 106,732	\$ 121,801	\$ 6,674,353	\$ -
Liabilities					
Current liabilities:					
Payable from unrestricted assets:					
Accounts payable and accrued liabilities	\$ 354,256	\$ 20,831	\$ 193,399	\$ 2,930,469	\$ -
Capital lease payable - current portion	-	-	-	-	-
Payable from restricted assets:					
Accounts payable and accrued liabilities	-	29,337	-	-	28,171
Accrued interest payable	-	-	74,842	1,827,023	506
Due to pooled loan participants	-	-	-	-	342,465
Facility lease revenue bonds payable	-	-	-	-	-
Property development bonds payable	-	-	755,000	-	-
Solid waste system revenue bonds payable	-	-	-	1,805,000	-
Unearned revenues	134,572	-	210,842	-	-
Unearned grant revenues	677,530	-	-	-	-
Unearned service revenues	-	-	-	404,532	-
Total current liabilities	1,166,358	50,168	1,234,083	6,967,024	371,142
Interfund transfers payable:	8,166,246	502,823	154,025	115,451	14,452
Noncurrent liabilities:					
Security Deposit	-	-	-	-	-
Reserve for property development deposits	-	-	2,016,692	-	-
Reserve for expenses	132,161	-	65,623	-	-
Total noncurrent liabilities	132,161	-	2,082,315	-	-
Long-term liabilities:					
Long-term pooled loan program bonds	-	-	-	-	54,240,000
Facility lease revenue bonds payable	-	-	-	-	-
Long-term property development bonds payable	-	-	15,027,550	-	-
Long-term solid waste system revenue bonds payable	-	-	-	80,560,499	-
Net pension liability	1,075,565	543,896	620,690	9,182,367	-
Total long-term liabilities	1,075,565	543,896	15,648,240	89,742,866	54,240,000
Total liabilities	\$ 10,540,330	\$ 1,096,887	\$ 19,118,663	\$ 96,825,341	\$ 54,625,594
Deferred inflows of resources					
Lease arrangement revenue applicable to future years	\$ -	\$ -	\$ 125,000	\$ -	\$ -
Deferred pension liability inflows	21,453	10,848	12,380	183,147	-
Total deferred inflows of resources	\$ 21,453	\$ 10,848	\$ 137,380	\$ 183,147	\$ -
Net position					
Net investment in capital assets	\$ 32,952	\$ 245	\$ 1,154,893	\$ 395,759	\$ -
Unrestricted	3,083,164	(588,700)	602,003	(48,563,958)	-
Net position	\$ 3,116,116	\$ (588,455)	\$ 1,756,896	\$ (48,168,199)	\$ -

SCHEDULE 1

Public Sector Financing Programs							Total	
Facility Loan and Lease Financing Program	Guaranteed Pooled Note Program	New Jersey		Total Public Sector Financing Programs	Transfer Elimination	Total		
		Environmental Infrastructure Loan Program				2015	2014	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	25,710,782	\$ 20,484,488	
-	-	-	-	-	-	112,135	129,487	
-	-	-	-	-	-	4,472,625	5,029,229	
-	-	-	-	-	-	1,802,698	1,799,776	
-	-	-	-	-	-	8,548,755	7,614,779	
-	-	-	-	-	-	363,740	344,918	
-	-	-	-	-	-	41,010,735	35,402,677	
404,367	-	-	-	404,367	-	17,579,059	36,771,762	
-	-	-	-	-	-	660,625	647,500	
-	-	-	-	-	-	425,470	247,098	
-	-	-	-	-	-	21,955,000	23,865,000	
-	-	-	-	-	-	2,262,000	1,999,112	
12,265,000	193,633,000	822,301	206,720,301	-	-	206,720,301	208,626,816	
1,509,943	1,011,547	58,109	2,579,599	-	-	2,736,565	2,599,762	
-	-	-	-	-	-	1,075,175	620,227	
-	-	-	-	-	-	8,500	3,500	
-	-	-	-	-	-	153,140	153,140	
14,179,310	194,644,547	880,410	209,704,267	-	-	253,575,835	275,533,917	
14,179,310	194,644,547	880,410	209,704,267	-	-	294,586,570	310,936,594	
-	-	-	-	-	-	3,670,891	3,520,058	
-	-	-	-	-	-	(974,765)	(750,558)	
-	-	-	-	-	-	2,696,126	2,769,500	
-	-	-	-	-	(8,952,997)	-	-	
-	-	-	-	-	-	13,050,625	13,711,250	
-	-	-	-	-	-	21,980,000	24,242,000	
164,385,000	-	11,296,393	175,681,393	-	-	175,681,393	188,058,693	
\$ 178,564,310	\$ 194,644,547	\$ 12,176,803	\$ 385,385,660	\$ (8,952,997)	\$ -	\$ 507,994,714	\$ 539,718,037	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4,872,450	\$ 5,516,997	
-	-	-	-	-	-	2,241,500	1,096,489	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	7,113,950	\$ 6,613,486	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3,498,955	\$ 3,314,918	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	57,508	162,095	
1,509,943	1,011,547	58,109	2,579,599	-	-	4,481,970	4,378,861	
-	-	-	-	-	-	342,465	676,861	
12,265,000	193,633,000	822,301	206,720,301	-	-	206,720,301	208,626,816	
-	-	-	-	-	-	755,000	740,000	
-	-	-	-	-	-	1,805,000	1,700,000	
-	-	-	-	-	-	345,414	368,856	
-	-	-	-	-	-	677,530	681,579	
-	-	-	-	-	-	404,532	243,802	
13,774,943	194,644,547	880,410	209,299,900	-	-	219,088,675	220,893,788	
-	-	-	-	-	(8,952,997)	-	-	
-	-	-	-	-	-	-	50,000	
-	-	-	-	-	-	2,016,692	3,838,718	
404,367	-	-	404,367	-	-	602,151	1,114,431	
404,367	-	-	404,367	-	-	2,618,843	5,003,149	
-	-	-	-	-	-	54,240,000	74,640,000	
164,385,000	-	11,296,393	175,681,393	-	-	175,681,393	188,058,693	
-	-	-	-	-	-	15,027,550	15,794,197	
-	-	-	-	-	-	80,560,499	82,438,065	
-	-	-	-	-	-	11,422,518	9,579,013	
164,385,000	-	11,296,393	175,681,393	-	-	336,931,960	370,509,968	
\$ 178,564,310	\$ 194,644,547	\$ 12,176,803	\$ 385,385,660	\$ (8,952,997)	\$ -	\$ 558,639,478	\$ 596,406,905	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	125,000	\$ 300,000	
-	-	-	-	-	-	227,828	570,857	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	352,828	\$ 870,857	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,583,849	\$ 1,553,043	
-	-	-	-	-	-	(45,467,491)	(52,499,282)	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(43,883,642)	\$ (50,946,239)	

HUDSON COUNTY IMPROVEMENT AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED DECEMBER 31, 2015 WITH COMPARATIVE TOTALS FOR 2014

	Administration	Transportation Management Association	Property Development	Solid Waste Management	Essential Purpose Government Pooled Loan Program
Operating revenues:					
Solid waste revenues	\$ -	\$ -	\$ -	\$ 39,039,373	\$ -
Administration fee income	3,084,543	-	-	-	-
Lease Income	-	-	1,242,948	-	-
Miscellaneous	46,746	562	2,781,299	126,265	-
Total operating revenues	3,131,289	562	4,024,247	39,165,638	-
Operating expenses:					
Salaries and wages	48,744	-	118,247	2,994,449	-
Employee benefits	155,165	-	83,379	1,661,046	-
Other expenses	397,390	-	2,649,528	26,605,100	-
Total operating expenses	601,299	-	2,851,154	31,260,595	-
Depreciation	3,255	656	74,497	145,799	-
	604,554	656	2,925,651	31,406,394	-
Income (loss) from operations	2,526,735	(94)	1,098,596	7,759,244	-
Non-operating revenues (expenses):					
Grant income	\$ 498,532	\$ 705,085	\$ -	\$ -	\$ -
Grant expense	(498,532)	(705,085)	-	-	-
Interest earned on investments	3,053	94	1,693	15,651	1,054,190
Interest expense:					
Capital lease	-	-	-	-	-
Pooled loan program bonds	-	-	-	-	(1,388,587)
Financing loan and lease program bonds	-	-	-	-	-
Property development bonds	-	-	(604,416)	-	-
Solid waste system revenue bonds	-	-	-	(4,264,462)	-
Unrealized gain on investments	(17,352)	-	-	-	-
Gain (loss) on disposal of capital assets	-	-	-	4,800	-
Interest income:					
Financing loan and lease income	-	-	-	-	-
Property development note receivable	-	-	539,055	-	-
Pooled loan program expenses, net	-	-	-	-	334,397
Total non-operating revenues (expenses)	(14,299)	94	(63,668)	(4,244,011)	-
Change in net position	2,512,436	-	1,034,928	3,515,233	-
Net position, January 1	603,680	(588,455)	721,968	(51,683,432)	-
Prior year adjustment to recognize pension liability	-	-	-	-	-
Net position, December 31	\$ 3,116,116	\$ (588,455)	\$ 1,756,896	\$ (48,168,199)	\$ -

SCHEDULE 2

Public Sector Financing Programs					
Facility Loan and Lease Financing Program	Guaranteed Pooled Note Program	New Jersey Environmental Infrastructure Loan Program	Total Public Sector Financing Programs	Total	
				2015	2014
\$ -	\$ -	\$ -	-	\$ 39,039,373	\$ 37,855,653
-	-	-	-	3,084,543	948,337
-	-	-	-	1,242,948	2,652,004
-	-	-	-	2,954,872	2,315,670
-	-	-	-	46,321,736	43,771,664
-	-	-	-	3,161,440	3,071,374
-	-	-	-	1,899,590	1,472,294
-	-	-	-	29,652,018	26,300,348
-	-	-	-	34,713,048	30,844,016
-	-	-	-	224,207	217,037
-	-	-	-	34,937,255	31,061,053
-	-	-	-	11,384,481	12,710,611
\$ -	\$ -	\$ -	\$ -	\$ 1,203,617	\$ 1,240,414
-	-	-	-	(1,203,617)	(1,240,414)
-	-	-	-	1,074,681	664,882
-	-	-	-	-	-
-	-	-	-	(1,388,587)	(861,329)
(8,773,348)	(2,241,778)	(144,567)	(11,159,693)	(11,159,693)	(12,272,371)
-	-	-	-	(604,416)	(620,837)
-	-	-	-	(4,264,462)	(4,342,990)
-	-	-	-	(17,352)	6,557
-	-	-	-	4,800	7,900
8,773,348	2,241,778	144,567	11,159,693	11,159,693	12,272,371
-	-	-	-	539,055	553,700
-	-	-	-	334,397	212,415
-	-	-	-	(4,321,884)	(4,379,702)
-	-	-	-	7,062,597	8,330,909
-	-	-	-	(50,946,239)	(49,801,992)
-	-	-	-	-	(9,475,156)
\$ -	\$ -	\$ -	\$ -	\$ (43,883,642)	\$ (50,946,239)

Other Required Supplementary Information

HUDSON COUNTY IMPROVEMENT AUTHORITY
ADMINISTRATIVE OPERATIONS

BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2015

	Actual											Budget	Variance
	Administration	Transportation Management Association	Property Development	Essential Purpose Government Loan Program	Facility Loan and Lease Financing Program	Public Sector Financing Programs				Total Public Sector Financing Programs	Total Actual		
						Guaranteed Pooled Note Program	New Jersey Environmental Infrastructure Loan Fund	Environmental Infrastructure Loan Fund	Public Sector Financing Programs				
Revenues:													
Revenues anticipated:													
Other operating revenues	\$ 3,084,543	\$ -	\$ 1,242,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,695,000	\$ 1,632,491
Grants	498,532	705,085	-	-	-	-	-	-	-	-	-	1,753,073	(549,456)
Interest on investments	3,053	94	1,693	1,054,190	-	-	-	-	-	-	-	1,525,074	(466,044)
Other non-operating revenues	46,746	562	2,781,299	334,397	20,268,348	198,556,293	961,867	219,786,508	961,867	219,786,508	220,851,824	19,334,684	
Nonbudgeted revenues													3,163,004
Total revenues	\$ 3,632,874	\$ 705,741	\$ 4,025,940	\$ 21,788,587	\$ 20,268,348	\$ 198,556,293	\$ 961,867	\$ 219,786,508	\$ 961,867	\$ 219,786,508	\$ 226,824,971	\$ 23,114,679	
Appropriations:													
Administration	\$ 1,099,831	\$ 705,085	\$ 2,851,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,129,183	\$ 526,887	
Debt service:													
Bond principal	-	-	92,500	20,400,000	11,495,000	196,314,515	817,300	208,626,815	817,300	208,626,815	209,366,816	(19,752,499)	
Bond interest	-	-	77,008	1,388,587	8,773,348	2,241,778	144,567	11,159,693	144,567	11,159,693	13,328,972	703,684	
Total debt service	-	-	169,508	21,788,587	20,268,348	198,556,293	961,867	219,786,508	961,867	219,786,508	222,695,788	(19,048,815)	
Total appropriations	\$ 1,099,831	\$ 705,085	\$ 3,020,662	\$ 21,788,587	\$ 20,268,348	\$ 198,556,293	\$ 961,867	\$ 219,786,508	\$ 961,867	\$ 219,786,508	\$ 226,824,971	\$ (18,521,928)	
Revenues less appropriations	\$ 2,533,043	\$ 656	\$ 1,005,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,592,751	
Adjustments - GAAP basis:													
Depreciation	\$ (3,255)	\$ (656)	\$ (74,497)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrealized Gain on investments (included in interest expense)	(17,352)	-	-	-	-	-	-	-	-	-	-	-	(78,408)
Amortization of original issue premium (included in interest expense)	11,647	-	-	(20,400,000)	(11,495,000)	(196,314,515)	(817,300)	(208,626,815)	(817,300)	(208,626,815)	11,647	11,647	
Revenues for note, bond and loan principal	-	-	740,000	20,400,000	11,495,000	196,314,515	817,300	208,626,815	817,300	208,626,815	229,766,815	(229,026,815)	
Bond and loan principal	-	-	(647,500)	-	-	-	-	-	-	-	(647,500)	229,766,815	
Note receivable principal	(20,607)	(656)	29,650	-	-	-	-	-	-	-	8,387	(647,500)	
Total adjustments	\$ 2,512,436	\$ -	\$ 1,034,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,547,364	
Net change in net assets - GAAP basis													

HUDSON COUNTY IMPROVEMENT AUTHORITY
SOLID WASTE OPERATIONS

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Revenues anticipated:			
Service charges	\$ 39,039,373	\$ 36,389,800	\$ 2,649,573
Interest on investments	15,651	-	15,651
Nonbudgeted revenues	<u>126,265</u>	<u>-</u>	<u>126,265</u>
Total revenues	<u><u>\$ 39,181,289</u></u>	<u><u>\$ 36,389,800</u></u>	<u><u>\$ 2,791,489</u></u>
Appropriations:			
Cost of providing services	\$ 27,378,708	\$ 28,109,855	\$ 1,953,296
Administration	3,881,887	1,922,913	(2,400,892)
Debt service:			
Bond principal	1,700,000	1,700,000	-
Bond interest	<u>3,692,481</u>	<u>3,730,915</u>	<u>38,434</u>
Total debt service	<u>5,392,481</u>	<u>5,430,915</u>	<u>38,434</u>
Total appropriations	<u><u>\$ 36,653,076</u></u>	<u><u>\$ 35,463,683</u></u>	<u><u>\$ (409,162)</u></u>
Revenues less appropriations	<u><u>\$ 2,528,213</u></u>	<u><u>\$ 926,117</u></u>	<u><u>\$ 2,382,327</u></u>
Adjustments - GAAP basis:			
Depreciation	\$ (145,799)		
Gain (loss) on disposal of capital assets	4,800		
Amortization of deferred amount on refunding (included in interest expense)	(644,547)		
Amortization of original issue premium (included in interest expense)	72,566		
Bond and loan principal	<u>1,700,000</u>		
Total adjustments	<u>987,020</u>		
Net change in net assets - GAAP basis	<u><u>\$ 3,515,233</u></u>		

HUDSON COUNTY IMPROVEMENT AUTHORITY
SOLID WASTE OPERATIONS

STATEMENT OF OPERATIONS WITH RECONCILIATION TO REGULATORY BASIS

YEAR ENDED DECEMBER 31, 2015

Operating revenues:		
Solid waste revenues	\$	39,039,373
Miscellaneous		126,265
		<u>39,165,638</u>
Operating expenses:		
Salaries and wages		2,994,449
Employee benefits		1,661,046
Other expenses		26,605,100
		<u>31,260,595</u>
Depreciation		145,799
		<u>31,406,394</u>
Income from operations		<u>7,759,244</u>
Non-operating revenues (expenses):		
Interest earned on investments		15,651
Interest expense		(4,264,462)
		<u>(4,248,811)</u>
Net income	\$	<u>3,510,433</u>
Net income based on accounting principles generally accepted in the United States of America	\$	3,510,433
Add:		
Depreciation		145,799
Gain (loss) on disposal of capital assets		(4,800)
Amortization of deferred amount on advance refunding (included in interest expense)		644,547
Less:		
Amortization of original issue premium (included in interest expense)		(72,566)
Bond principal		(1,700,000)
Net loss on regulatory basis	\$	<u>2,523,413</u>

Note: The regulatory basis differs from generally accepted accounting principles in that certain expenses (amortization and depreciation) are not recorded, whereas generally accepted accounting principles basis recognizes these items as expenses ratably over the periods the related obligations are amortized or the related assets are used. In addition, principal paid on solid waste revenue bonds is recognized as expense for regulatory reporting.

HUDSON COUNTY IMPROVEMENT AUTHORITY

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
 LAST THREE FISCAL YEARS

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
District's proportion of the net pension liability	0.0508843570%	0.0511624671%	0.0488489685%
District's proportionate share of the net pension liability	\$ 11,422,518	\$ 9,579,013	\$ 9,336,008
District's covered-employee payroll	\$ 3,985,442	\$ 3,929,866	\$ 3,751,970
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	286.61%	243.75%	248.83%
Plan fiduciary net position as a percentage of the total pension liability	47.92%	52.08%	48.72%

HUDSON COUNTY IMPROVEMENT AUTHORITY

SCHEDULE OF AUTHORITY CONTRIBUTIONS
 PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
 LAST THREE FISCAL YEARS

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Contractually required contribution	\$ 421,776	\$ 368,067	\$ 350,965
Contributions in relation to the contractually required contribution	<u>421,776</u>	<u>368,067</u>	<u>350,965</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,985,442	\$ 3,929,866	\$ 3,751,970
Contributions as a percentage of covered-employee payroll	10.58%	9.37%	9.35%

HUDSON COUNTY IMPROVEMENT AUTHORITY

**NOTES TO THE REQUIRED SUPPLEMENTARY PENSION INFORMATION
YEAR ENDED DECEMBER 31, 2015**

Changes in benefit terms: None

Changes in assumptions: The discount rate changed from the rate as of June 30, 2014 to the rate as of June 30, 2015, in accordance with GASB Statement No. 67.

Method and assumptions used in calculations of employer's actuarially determined contributions The actuarially determined contributions are calculated as of July 1 preceding the fiscal year in which the contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine rates in the schedule of employer contributions.

STATISTICAL SECTION

HUDSON COUNTY IMPROVEMENT AUTHORITY
REVENUES BY SOURCE
LAST FIVE YEARS
(UNAUDITED)

Year ended December 31,	Operating				Non-operating			Total revenues
	Solid waste revenues	Administration fee income	Miscellaneous	Total Operating	Grant income	*Interest earned on investments	Other	
2015	\$ 39,039,373	\$ 3,084,543	\$ 4,197,820	\$ 46,321,736	\$ 1,203,617	\$ 1,074,681	\$ 321,845	48,921,879
2014	37,855,653	948,337	4,967,674	43,771,664	1,240,414	664,882	226,872	45,903,832
2013	36,649,270	968,304	724,462	38,342,036	1,803,647	780,239	51,830	40,977,752
2012	36,589,032	977,308	611,002	38,177,342	2,094,212	771,729	23,330	41,066,613
2010	37,379,693	1,066,078	37,931	38,483,702	1,483,514	798,241	-	40,765,457

118 * - Investment earned on investments excludes amounts from Public Sector Financing Programs and property development note receivable.

HUDSON COUNTY IMPROVEMENT AUTHORITY
EXPENSES BY FUNCTION
LAST FIVE YEARS
(UNAUDITED)

Year ended December 31,	Operating				Non-operating			Total Expenses			
	Salaries and wages	Employee benefits	Other expenses	Depreciation	Total operating	Grant expense	*Interest expense		Other	Debt issuance costs**	Total non-operating
2015**	\$ 3,161,440	\$ 1,899,590	\$ 29,652,018	\$ 224,207	\$ 34,937,255	\$ 1,203,617	\$ 5,718,410	\$ -	\$ -	\$ 6,922,027	\$ 41,859,282
2014**	3,071,374	1,472,294	26,300,348	217,037	31,061,053	1,240,414	5,271,456	-	-	6,511,870	37,572,923
2013**	2,974,804	1,447,839	25,395,960	130,012	29,948,615	1,803,647	5,063,677	182,937	-	7,050,261	36,998,876
2012**	2,933,709	1,276,891	27,201,645	84,334	31,496,579	2,094,212	5,495,334	-	509,144	8,098,690	39,595,269
2011	2,714,738	1,271,089	29,169,631	89,609	33,245,067	1,483,514	5,513,769	144,252	-	7,141,535	40,386,602

* - Interest expense excludes amounts from Public Sector Financing Programs and is netted with interest income from property development note receivable.

** - GASB Statement No. 63 and 65 was adopted in 2013 to recognize debt issuance costs when incurred and 2012 has been restated to retroactively reflect this change in accounting policy.

HUDSON COUNTY IMPROVEMENT AUTHORITY
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL EXPENSES
LAST FIVE YEARS
(UNAUDITED)

Year ended December 31,	Debt service			Total expenses	Ratio of debt service to expenses
	Principal	Interest*	Total		
2015**	\$ 1,792,500	\$ 3,769,489	\$ 5,561,989	\$ 41,859,282	13.29%
2014**	1,690,000	3,827,015	5,517,015	37,572,923	14.68%
2013**	1,588,125	3,915,900	5,504,025	36,998,876	14.88%
2012**	1,400,000	5,495,334	6,895,334	39,595,269	17.41%
2010	-	5,586,721	5,586,721	40,386,602	13.83%

* - Interest expense excludes amounts from Public Sector Financing Programs and is netted with interest income from property development note receivable.

** - GASB Statement No. 63 and 65 was adopted in 2013 to recognize debt issuance costs when incurred and 2012 has been restated to retroactively reflect this change in accounting policy.

**HUDSON COUNTY IMPROVEMENT AUTHORITY
REVENUE BOND COVERAGE
LAST FIVE YEARS
(UNAUDITED)**

Year ended December 31,	Operating revenues	Operating expenses	Net revenue available for debt service	Debt service obligations			Coverage
				Principal	Interest*	Total	
2015**	\$ 46,321,736	\$ 34,937,255	\$ 11,384,481	\$ 1,792,500	\$ 3,769,489	\$ 5,561,989	\$ 5,822,492
2014**	43,771,664	31,061,053	12,710,611	1,690,000	3,827,015	5,517,015	7,193,596
2013**	38,342,036	29,948,615	8,393,421	1,588,125	3,915,900	5,504,025	2,889,396
2012**	38,177,342	31,496,579	6,680,763	1,400,000	5,495,334	6,895,334	(214,571)
2011	38,483,702	33,245,067	5,238,635	-	5,586,721	5,586,721	(348,086)

* - Interest expense excludes amounts from Public Sector Financing Programs and is netted with interest income from property development note receivable.

** - GASB Statement No. 63 and 65 was adopted in 2013 to recognize debt issuance costs when incurred and 2012 has been restated to retroactively reflect this change in accounting policy.

**HUDSON COUNTY IMPROVEMENT AUTHORITY
TIPPING FEES AND TONNAGE
LAST TEN YEARS
(UNAUDITED)**

<u>Year ended December 31,</u>	<u>Rate per ton</u>	<u>Tons</u>			<u>Total</u>
		<u>Type 10</u>	<u>Type 13</u>	<u>Type 27</u>	
2015	97.54	363,082	24,346	1,990	389,418
2014	97.54	346,245	33,782	3,240	383,267
2013	95.63	346,426	29,162	3,141	378,729
2012	93.75	354,027	30,701	5,194	389,922
2011	93.75	361,441	28,287	2,420	392,148
2010	83.56 - 93.75	368,313	29,129	10,587	408,029
2009	83.56	385,374	35,641	11,836	432,851
2008	83.56	413,339	58,927	8,504	480,770
2007	80.73	432,203	87,380	1,467	521,050
2006	80.73	448,846	68,959	28,912	546,717

SINGLE AUDIT SECTION

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

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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*

Members of the Board
Hudson County Improvement Authority
Jersey City, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Hudson County Improvement Authority (the "Authority"), a component unit of the County of Hudson, New Jersey, as of and for the year ended December 31, 2015, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 22, 2015.

Internal Control over Financial Reporting

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

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


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatements, 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* and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is intended 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* and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DONOHUE, GIRONDA, DORIA
& TOMKINS, LLC

Bayonne, New Jersey
July 22, 2015

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

Matthew A. Donohue, CPA
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Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Members of the Board
Hudson County Improvement Authority
Jersey City, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Hudson County Improvement Authority's, (the "Authority's"), a component unit of the County of Hudson, New Jersey compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget* ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2015. The Authority's major federal programs are identified in the summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

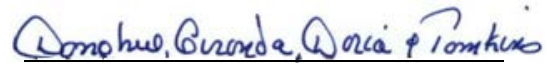
Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


DONOHUE, GIRONDA, DORIA
& TOMKINS, LLC

Bayonne, New Jersey
July 22, 2015

**HUDSON COUNTY IMPROVEMENT AUTHORITY
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Grant Number	State Account Number	Grant Period		Grant Award	Balance at December 31, 2014	Cash Received	Expenditures	Adjustments	Balance at December 31, 2015
				From	To						
US Department of Transportation, Federal Highway Administration Pass through State of New Jersey, Department of Transportation											
Pass through North Jersey Transportation Planning Authority											
** Highway Planning and Construction	20.205	2015-NJIT-002	078 6300-480 FHP 16	07/01/15	06/30/16	\$ 530,000	\$ -	\$ (274,350)	\$ -	\$ (274,350)	
** Highway Planning and Construction	20.205	2014-NJIT-002	078 6300-480 FHP 15	07/01/14	06/30/15	470,000	(92,067)	346,168	(254,680)	(579)	
** Highway Planning and Construction - Route 280	20.205	2010-DT-BLA-238	078 6300-480 FKE 12	07/01/11	Completion	*	(39,114)	14,946	(105)	(24,273)	
** Safe Routes to School Program	20.205	STP-C008S(218)	*	07/01/15	06/30/16	213,359	-	-	(44,936)	(44,936)	
** Safe Routes to School Program	20.205	STP-C008S(218)	*	07/01/14	06/30/15	*	(37,650)	108,007	(92,593)	(22,236)	
Federal Transit Administration Pass through State of New Jersey, New Jersey Transit Corporation											
Congestion Mitigation Air Quality Initiatives:											
** NJ Transit Marketing	20.205	T36696	*	01/01/15	12/31/15	25,000	-	10,487	(25,000)	-	(14,513)
** NJ Transit Marketing	20.205	T36696	*	01/01/14	12/31/14	25,000	(15,771)	15,771	-	-	-
							(184,602)	495,379	(691,664)	-	(380,887)
US Department of Health and Human Services Pass through County of Hudson Ryan White Part A Formula Grant - HIV Emergency Relief Project Grants HIV Emergency Relief Project Grants											
Ryan White Part A Formula Grant -	93.914	H89HA00010	*	03/01/15	02/28/16	172,600	-	129,108	(172,300)	-	(43,192)
HIV Emergency Relief Project Grants	93.914	H89HA00010	*	03/01/14	02/28/15	168,000	(60,623)	60,623	-	-	-
HIV Emergency Relief Project Grants							(60,623)	189,731	(172,300)	-	(43,192)
Total Expenditures Federal Awards							\$ (245,225)	\$ 685,110	\$ (865,964)	\$ -	\$ (424,079)

* - Not Available
** - Denotes a major program

HUDSON COUNTY IMPROVEMENT AUTHORITY
COUNTY OF HUDSON, NEW JERSEY

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2015

State Department and Program	Grant Number	State Account Number	Grant Period From	Grant Period To	Grant Award	Balance at December 31, 2014	Received	Expenditures	Adjustments	Balance at December 31, 2015	Memo, Cumulative Total Expenditures
New Jersey Department of Environmental Protection, Division of Solid and Hazardous Waste Management Program											
Bureau of Recycling and Planning											
Recycling Enhancement Act Tax Fund Entitlement Program	*		01/01/14	Completion	\$ 688,600	\$ -	\$ 296,400	\$ -	\$ -	\$ 296,400	-
Recycling Enhancement Act Tax Fund Entitlement Program	*		01/01/13	Completion	688,600	313,500	-	-	-	313,500	-
Recycling Enhancement Act Tax Fund Entitlement Program	*		01/01/12	Completion	688,600	352,000	-	(298,703)	-	53,297	300,446
Recycling Enhancement Act Tax Fund Entitlement Program	*		01/01/11	Completion	688,600	16,079	-	(16,079)	-	-	688,600
<i>Total Recycling Enhancement Act Tax Fund Entitlement Program</i>					<u>681,579</u>	<u>681,579</u>	<u>296,400</u>	<u>(314,782)</u>	<u>-</u>	<u>663,197</u>	
Passed through the County of Hudson:											
15 Clean Communities Entitlement	*		01/01/15	Completion	25,679	-	25,679	(11,346)	-	14,333	11,347
<i>Total Clean Communities Entitlement</i>					<u>25,679</u>	<u>-</u>	<u>25,679</u>	<u>(11,346)</u>	<u>-</u>	<u>14,333</u>	
New Jersey Department of Law and Public Safety, Division of Highway Traffic Safety											
16 Pedestrian and Bicycle Safety	*		10/01/15	09/30/16	15,400	-	-	(1,391)	-	(1,391)	1,391
15 Pedestrian and Bicycle Safety	*		10/01/14	09/30/15	14,008	(1,873)	14,007	(12,134)	-	-	14,008
<i>Total Pedestrian and Bicycle Safety</i>					<u>(1,873)</u>	<u>(1,873)</u>	<u>14,007</u>	<u>(13,525)</u>	<u>-</u>	<u>(1,391)</u>	
<i>Total Expenditures of State Financial Assistance</i>					<u>\$ 679,706</u>	<u>\$ 679,706</u>	<u>\$ 336,086</u>	<u>\$ (339,653)</u>	<u>\$ -</u>	<u>\$ 676,139</u>	

* - Not Available

**HUDSON COUNTY IMPROVEMENT AUTHORITY
COUNTY OF HUDSON, NEW JERSEY**

**NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

DECEMBER 31, 2015 AND 2014

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

The Hudson County Improvement Authority is the prime sponsor of certain programs and recipient of various federal and state grant funds. The Authority has the responsibility to administer grant programs and report to grantor agencies. All grant and program cash funds are separated from the Authority's other funds.

Expenditures

Expenditures, as reported on the accompanying schedules of expenditures of federal and state awards, reflect accrued expenditures charged directly to a grant program.

This information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. CONTINGENCIES

Each of the grantor agencies reserves the right to conduct additional audits of the Authority's grant programs for economy, efficiency and program results. However, Authority management does not believe such audits would result in material amounts of disallowed costs.

**HUDSON COUNTY IMPROVEMENT AUTHORITY
HUDSON COUNTY, NEW JERSEY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Auditor's Results

Financial Statement Section

A) Type of Auditor's Report Issued: Unmodified Opinion

B) Internal Control over Financial Reporting:

1) Material weakness(es) identified? Yes ✓ No

2) Significant deficiency(ies) identified? Yes ✓ None reported

C) Noncompliance material to financial statements noted? Yes ✓ No

Federal Awards Section

D) Internal Control over major programs:

1) Material weakness(es) identified? Yes ✓ No

2) Significant deficiency(ies) identified? Yes ✓ None reported

E) Type of auditor's report on compliance for major programs Unmodified Opinion

F) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 [section 510(e)]? Yes ✓ No

G) Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
20.205	Highway Planning and Construction-Route 280
20.205	Safe Routes to School Program
20.205	NJ Transit Marketing

H) Dollar threshold used to determine between Type A and Type B Programs. \$300,000

I) Auditee qualified as low-risk auditee? Yes ✓ No

**HUDSON COUNTY IMPROVEMENT AUTHORITY
COUNTY OF HUDSON, NEW JERSEY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2015

Section II – Financial Statement Findings

(This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violation of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting in a Circular A-133 audit. See paragraphs 13.15 and 13.35.)

NONE

**HUDSON COUNTY IMPROVEMENT AUTHORITY
COUNTY OF HUDSON, NEW JERSEY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2015

Section III – Federal Awards Findings and Questioned Costs

(This section identifies audit findings required to be reported by Section .510(a) of Circular A-133.)

NONE

**HUDSON COUNTY IMPROVEMENT AUTHORITY
COUNTY OF HUDSON, NEW JERSEY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT**

YEAR ENDED DECEMBER 31, 2015

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

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.