

**HUDSON COUNTY IMPROVEMENT AUTHORITY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**HUDSON COUNTY, NEW JERSEY**

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

**Prepared by**

**Hudson County Improvement Authority  
Office of Finance**

**HUDSON COUNTY IMPROVEMENT AUTHORITY  
TABLE OF CONTENTS**

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

<b><u>Exhibit</u></b>		<b><u>Page</u></b>
	<b>INTRODUCTORY SECTION</b>	
	Letter of Transmittal	1 - 4
	Roster of Officials	5
	Consultants, Independent Auditors and Advisors	6
	<b>FINANCIAL SECTION</b>	
	Independent Auditor's Report	7 - 8
	<b>Required Supplementary Information</b>	
	Management's Discussion and Analysis	9 - 18
	<b>Basic Financial Statements</b>	
A	Statements of Net Assets (Deficit)	19
B	Statements of Revenues, Expenses and Changes in Net Assets (Deficit)	20
C	Statements of Cash Flows	21 - 22
	<b>Notes to Financial Statements</b>	23 - 90
<b><u>Schedule</u></b>		
	<b>Other Supplementary Information</b>	
1	Combining Schedule of Fund Net Assets (Deficit)	91 - 92
2	Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets (Deficit)	93 - 94
3	Combining Budgetary Comparison Schedule	95 - 96
4	Statement of Operations with Reconciliation to Regulatory Basis - Solid Waste Operations	97
	<b>STATISTICAL SECTION (UNAUDITED)</b>	
	Revenues by Source	98
	Expenses by Function	99
	Ratio of Annual Debt Service Expenditures to Total Expenses	100
	Revenue Bond Coverage	101
	Tipping Fees and Tonnage	102

**HUDSON COUNTY IMPROVEMENT AUTHORITY  
TABLE OF CONTENTS**

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

**SINGLE AUDIT SECTION**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	103 - 104
Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04	105 - 107
Schedule of Expenditures of Federal Awards	108
Schedule of Expenditures of State Financial Assistance	109
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	110
Schedule of Findings and Questioned Costs: Section I – Summary of Auditor’s Results	111 - 112
Section II – Financial Statement Findings	113
Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs	114
Summary Schedule of Prior Year Findings and Questioned Costs as Prepared by Management	115

## **INTRODUCTORY SECTION**



**Commissioners**

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

**Thomas A. DeGise**  
**County Executive**

**Chief Executive Officer**

Norman M. Guerra

**Executive Director/CFO**

Kurt A. Cherry

**Deputy Executive Director**

E. Junior Maldonado

**General Counsel**

William J. Netchert, Esq.

May 27, 2011

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, 2010.

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, 2010, the Authority's outstanding debt issues included \$74,640,000 of pooled loan program bonds, \$357,448,913 of facility lease revenue bonds, \$266,160,604 of guaranteed pooled notes, \$16,388,713 of New Jersey Infrastructure Trust loan program bonds, and \$84,945,000 of solid waste system revenue bonds.

## **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 *Certified Public Accountants*. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the year ended December 31, 2010 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, 2010, are fairly presented in conformity with GAAP. The Independent Auditor's Report is included in the financial section of this report.

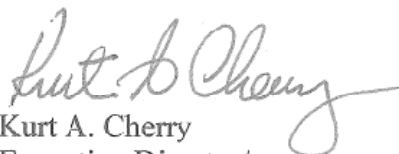
### **Acknowledgments**

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 Officer

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## ROSTER OF OFFICIALS

**DECEMBER 31, 2010**

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, 2010:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
John L. Shinnick	Chairman	02/01/15
Frank Pestana	Vice Chairman	02/01/15
Stephen J. Gallo	Treasurer	02/11/12
Frank Lorenzo	Secretary	02/11/12
Martin T. Martinetti	Commissioner	02/11/13
Fred M. Bado	Commissioner	02/01/14
Oren K. Dabney, Sr.	Commissioner	02/01/15
James Doran, Ed. D.	Commissioner	02/01/11*
John A. Peneda	Commissioner	02/11/14

\* Continues to serve until reappointed or another member is appointed.

### Other Officials

Norman M. Guerra	Chief Executive Officer
Kurt A. Cherry	Executive Director/ Chief Financial Officer
E. Junior Maldonado	Deputy Executive Director

**HUDSON COUNTY IMPROVEMENT AUTHORITY**  
**CONSULTANTS, INDEPENDENT AUDITORS AND ADVISORS**  
**DECEMBER 31, 2010**

**Engineer**

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

**Financial**

NW Financial Group  
10 Exchange Place, 17<sup>th</sup> Floor  
Jersey City, New Jersey 07302

**Audit Firm**

DONOHUE, GIRONDA & DORIA  
*Certified Public Accountants*  
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

*Certified Public Accountants*

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Matthew A. Donohue, CPA  
Robert A. Gironda CPA  
Robert G. Doria, CPA (N.J. & N.Y.)  
Frederick J. Tomkins, CPA, RMA  
Linda P. Kish, CPA, RMA  
Tammy L. Zucca, CPA

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E-Mail: [dgd@dgdcpas.com](mailto:dgd@dgdcpas.com)

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statements of net assets (deficit) of the Hudson County Improvement Authority (the "Authority"), a component unit of the County of Hudson, New Jersey, as of December 31, 2010 and 2009, the related statement of revenues, expenses and change in net assets (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2010 and 2009, and the changes in its net assets (deficit) and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2011 on our consideration of the Authority's internal control structure 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 9 through 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying 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 not a required part of the basic financial statements. The schedules of expenditures and federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, other supplementary information, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

  
DONOHUE, GIRONDA & DORIA  
Certified Public Accountants

  
ROBERT G. DORIA  
Certified Public Accountant

Bayonne, New Jersey  
May 27, 2011

## **Required Supplementary Information**

## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010, 2009 AND 2008**

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, 2010, 2009 and 2008. 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.

#### **2010 FINANCIAL HIGHLIGHTS**

Cash and investments decreased by \$5,987,037 (9.55%) to \$56,686,634 in 2010 from \$62,673,671 in 2009 and total current assets increased by \$49,632,588 (15.88%) to \$362,261,300 in 2010 from \$312,628,712 in 2009.

Bonds payable and other liabilities increased by \$56,780,231 (7.59%) to \$805,325,162 in 2010 from \$748,544,931 in 2009.

Operating revenues decreased by \$1,849,774 (4.82%) to \$36,515,373 in 2010 from \$38,365,147 in 2009.

Operating expenses decreased by \$6,293,992 (15.90%) to \$33,295,895 in 2010 from \$39,589,887 in 2009.

Income from operations increased by \$4,444,218 (362.87%) to \$3,219,478 in 2010 from (\$1,224,740) in 2009 and the change in net assets amounted to an increase of \$2,347,805 in 2010 compared to a deficit of (\$7,138,853) in 2009.

#### **2009 FINANCIAL HIGHLIGHTS**

Cash and investments decreased by \$12,261,967 (16.36%) to \$62,673,671 in 2009 from \$74,935,638 in 2008 and total current assets increased by \$212,279,491 (211.54%) to \$312,628,712 in 2009 from \$100,349,221 in 2008.

Bonds payable and other liabilities increased by \$249,921,487 (50.12%) to \$748,544,931 in 2009 from \$498,623,444 in 2008.

Operating revenues decreased by \$3,584,555 (8.54%) to \$38,365,147 in 2009 from \$41,949,702 in 2008.

Operating expenses decreased by \$6,364,557 (13.85%) to \$39,589,887 in 2009 from \$45,954,444 in 2008.



## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010, 2009 AND 2008**

#### **2009 FINANCIAL HIGHLIGHTS (continued)**

Loss from operations decreased by \$2,780,002 (69.42%) to (\$1,224,740) in 2009 from (\$4,004,742) in 2008 and the change in net assets amounted to a deficit of (\$7,138,853) in 2009 compared to a deficit of (\$5,165,924) in 2008.

#### **2008 FINANCIAL HIGHLIGHTS**

Cash and investments decreased by \$16,524,670 (18.07%) to \$74,935,638 in 2008 from \$91,460,308 in 2007 and total current assets decreased by \$13,280,078 (11.69%) to \$100,349,221 in 2008 from \$113,629,299 in 2007.

Bonds payable and other liabilities decreased by \$679,208 (0.14%) to \$498,623,444 in 2008 from \$497,944,236 in 2007.

Operating revenues decreased by \$1,783,210 (4.08%) to \$41,949,702 in 2008 from \$43,732,912 in 2007.

Operating expenses decreased by \$1,679,672 (3.53%) to \$45,954,444 in 2008 from \$47,634,116 in 2007.

Loss from operations increased by \$103,538 (2.65%) to (\$4,004,742) in 2008 from (\$3,901,204) in 2007 and the change in net assets amounted to a deficit of (\$5,165,924) in 2008 compared to a deficit of (\$3,901,978) in 2007.

#### **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, 2010, 2009 AND 2008

### FINANCIAL ANALYSIS OF THE AUTHORITY

**Financial Position.** The following table summarizes the assets, liabilities and net assets (deficit) as of December 31, 2010, 2009 and 2008:

	(In \$000s)		
	2010	2009	2008
Current assets	\$ 362,261	\$ 313,355	\$ 100,349
Capital assets	399	470	460
Non-current assets:			
Pooled loan program loans receivable	32,242	34,466	32,546
Net investment in direct financing lease	355,018	343,248	314,606
Deferred charges:			
Debt issuance costs	801	781	850
Total assets	750,721	692,320	448,811
Current liabilities (excluding current portion of bonds and notes)	11,371	14,224	12,938
Bonds, notes, and capital leases payable:			
Current portion	282,822	228,291	13,259
Long-term portion	511,132	506,756	472,426
	793,954	735,047	485,685
Total liabilities	805,325	749,271	498,623
Net asset (deficit)			
Unrestricted	(55,003)	(57,421)	(50,272)
Invested in capital assets, net of related debt	399	470	460
Total net assets (deficit)	\$ (54,604)	\$ (56,951)	\$ (49,812)

The accumulated (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 and (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.

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010, 2009 AND 2008

### FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

#### During 2010

In 2010, 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.

\$6,900,000 County Guaranteed Parking Revenue Bonds, Series 2010 (Harrison Parking Facility Redevelopment Completion Project)	\$ 6,900,000
\$20,700,000 Hudson County Command Center Project General Obligation Recovery Zone Economic Development Bonds Series 2010	20,700,000
\$266,160,604 Hudson County Guaranteed Pooled Notes Series Consisting of \$46,307,800 Hudson County Guaranteed Pooled Notes Series 2010C, \$27,397,667 Hudson County Guaranteed Pooled Notes Series 2010D, \$163,205,137 Hudson County Guaranteed Pooled Notes Series 2010E and \$29,250,000 Hudson County Guaranteed Pooled Notes Series 2010F	<u>266,160,604</u>
Total	<u>\$ 293,760,604</u>

On December 22, 2010, the Authority issued \$84,945,000 County-Guaranteed Solid Waste System Revenue Refunding Bonds, Series 2010 to refund the Authority's outstanding \$85,660,000 Solid Waste System Revenue Bonds, Series 1999.

#### During 2009

In 2009, 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 them have the same maturity dates and amounts.

\$45,000,000 County Guaranteed Parking Revenue Bonds, Series 2009C (Harrison Parking facility Redevelopment Project)	\$ 45,000,000
\$212,369,262 Hudson County Guaranteed Pooled Notes Series Consisting of \$173,962,530 Hudson County Guaranteed Pooled Notes Series 2009A and \$38,406,732 Hudson County Guaranteed Pooled Notes Series 2009B	212,369,262
\$16,816,913 New Jersey Environment Infrastructure Trust Loan Program Bonds Consisting of \$14,996,795 New Jersey Environment Infrastructure Trust Fund Loan Series 2009A (Hudson County, IA Harrison Project ) \$1,820,118 New Jersey Environment Infrastructure Trust Loan Series 2009A (Hudson County, IA Harrison Project )	<u>16,816,913</u>
Total	<u>\$ 274,186,175</u>

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010, 2009 AND 2008

### FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

#### During 2008

In 2008, the Authority issued the following bonds to finance the West New York DPW Garage Project under a lease agreement. It should be noted that the lease and the bonds issued to finance it have the same maturity dates and amounts.

\$8,000,000 Variable Rate Lease Revenue Bonds, Series 2008 (West New York DPW  
Garage Project) \$ 8,000,000

**Results of Operations.** The following table summarizes the revenues, expenses and changes in net assets for the years ended December 31, 2010, 2009, and 2008:

	(In \$000s)		
	2010	2009	2008
Operating revenues	\$ 36,515	\$ 38,365	\$ 41,950
Operating expenses	33,296	39,590	45,954
Income (loss) from operations	3,219	(1,225)	(4,004)
Non-operating revenues (expenses) - net	(872)	(5,914)	(1,161)
Change in net assets	2,347	(7,139)	(5,165)
Net assets (deficit), beginning of year	(56,951)	(49,812)	(44,647)
Net assets (deficit), end of year	<u>\$ (54,604)</u>	<u>\$ (56,951)</u>	<u>\$ (49,812)</u>

## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010, 2009 AND 2008**

#### **FINANCIAL ANALYSIS OF THE AUTHORITY (continued)**

##### **During 2010**

Operating revenues consisted mainly of tipping fees charged for solid waste services. Tipping fee revenues decreased to \$35,634,080 in 2010 from \$36,616,817 in 2009. Tipping fees charged per ton was raised to 86.90 in April of 2010 from \$83.56 in 2009, and then again to 93.75 in November 2010; however, there was a decrease in tonnage disposed. A portion of the decrease is attributable to increased recycling enforcement activity in addition to a weak economy which has slowed construction and demolition waste. 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 \$27,194,532 in 2010 from \$31,833,390 in 2009. The decrease is the result of reduced tonnage disposed at Authority designated disposal facilities.

Non-operating revenue increased as a result of the reinstatement of stranded debt relief aid from the State of New Jersey of \$2,250,000 in 2010.

##### **During 2009**

Operating revenues consisted mainly of tipping fees charged for solid waste services. Tipping fee revenues decreased to \$36,616,817 in 2009 from \$40,115,339 in 2008. Tipping fees charged per ton was \$83.56 in 2009 and 2008; however, there was a decrease in tonnage disposed. A portion of the decrease is attributable to increased recycling enforcement activity in addition to a weak economy which has slowed construction and demolition waste. 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 \$31,833,390 in 2009 from \$38,476,426 in 2008. The decrease is the result of reduced tonnage disposed at Authority designated disposal facilities and a reduction in the rate the Authority pays per ton.

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010, 2009 AND 2008

### FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

#### During 2009 (continued)

Non-operating revenue decreased as a result of the unanticipated elimination of stranded debt relief aid from the State of New Jersey in 2009 from \$4,500,000 in 2008, decreased in interest earned on investments of \$973,536 in 2009 from \$2,699,289 in 2008.

#### During 2008

Operating revenues consisted mainly of tipping fees charged for solid waste services. Tipping fee revenues decreased to \$40,115,339 in 2008 from \$42,303,765 in 2007. Tipping fees charged per ton increased to \$83.56 in April 2008 from \$80.73 in 2007; however, there was a decrease in tonnage disposed. A portion of the decrease is attributable to increased recycling enforcement activity. Inspections are being conducted periodically to identify failure to recycle violators and to assure subsequent abatement of violations. The effect of this 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 \$38,476,426 in 2008 from \$41,006,518 in 2007. The decrease is the result of reduced tonnage disposed at Authority designated disposal facilities.

Non-operating revenue decreased as a result of interest earned on investments of \$2,699,289 in 2008 from \$4,983,950 in 2007.

***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	Type 10	Type 13	Tons	Total
	Ton			Type 27	
2006	80.73	448,846	68,959	28,912	546,717
2007	80.73	432,203	87,380	1,467	521,050
2008	83.56	413,339	58,927	8,504	480,770
2009	83.56	385,374	35,641	11,836	432,851
2010	83.56 – 93.75	368,313	29,129	10,587	408,029

## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010, 2009 AND 2008**

#### **FINANCIAL ANALYSIS OF THE AUTHORITY (continued)**

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 2006-2010. The substantial increase in rates during 2010 was the result of loss of tonnage due to increased recycling, a weak economy and loss of State Aid in the prior year by the Authority.

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.

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010, 2009 AND 2008

### CAPITAL ASSETS AND DEBT ADMINISTRATION

The Authority's investment in capital assets, which consist of land improvements, leasehold improvements, vehicles and equipment, amounted to \$1,010,290, \$1,147,747 and \$115,155 at December 31, 2010, 2009 and 2008, respectively. Accumulated depreciation amounted to \$610,894, \$677,839, and \$735,584 at those respective dates.

The following table summarizes the changes in bonds and notes payable in 2010, 2009 and 2008:

	January 1,	Issuance	Amortization	Payments	December 31,	Due Within One Year
<b>Year ended December 31, 2010:</b>						
Essential purpose pooled government						
loan payable bonds	\$ 74,640,000	\$ -	\$ -	\$ -	\$ 74,640,000	\$ -
Facility loan and lease revenue bonds	569,196,520	293,760,604	-	232,942,462	630,014,662	281,417,905
Accretion on facility revenue bonds	7,588,723	-	2,394,845	-	9,983,568	-
Solid waste revenue bonds:						
Principal	87,505,000	84,945,000	-	87,505,000	84,945,000	1,400,000
Original issue (discount) premium	(757,506)	3,447,795	65,220	-	2,755,509	-
Deferred amount on refunding	(3,141,252)	(5,619,263)	364,098	-	(8,396,417)	-
Total	\$ 735,031,485	\$ 376,534,136	\$ 2,824,163	\$ 320,447,462	\$ 793,942,322	\$ 282,817,905
<b>Year ended December 31, 2009:</b>						
Essential purpose pooled government						
loan payable bonds	\$ 74,640,000	\$ -	\$ -	\$ -	\$ 74,640,000	\$ -
Facility loan and lease revenue bonds	320,890,345	274,186,175	-	25,880,000	569,196,520	226,442,462
Accretion on facility revenue bonds	5,311,100	-	2,277,623	-	7,588,723	-
Solid waste revenue bonds:						
Principal	89,165,000	-	-	1,660,000	87,505,000	1,845,000
Original issue discount	(824,617)	-	67,111	-	(757,506)	-
Deferred amount on refunding	(3,515,907)	-	374,655	-	(3,141,252)	-
Total	\$ 485,665,921	\$ 274,186,175	\$ 2,719,389	\$ 27,540,000	\$ 735,031,485	\$ 228,287,462
<b>Year ended December 31, 2008:</b>						
Essential purpose pooled government						
loan payable bonds	\$ 74,640,000	\$ -	\$ -	\$ -	\$ 74,640,000	\$ -
Facility loan and lease revenue bonds	321,770,345	9,400,000	-	10,280,000	320,890,345	11,595,000
Accretion on facility revenue bonds	3,144,736	-	2,166,364	-	5,311,100	-
Solid waste revenue bonds:						
Principal	90,650,000	-	-	1,485,000	89,165,000	1,660,000
Original issue discount	(893,428)	-	68,811	-	(824,617)	-
Deferred amount on refunding	(3,900,050)	-	384,143	-	(3,515,907)	-
Total	\$ 485,411,603	\$ 9,400,000	\$ 2,619,318	\$ 11,765,000	\$ 485,665,921	\$ 13,255,000



## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010, 2009 AND 2008**

#### **ECONOMIC OUTLOOK**

Development in the County continues at a slower pace which is consistent with the economic downturn experienced by the United States. Despite the economic downturn, construction activity continues of retail stores, hotels, recreational facilities, and residential rental units. The completion of the first phase of the Hudson/Bergen Light Rail, which extends from the City of Bayonne to Exchange Place in Jersey City, began service in April 2000 with an opening day ridership of 1,900 people and is expected to support continuing growth and sustained commercial activity in the County. During 2005, the Hudson/Bergen light rail was expanded to Hoboken, Weehawken, Union City and Tonnel Avenue in North Bergen and has average ridership of 35,000 a day. NJ Transit has added the Secaucus Junction to the Northeast Corridor Line and continues to operate the Hoboken Terminal both which connect with all but one of NJ Transit's 11 lines from various New Jersey locations with the Port Authority Trans Hudson (PATH) system providing direct service to New York City. Reputable companies that have moved in or expanded their presence in the County in recent years include: American Express, Cigna Insurance, US Trust, E\*Trade Securities, L.L.C., Lord Abbott & Co., Ameritrade, Lehman Brothers, Goldman Sachs Group, Inc., the Westin Jersey City Newport Hotel, Wiley & Sons, Inc., JP Morgan Chase, Morgan Stanley & Co., Pershing, L.L.C., Deutsche Bank, ABN Amro, and Citigroup.

#### **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, 574 Summit Avenue, Fifth Floor, Jersey City, New Jersey 07306, or visit the Authority's website at: [www.hcia.org](http://www.hcia.org).

## **Basic Financial Statements**

**HUDSON COUNTY IMPROVEMENT AUTHORITY**  
**STATEMENTS OF NET ASSETS (DEFICIT)**

	December 31,	
	2010	2009
<b>Assets</b>		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 9,338,954	\$ 14,867,765
Investments	81,172	59,932
Accounts receivable, net of allowance of \$722,228 and \$4,358,588 in 2010 and 2009, respectively	6,448,194	5,167,933
Other accounts receivable	640,646	436,672
Due from County of Hudson	3,733,108	2,236,395
Prepaid expenses	214,106	246,665
Total unrestricted assets	20,456,180	23,015,362
Restricted assets:		
Cash and cash equivalents	47,266,508	47,745,974
Due from NJ Environmental Infrastructure Trust	3,562,359	7,094,290
Grants receivable	793,805	277,437
Pooled loan program loans receivable	2,010,461	2,017,061
Net investment in direct financing lease	281,417,905	226,442,462
Interest receivable	6,750,582	6,032,626
Prepaid expense and other receivables	3,500	3,500
Total restricted assets	341,805,120	289,613,350
Total current assets	362,261,300	312,628,712
Capital assets		
Less accumulated depreciation	1,010,290	1,147,747
Net capital assets	(610,894)	(677,839)
Pooled loan program loans receivable	399,396	469,908
Net Investment in direct financing lease	32,241,795	34,465,656
Deferred charges:	355,017,966	343,248,491
Debt issuance costs, net of accumulated amortization of \$0 and \$820,864 in 2010 and 2009, respectively	801,189	780,843
Total assets	\$ 750,721,646	\$ 691,593,610
<b>Liabilities</b>		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 2,910,727	\$ 3,466,422
Capital lease payable - current portion	4,077	3,791
Payable from restricted assets:		
Accounts payable and accrued liabilities	119,269	72,422
Accrued interest payable	6,850,678	8,910,686
Due to pooled loan participants	646,750	478,411
Facility lease revenue bonds payable	281,417,905	226,442,462
Solid waste system revenue bonds payable	1,400,000	1,845,000
Deferred revenue	440,914	274,367
Unearned service revenues	402,536	295,381
Total current liabilities	294,192,856	241,788,942
Capital lease payable - long term portion	7,889	11,966
Long-term pooled loan program bonds	74,640,000	74,640,000
Facility lease revenue bonds payable	358,580,325	350,342,781
Long-term solid waste system revenue bonds payable	77,904,092	81,761,242
Total long-term liabilities	511,132,306	506,755,989
Total liabilities	805,325,162	748,544,931
<b>Net assets (deficit)</b>		
Unrestricted	(55,002,912)	(57,421,229)
Invested in capital assets, net of related debt	399,396	469,908
Total net assets (deficit)	(54,603,516)	(56,951,321)
	\$ 750,721,646	\$ 691,593,610

See Accompanying Notes to Financial Statements

## HUDSON COUNTY IMPROVEMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS (DEFICIT)

	Year ended December 31,	
	2010	2009
Operating revenues:		
Solid waste revenues	\$ 35,634,080	\$ 36,616,817
Administration fee income	843,903	890,710
Miscellaneous	37,390	857,620
	<u>36,515,373</u>	<u>38,365,147</u>
Operating expenses:		
Salaries and wages	2,572,004	3,211,328
Employee benefits	1,229,619	1,216,080
Other expenses	29,391,173	35,030,391
	<u>33,192,796</u>	<u>39,457,799</u>
Depreciation	103,099	132,088
	<u>33,295,895</u>	<u>39,589,887</u>
Income (loss) from operations	<u>3,219,478</u>	<u>(1,224,740)</u>
Non-operating revenues (expenses):		
Grant income	1,593,396	937,312
Grant expense	(1,593,396)	(937,312)
Stranded debt relief aid from State of New Jersey	2,250,000	-
Interest expense:		
Pooled loan program bonds	(851,559)	(813,482)
Financing loan and lease program bonds	(23,882,282)	(20,897,349)
Solid waste bonds	(3,150,069)	(6,041,037)
Capital lease	(1,025)	(1,291)
Unrealized gain on investments	21,240	3,665
Loss on disposal of capital assets	(19,166)	-
Financing loan and lease income	23,882,282	20,897,349
Interest earned on investments	1,114,475	973,536
Pooled loan program expenses, net	(168,339)	625
Amortization of debt issuance costs	(67,230)	(69,179)
Other non-operating revenue	-	33,050
	<u>(871,673)</u>	<u>(5,914,113)</u>
Change in net assets (deficit)	<u>2,347,805</u>	<u>(7,138,853)</u>
Deficit, beginning of year	(56,951,321)	(49,812,468)
Deficit, end of year	<u>\$ (54,603,516)</u>	<u>\$ (56,951,321)</u>

See Accompanying Notes to Financial Statements

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**EXHIBIT C**

**STATEMENTS OF CASH FLOWS**

	<b>Year ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Receipts from:		
Solid waste revenues	\$ 34,460,974	\$ 36,245,647
Administration fees	806,476	1,971,483
Miscellaneous	37,390	857,620
Payments for:		
Salaries and wages	(2,911,287)	(3,124,608)
Employee benefits	(1,222,366)	(1,222,897)
Other expenses	(31,078,706)	(37,279,747)
Net cash provided (used) by operating activities	<u>92,481</u>	<u>(2,552,502)</u>
<b>Cash flows from noncapital financing activities</b>		
Essential purpose government pooled loan program:		
Loan repayments received from participants	2,230,461	992,061
Interest received	1,019,872	817,582
Administration expense paid	215,186	(14,294)
Decrease in due to participants	(168,339)	625
Investment in new loans	-	(2,737,000)
Interest paid	(829,937)	(845,142)
Direct financing loan and lease program:		
Proceeds from facilities revenue bonds	27,600,000	45,000,000
Interest paid	16,464,411	16,633,042
Payment of principal on bonds	(20,145,000)	(25,880,000)
Investment in direct financing loan and leases	(27,600,000)	(45,000,000)
Lease repayments received from participants	20,145,000	25,880,000
Lease income received	(16,464,411)	(16,633,042)
Guaranteed pooled note program:		
Proceeds from facilities revenue bonds	266,160,604	212,369,262
Investment in direct financing loan and leases	(266,160,604)	(212,369,262)
NJ Environmental Infrastructure Trust loan program:		
Proceeds from facilities revenue bonds	3,531,931	9,722,623
Proceeds from NJ Environmental Infrastructure Trust	(3,531,931)	7,094,290
Investment in direct financing loan and leases	-	(16,816,913)
Grant income and other non-operating revenue received	1,077,028	216,981
Grant expense paid	(1,593,396)	(937,312)
Stranded debt relief aid received	2,250,000	-
Net cash provided (used) by noncapital financing activities	<u>4,200,875</u>	<u>(2,506,499)</u>

See Accompanying Notes to Financial Statements

## HUDSON COUNTY IMPROVEMENT AUTHORITY

## STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2010	2009
<b>Cash flows from capital and related financing activities</b>		
Capital lease	\$ (4,077)	\$ (3,791)
Proceeds from issuance of bonds	84,945,000	-
Payments of principal on bonds	(87,505,000)	(1,660,000)
Cost of issuance of bonds	(5,014,553)	-
Premium on issuance of bonds	2,755,509	-
Additions to capital assets	(51,753)	(142,425)
Interest paid	(5,521,412)	(5,671,468)
Net cash used in capital and related financing activities	(10,396,286)	(7,477,684)
<b>Cash flows from investing activities</b>		
Interest received	94,653	271,053
Net cash provided by investing activities	94,653	271,053
(Decrease) in cash and cash equivalents	(6,008,277)	(12,265,632)
Cash and cash equivalents, beginning of year	62,613,739	74,879,371
Cash and cash equivalents, end of year	\$ 56,605,462	\$ 62,613,739
<b>Reconciliation of loss from operations to net cash used in operating activities</b>		
Income (loss) from operations	\$ 3,219,478	\$ (1,224,740)
Adjustments to reconcile income (loss) from operations to net cash used in operating activities:		
Depreciation	103,099	132,088
Changes in assets and liabilities:		
Prepaid expenses and other assets	32,559	33,110
Accounts receivable	(1,280,261)	(103,287)
Other accounts receivable	(203,974)	419,511
Due from County of Hudson	(1,496,713)	(1,225,219)
Deferred revenue	166,547	661,262
Unearned service revenue	107,155	(267,883)
Accounts payable and accrued liabilities	(555,695)	(977,610)
Capital lease	286	266
Net cash provided (used) by operating activities	\$ 92,481	\$ (2,552,502)
<b>Cash and cash equivalents as presented in the statement of net assets (deficit)</b>		
Unrestricted	\$ 9,338,954	\$ 14,867,765
Restricted	47,266,508	47,745,974
	\$ 56,605,462	\$ 62,613,739

The Authority's non-cash transactions consisted principally of the following:

(Decrease) Increase in allowance provision for uncollectible accounts	\$ (3,636,360)	\$ 739,621
Amortization of deferred amount on refunding	364,098	374,655
Amortization of deferred charges-debt issuance cost	67,230	69,179
Amortization of original issue discount	65,220	2,344,734

## **Notes to Financial Statements**

# **HUDSON COUNTY IMPROVEMENT AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

### **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 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 7 and 9). 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, 2010 AND 2009

#### 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 9)

##### *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 9)

##### *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 State of New Jersey Department of Transportation which is the primary funding source of transportation management services.

General operations also included operation of the Lincoln Park Golf Range. The Golf Range, owned by the County of Hudson, consists of 48 tee boxes. The Authority adopted a resolution on August 17, 2005 to enter into an inter-local agreement with the County of Hudson for a period of 27 months. Upon termination of the inter-local agreement, the Authority will be reimbursed for any unamortized costs of improvements. On December 12, 2009 the Lincoln Park Golf Range was closed and demolished to prepare the property for the construction of a new 9 hole County golf course. Construction of this facility is being overseen by the Authority on behalf of the County.

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 1. GENERAL (continued)

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

	2010				
	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
<b>Condensed Statements of Net Assets</b>					
Assets:					
Current assets, excluding loans receivable and investment in financing leases	\$ 41,206,943	\$ 4,658,145	\$ 2,020,798	\$ 3,634,747	\$ 27,312,301
Loans receivable	34,252,256	-	-	-	-
Net investment in financing leases	-	357,448,913	266,160,604	12,826,354	-
Capital assets	-	-	-	-	399,396
Deferred charges	-	-	-	-	801,189
Total assets	75,459,199	362,107,058	268,181,402	16,461,101	28,512,886
Liabilities:					
Current liabilities, excluding bonds payable and capital leases	795,874	4,658,145	2,020,798	71,547	3,824,510
Capital leases	-	-	-	-	11,966
Bonds payable	74,640,000	357,448,913	266,160,604	16,388,713	79,304,092
Interfund payable (receivable) – net	23,325	-	-	841	(24,166)
Total liabilities	75,459,199	362,107,058	268,181,402	16,461,101	83,116,402
Net assets (deficit):					
Unrestricted	-	-	-	-	(55,002,912)
Invested in capital assets, net of related debt	-	-	-	-	399,396
Total net assets (deficit)	\$ -	\$ -	\$ -	\$ -	\$ (54,603,516)

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. GENERAL (continued)**

	2010				
	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
<b>Condensed Statements of Revenues, Expenses and Changes in Net Assets (Deficit)</b>					
Operating revenues	\$ -	\$ -	\$ -	\$ -	\$ 36,515,373
Operating expenses	-	-	-	-	(33,192,796)
Depreciation	-	-	-	-	(103,099)
Income from operations	-	-	-	-	3,219,478
Non-operating revenues (expenses):					
Interest expense	(851,559)	(18,798,031)	(4,900,303)	(183,948)	(3,151,094)
State stranded debt relief	-	-	-	-	2,250,000
Financing loan and lease income	-	18,798,031	4,900,303	183,948	-
Interest earned on investment	1,019,898	-	-	-	94,577
Government Pooled Loan Program expenses, net	(168,339)	-	-	-	-
Unrealized gain on investments	-	-	-	-	21,240
Loss on disposal of capital assets	-	-	-	-	(19,166)
Amortization of debt issuance costs	-	-	-	-	(67,230)
	-	-	-	-	(871,673)
Change in net assets (deficit)	-	-	-	-	2,347,805
Beginning net assets (deficit)	-	-	-	-	(56,951,321)
Ending net assets (deficit)	\$ -	\$ -	\$ -	\$ -	\$ (54,603,516)
<b>Condensed Statements of Cash Flows</b>					
Net cash provided by (used in):					
Operating activities	\$ -	\$ -	\$ -	\$ -	\$ 92,481
Noncapital financing activities	2,467,243	-	-	-	1,733,632
Capital and related financing activities	-	-	-	-	(10,396,286)
Investing activities	-	-	-	-	94,653
Change in interfund payable/receivable, net	(11,118)	(232)	-	841	10,509
Net decrease	2,456,125	(232)	-	841	(8,465,011)
Cash and cash equivalents, beginning of year	38,747,046	412	-	-	23,866,281
Cash and cash equivalents, end of year	\$ 41,203,171	\$ 180	\$ -	\$ 841	\$ 15,401,270

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 1. GENERAL (continued)

	2009				
	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
<b>Condensed Statements of Net Assets</b>					
Assets:					
Current assets, excluding loans receivable and investment in financing leases	\$ 38,750,792	\$ 4,719,602	\$ 1,297,208	\$ 7,110,196	\$ 33,017,536
Loans receivable	36,482,717	-	-	-	-
Net investment in financing leases	-	347,599,068	212,369,262	9,722,623	-
Capital assets	-	-	-	-	469,908
Deferred charges	-	-	-	-	780,843
Total assets	75,233,509	352,318,670	213,666,470	16,832,819	34,268,287
Liabilities:					
Current liabilities, excluding bonds payable and capital leases	570,184	4,719,602	1,297,208	15,906	7,620,934
Capital leases	-	-	-	-	15,757
Bonds payable	74,640,000	347,599,068	212,369,262	16,816,913	83,606,242
Interfund payable (receivable) – net	23,325	-	-	-	(23,325)
Total liabilities	75,233,509	352,318,670	213,666,470	16,832,819	91,219,608
Net assets (deficit):					
Unrestricted	-	-	-	-	(57,421,229)
Invested in capital assets, net of related debt	-	-	-	-	469,908
Total net assets (deficit)	\$ -	\$ -	\$ -	\$ -	\$ (56,951,321)

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 1. GENERAL (continued)

	2009				
	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
<b>Condensed Statements of Revenues, Expenses and Changes in Net Assets (Deficit)</b>					
Operating revenues	\$ -	\$ -	\$ -	\$ -	\$ 38,365,147
Operating expenses	-	-	-	-	(39,457,799)
Depreciation	-	-	-	-	(132,088)
Income from operations	-	-	-	-	(1,224,740)
Non-operating revenues (expenses):					
Interest expense	(813,482)	(19,584,235)	(1,297,208)	(15,906)	(6,042,328)
Financing loan and lease income	-	19,584,235	1,297,208	15,906	-
Interest earned on investment	812,857	-	-	-	160,679
Government Pooled Loan Program expenses, net	625	-	-	-	-
Loss on investments	-	-	-	-	3,665
Amortization of debt issuance costs	-	-	-	-	(69,179)
Other non-operating revenue	-	-	-	-	33,050
	-	-	-	-	(5,914,113)
Change in net assets (deficit)	-	-	-	-	(7,138,853)
Beginning net assets (deficit)	-	-	-	-	(49,812,468)
Ending net assets (deficit)	\$ -	\$ -	\$ -	\$ -	\$ (56,951,321)
<b>Condensed Statements of Cash Flows</b>					
Net cash provided by (used in):					
Operating activities	\$ -	\$ -	\$ -	\$ -	\$ (2,552,502)
Noncapital financing activities	(1,786,168)	-	-	-	(720,331)
Capital and related financing activities	-	-	-	-	(7,477,684)
Investing activities	-	-	-	-	271,053
Change in interfund payable/receivable, net	(36,676)	(68)	-	-	36,744
Net decrease	(1,822,844)	(68)	-	-	(10,442,720)
Cash and cash equivalents, beginning of year	40,569,890	480	-	-	34,309,001
Cash and cash equivalents, end of year	\$ 38,747,046	\$ 412	\$ -	\$ -	\$ 23,866,281

# **HUDSON COUNTY IMPROVEMENT AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

### **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 and continues to use 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, 2010 AND 2009**

#### **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 assets and the statement of revenues, expenses and changes in net assets 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 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, 2010 AND 2009**

### **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, 2010 and 2009 was not material.



## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

#### **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 8).

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.

##### **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.

##### **Deferred Debt Issuance Costs**

Costs related to the issuance of bonds such as underwriting, financial advisory, legal, printing and other financing costs, have been capitalized. These costs are amortized using the interest method over the life of the bonds until maturity.

## HUDSON COUNTY IMPROVEMENT AUTHORITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 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 assets. Authority employees cannot accumulate vacation time (see Note 12).

##### Equity Classification

Equity is classified as net assets and displayed in three components:

*Invested in capital assets, net of related debt* – 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.

*Restricted net assets*— Consists of net assets 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 assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

##### 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 2010 and 2009.

##### Reclassifications

In 2010 the Authority has classified the following in manners different from prior years and certain amounts in 2009 have been reclassified to conform with the 2010 presentation:

- Cash and cash equivalents balance in the Bond Reserve Fund account of the Solid Waste Management Program as restricted assets.
- Grants receivable and deferred revenues from grants have been combined and the net balance is reported as grants receivable.

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 4. CASH AND CASH EQUIVALENTS

#### 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, 2010 and 2009, none of the Authority's bank balances of \$57,055,229 and \$62,720,375, respectively, were exposed to custodial credit risk or foreign currency risk.

The Authority's deposits are summarized as follows:

	<u>2010</u>	<u>2009</u>
Insured – FDIC	\$ 751,000	\$ 500,000
Insured – GUDPA	56,304,229	62,220,375
	<u>\$57,055,229</u>	<u>\$62,720,375</u>

## HUDSON COUNTY IMPROVEMENT AUTHORITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

#### 4. CASH AND CASH EQUIVALENTS (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, 2010 and 2009 the Authority had \$81,172 and \$59,932 in equity securities, respectively.

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, 2010 AND 2009

### 4. CASH AND CASH EQUIVALENTS (continued)

#### **B. Investments (continued)**

At December 31, 2010 and 2009, 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. At December 31, 2010 the Authority's investments, other than deposits insured by FDIC and GUDPA, were limited to equity securities. 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. The Authority is exempt from this requirement because all of its investments at December 31, 2010 are invested in U.S. government securities.

#### **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, 2010, all of the Authority's investments were invested in U.S. government obligations due within one year.

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, 2010 the Authority did not have any investments which would expose it to interest rate risk.

### 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, 2010 AND 2009

### 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, 2010 and 2009:

	2010	2009
Cash and cash equivalents	\$ 6,000,000	\$ 8,993,146
Bond reserve requirement	6,000,000	8,300,549
Excess	\$ -	\$ 692,597

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 Revenue 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, 2010 and 2009, 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, 2010 AND 2009**

**6. POOLED LOAN PROGRAM LOANS RECEIVABLE**

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

	<u>2010</u>	<u>2009</u>
Variable rate loans	\$ 34,252,256	\$ 36,482,717
Less current portion	2,010,461	2,017,061
Long term portion	<u>\$ 32,241,795</u>	<u>\$ 34,465,656</u>

The loans bear interest at the same interest rates paid on the corresponding variable bonds (Note 9). 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.

**7. NET INVESTMENT IN DIRECT FINANCING LOAN AND LEASES**

The proceeds from facilities loan and lease revenue bonds issued by the Authority (Note 9) are used to finance projects of the various governmental units in 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:

<u>December 31, 2010</u>				
	<b>Future Minimum Lease Payments</b>	<b>Amount Representing Interest</b>	<b>Amount Representing Principal (Present Value)</b>	<b>Due Within One Year</b>
Facility and Loan Lease Program:				
Hudson County Facilities and Hospital				
Remediation:				
Series 1997	\$ 37,812,850	\$ 15,402,850	\$ 22,410,000	\$ 870,000
Series 1998	96,544,138	30,644,138	65,900,000	3,035,000
County Administration Building	17,030,521	3,655,521	13,375,000	1,850,000
North Hudson Regional Fire and Rescue				
Projects:				
Series 1999A and 1999B	26,145,546	9,575,546	16,570,000	820,000
Series 2004	22,956,330	8,406,330	14,550,000	300,000
Series 2006A and 2006B	10,352,178	2,802,178	7,550,000	385,000

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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

<b>December 31, 2010 (continued)</b>				
	<b>Future Minimum Lease Payments</b>	<b>Amount Representing Interest</b>	<b>Amount Representing Principal (Present Value)</b>	<b>Due Within One Year</b>
Facility and Loan Lease Program (continued):				
Waterfront Improvement Lease Projects:				
Series 2002	\$ 3,610,460	\$ 225,460	\$ 3,385,000	\$ 1,655,000
Series 2004	7,740,726	2,040,726	5,700,000	285,000
Weehawken Pershing Road Project	11,248,499	5,138,499	6,110,000	135,000
Bayonne DPW Garage Project	17,499,117	8,419,117	9,080,000	180,000
Harrison Facilities Lease Project	17,165,077	7,705,077	9,460,000	195,000
County Services Building Project	47,350,448	20,050,448	27,300,000	605,000
County Services Building Completion Project	44,833,477	18,473,477	26,360,000	600,000
Weehawken Guaranteed Baldwin Ave Project	12,475,000	2,475,000	10,000,000	-
Harrison Stadium Land Acquisition	90,020,000	43,741,087	46,278,913	3,110,000
West New York DPW Garage Project	11,082,725	3,362,725	7,720,000	240,000
Harrison Parking Facility Redevelopment Project				
Series 2009	88,257,980	50,157,980	38,100,000	-
Series 2010	19,455,293	12,555,293	6,900,000	-
Hudson County Command Center Project				
Series 2010	37,815,531	17,115,531	20,700,000	200,000
Guaranteed Pooled Note Program:				
Hudson County Guaranteed Pooled Notes				
Pooled Notes Series 2010C	47,002,836	695,036	46,307,800	46,307,800
Pooled Notes Series 2010D	27,627,907	230,240	27,397,667	27,397,667
Pooled Notes Series 2010E	166,120,213	2,915,076	163,205,137	163,205,137
Pooled Notes Series 2010F	29,835,000	585,000	29,250,000	29,250,000
NJ Environmental Infrastructure Trust Program:				
NJ Environment Infrasture Trust				
Water	1,891,582	208,425	1,683,157	84,413
Sewer	12,844,035	1,700,838	11,143,197	707,888
	<u>\$ 904,717,469</u>	<u>\$ 268,281,598</u>	<u>\$ 636,435,871</u>	<u>\$ 281,417,905</u>



**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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

	December 31, 2009			
	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	\$ 40,331,711	\$ 17,111,711	\$ 23,220,000	\$ 810,000
Series 1998	102,974,510	34,194,510	68,780,000	2,880,000
County Administration Building	19,863,733	4,763,733	15,100,000	1,725,000
North Hudson Regional Fire and Rescue Projects:				
Series 1999A and 1999B	28,159,856	10,814,856	17,345,000	775,000
Series 2004	24,165,510	9,365,510	14,800,000	250,000
Series 2006A and 2006B	11,096,937	3,176,937	7,920,000	370,000
Waterfront Improvement Lease Projects:				
Series 2002	5,420,959	440,959	4,980,000	1,595,000
Series 2004	8,256,642	2,276,642	5,980,000	280,000
Weehawken Pershing Road Project	11,719,573	5,474,573	6,245,000	135,000
Bayonne DPW Garage Project	18,234,413	8,984,413	9,250,000	170,000
Harrison Facilities Lease Project	17,859,698	8,209,698	9,650,000	190,000
County Services Building Project	49,261,052	21,376,052	27,885,000	585,000
County Services Building Completion Project	46,639,632	19,704,632	26,935,000	575,000
Weehawken Guaranteed Redevelopment	7,462,769	962,769	6,500,000	-
Weehawken Guaranteed Baldwin Ave Project	12,887,500	2,887,500	10,000,000	-
Harrison Stadium Land Acquisition	96,916,960	49,927,892	46,989,068	3,105,000
West New York DPW Garage Project	11,633,234	3,713,234	7,920,000	200,000
Harrison Parking Facility Redevelopment Project Series 2009	90,215,843	52,115,843	38,100,000	-
Guaranteed Pooled Note Program:				
Hudson County Guaranteed Pooled Notes				
Pooled Notes Series 2009A	177,436,532	3,474,002	173,962,530	173,962,530
Pooled Notes Series 2009B	39,109,442	702,710	38,406,732	38,406,732
NJ Environmental Infrastructure Trust Program:				
NJ Environment Infrastructure Trust				
Water	9,944,364	1,815,172	8,129,192	381,925
Sewer	1,815,829	222,398	1,593,431	46,275
	<u>\$ 831,406,699</u>	<u>\$ 261,715,746</u>	<u>\$ 569,690,953</u>	<u>\$ 226,442,462</u>

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 7. 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 9. 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. See Note 9 for additional information.

### 8. CAPITAL ASSETS

The activity in capital assets is summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Year ended December 31, 2010</b>				
Cost:				
Land improvements	\$ 150,000	\$ -	\$ -	\$ 150,000
Leasehold improvements	63,941	-	55,202	8,739
Machinery and equipment	851,363	51,753	125,317	777,799
Furniture and fixtures	82,443	-	8,691	73,752
	<u>1,147,747</u>	<u>51,753</u>	<u>189,210</u>	<u>1,010,290</u>
Less accumulated depreciation:				
Leasehold improvements	55,438	795	47,493	8,740
Machinery and equipment	554,361	95,481	114,742	535,100
Furniture and fixtures	68,040	6,823	7,809	67,054
	<u>677,839</u>	<u>103,099</u>	<u>170,044</u>	<u>610,894</u>
Capital assets, net of accumulated depreciation	<u>\$ 469,908</u>	<u>\$ (51,346)</u>	<u>\$ 19,166</u>	<u>\$ 399,396</u>
<b>Year ended December 31, 2009</b>				
Cost:				
Land improvements	\$ 150,000	\$ -	\$ -	\$ 150,000
Leasehold improvements	63,941	-	-	63,941
Machinery and equipment	914,988	126,208	189,833	851,363
Furniture and fixtures	66,226	16,217	-	82,443
	<u>1,195,155</u>	<u>142,425</u>	<u>189,833</u>	<u>1,147,747</u>
Less accumulated depreciation:				
Leasehold improvements	43,276	12,162	-	55,438
Machinery and equipment	630,211	113,983	189,833	554,361
Furniture and fixtures	62,097	5,943	-	68,040
	<u>735,584</u>	<u>132,088</u>	<u>189,833</u>	<u>677,839</u>
Capital assets, net of accumulated depreciation	<u>\$ 459,571</u>	<u>\$ 10,337</u>	<u>\$ -</u>	<u>\$ 469,908</u>

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE

The activity in bonds and notes payable for the year ended December 31, 2010 is summarized as follows:

	December 31, 2009	Issuance	Accretions / Amortization	Payments	December 31, 2010	Due Within One Year
<b>Year ended December 31, 2010</b>						
<b>Public Sector Financing</b>						
<b>Essential Purpose Pooled Government</b>						
<b>Loan Program Bonds</b>						
\$175,000,000 Series 1986 consisting of variable rate bonds	\$ 74,640,000	\$ -	\$ -	\$ -	\$ 74,640,000	\$ -
<b>Facility Loan and Lease Revenue Bonds and Notes</b>						
Facility Lease Revenue Bonds:						
\$91,575,000 Series 1998	\$ 68,780,000	\$ -	\$ -	\$ 2,880,000	\$ 65,900,000	\$ 3,035,000
\$29,735,000 Series 1997	23,220,000	-	-	810,000	22,410,000	870,000
\$29,660,000 Series 1996	15,100,000	-	-	1,725,000	13,375,000	1,850,000
\$22,080,000 Series 1999 Lease Revenue Bonds consisting of:						
\$7,010,000 Series 1999A (North Hudson Regional Fire and Rescue Project - Original Parties Guaranteed Tax-Exempt Series)	5,300,000	-	-	265,000	5,035,000	275,000
\$15,070,000 Series 1999B (North Hudson Regional Fire and Rescue Project - Original Parties Guaranteed Taxable Series)	12,045,000	-	-	510,000	11,535,000	545,000
\$13,540,000 Series 2002 Lease Revenue Bonds consisting of:						
\$9,340,000 Series 2002A, Waterfront Improvement Bonds (Weehawken Project)	3,445,000	-	-	1,100,000	2,345,000	1,145,000
\$4,200,000 Series 2002A, Waterfront Improvement Bonds (West New York Project)	1,535,000	-	-	495,000	1,040,000	510,000
\$15,00,000 Series 2004 Variable Rate Lease Revenue Bonds (North Hudson Regional Fire and Rescue Project - Original Parties Guaranteed Taxable Series)	14,800,000	-	-	250,000	14,550,000	300,000
\$7,025,000 Series 2004 Waterfront Improvement Bonds (Weehawken Project)	5,980,000	-	-	280,000	5,700,000	285,000
\$6,860,000 Lease Revenue Bonds Series 2004 (Weehawken Pershing Road Project)	6,245,000	-	-	135,000	6,110,000	135,000
\$10,000,000 Lease Revenue Bonds Series 2004 (Bayonne DPW Garage Project)	9,250,000	-	-	170,000	9,080,000	180,000
\$10,000,000 Lease Revenue Bonds Series 2004 consisting of:						
\$8,810,000 Series 2004A Facilities Lease Project (Harrison)	8,460,000	-	-	190,000	8,270,000	195,000
\$1,190,000 Series 2004B Facilities Lease Project (Harrison)	1,190,000	-	-	-	1,190,000	-
\$29,505,000 Series 2005A, County Secured Lease Revenue Bonds (County Services Building Project)	27,885,000	-	-	585,000	27,300,000	605,000

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

	December 31, 2009	Issuance	Accretions / Amortization	Payments	December 31, 2010	Due Within One Year
<b>Year ended December 31, 2010 (continued)</b>						
<b>Public Sector Financing (continued)</b>						
<b>Facility Loan and Lease Revenue Bonds and Notes (continued)</b>						
\$6,500,000 Series 2005 Variable Rate Lease Revenue Bonds (Township of Weehawken – Guaranteed Redevelopment Project) – Federally Taxable	\$ 6,500,000	\$ -	\$ -	\$ 6,500,000	\$ -	\$ -
\$10,000,000 Series 2006 Variable Rate Lease Revenue Bonds (Township of Weehawken – Guaranteed Baldwin – Avenue Project) - Federally Taxable	10,000,000	-	-	-	10,000,000	-
\$8,600,000 Lease Revenue Bonds Series 2006 consisting of:						
\$4,480,000 Lease Revenue Bonds (North Hudson Fire and Rescue Project Guaranteed Tax – Exempt Series) Series 2006A	4,120,000	-	-	195,000	3,925,000	205,000
\$4,120,000 Lease Revenue Bonds (North Hudson Fire and Rescue Project Guaranteed Tax – Exempt Series) Series 2006B	3,800,000	-	-	175,000	3,625,000	180,000
\$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 (Harrison Redevelopment Project)	36,150,945	-	1,765,233	-	37,916,178	2,280,594
\$8,871,298 –Federally Taxable County – Guaranteed Harrison Stadium Land Acquisition Special Obligation Capital Appreciation bonds, Series 2006A-2 (Harrison Redevelopment Project).	10,838,123	-	629,612	3,105,000	8,362,735	829,406
\$27,490,000 County Secured Lease Revenue Bonds, Series 2007 (County Services Building Completion Project)	26,935,000	-	-	575,000	26,360,000	600,000
\$8,000,000 Lease Revenue Bonds Series 2008 ( West New York DPW Garage Project	7,920,000	-	-	200,000	7,720,000	240,000
\$1,400,000 Revenue Notes Series 2008 Renewal Note (West New York Guaranteed Senior Citizen Housing Building Project)	-	-	-	-	-	-
\$45,000,000 County Guaranteed Parking Revenue Bonds, Series 2009C (Harrison Parking Facility Redevelopment Project)	38,100,000	-	-	-	38,100,000	-
\$6,900,000 County Guaranteed Parking Revenue Bonds, Series 2010 (Harrison Parking Facility Redevelopment Completion Project)	-	6,900,000	-	-	6,900,000	-
\$20,700,000 Hudson County Command Center Project General Obligation Recovery Zone Economic Development Bonds Series 2010	-	20,700,000	-	-	20,700,000	200,000
	<u>347,599,068</u>	<u>27,600,000</u>	<u>2,394,845</u>	<u>20,145,000</u>	<u>357,448,913</u>	<u>14,465,000</u>

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

	December 31, 2009	Issuance	Accretions / Amortization	Payments	December 31, 2010	Due Within One Year
<b>Year ended December 31, 2010 (continued)</b>						
<b>Public Sector Financing (continued)</b>						
<b>Guaranteed Pooled Note Program</b>						
\$212,369,262 Hudson County Guaranteed Pooled Notes Series 2009 consisting of:						
\$173,962,530 Hudson County Guaranteed Pooled Notes Series 2009A	\$ 173,962,530	\$ -	\$ -	\$ 173,962,530	\$ -	\$ -
\$38,406,732 Hudson County Guaranteed Pooled Notes Series 2009B	38,406,732	-	-	38,406,732	-	-
\$46,307,800 Hudson County Guaranteed Pooled Notes Series 2009C	-	46,307,800	-	-	46,307,800	46,307,800
\$27,397,667 Hudson County Guaranteed Pooled Notes Series 2009D	-	27,397,667	-	-	27,397,667	27,397,667
\$163,205,137 Hudson County Guaranteed Pooled Notes Series 2009E	-	163,205,137	-	-	163,205,137	163,205,137
\$29,250,000 Hudson County Guaranteed Pooled Notes Series 2009F	-	29,250,000	-	-	29,250,000	29,250,000
	<u>212,369,262</u>	<u>266,160,604</u>	<u>-</u>	<u>212,369,262</u>	<u>266,160,604</u>	<u>266,160,604</u>
<b>New Jersey Environmental Infrastructure Trust Loan Program Bonds</b>						
\$16,786,913 New Jersey Environment Infrastructure Trust 2009 consisting of:						
\$14,996,795 New Jersey Environmental Infrastructure Trust, Fund Loan Series 2009A (Hudson County, IA Harrison Project)	14,996,795	-	-	381,925	14,614,870	707,888
\$1,820,118 New Jersey Environmental Infrastructure Trust, Loan Series 2009A (Hudson County, IA Harrison Project )	1,820,118	-	-	46,275	1,773,843	84,413
	<u>16,816,913</u>	<u>-</u>	<u>-</u>	<u>428,200</u>	<u>16,388,713</u>	<u>792,301</u>
	<u>\$ 651,425,243</u>	<u>\$ 293,760,604</u>	<u>\$ 2,394,845</u>	<u>\$ 232,942,462</u>	<u>\$ 714,638,230</u>	<u>\$ 281,417,905</u>

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

	December 31, 2009	Issuance	Accretions / Amortization	Payments	December 31, 2010	Due Within One Year
<b>Year ended December 31, 2010 (continued)</b>						
<b>Solid Waste Revenue Bonds</b>						
\$32,040,000 Refunding Series 1998-1						
consisting of:						
\$2,110,000 Term Bond	\$ 1,610,000	\$ -	\$ -	\$ 1,610,000	\$ -	
\$6,280,000 Term Bond	6,280,000	-	-	6,280,000	-	-
\$23,650,000 Term Bond	23,650,000	-	-	23,650,000	-	-
\$27,230,000 Refunding Series 1998-2 consisting of:						
\$6,125,000 Term Bond	6,125,000	-	-	6,125,000	-	-
\$21,105,000 Term Bond	21,105,000	-	-	21,105,000	-	-
\$17,510,000 Koppers Site Project Series 1998A	17,510,000	-	-	17,510,000	-	-
\$20,940,000 Federally Taxable Series 1998B	11,225,000	-	-	11,225,000	-	-
	<u>87,505,000</u>	<u>-</u>	<u>-</u>	<u>87,505,000</u>	<u>-</u>	<u>-</u>
Less:						
Original issue discount on Solid Waste Revenue Bonds (net of accumulated amortization of \$861,548 in 2010 and \$796,328 in 2009)	(757,506)	692,286	65,220	-	-	-
Deferred amount on refunding on Solid Waste Revenue Bonds (net of accumulated amortization of \$4,809,668 in 2010 and \$4,445,571 in 2009)	(3,141,252)	2,777,154	364,098	-	-	-
	<u>\$ 83,606,242</u>	<u>\$ 3,469,440</u>	<u>\$ 429,318</u>	<u>\$ 87,505,000</u>	<u>\$ -</u>	<u>\$ -</u>
\$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	-	43,655,000	-	-	43,655,000	-
\$9,475,000 Taxable Series 2010C Term Bonds	-	9,475,000	-	-	9,475,000	1,400,000
	<u>-</u>	<u>84,945,000</u>	<u>-</u>	<u>-</u>	<u>84,945,000</u>	<u>1,400,000</u>
Add:						
Original issue premium on Solid Waste Revenue Bonds	-	2,755,509	-	-	2,755,509	-
Less:						
Deferred amount on refunding on Solid Waste Revenue Bonds	-	(8,396,417)	-	-	(8,396,417)	-
	<u>\$ -</u>	<u>\$ 79,304,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,304,092</u>	<u>\$ 1,400,000</u>
Bonds payable – net	<u>\$ 735,031,485</u>	<u>\$ 376,534,136</u>	<u>\$ 2,824,163</u>	<u>\$ 320,447,462</u>	<u>\$ 793,942,322</u>	<u>\$ 282,817,905</u>

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

The activity in bonds and notes payable for the year ended December 31, 2009 is summarized as follows:

	December 31, 2008	Issuance	Accretions / Amortization	Payments	December 31, 2009	Due Within One Year
<b>Year ended December 31, 2009</b>						
<b>Public Sector Financing</b>						
<b>Essential Purpose Pooled Government Loan Program Bonds</b>						
\$175,000,000 Series 1986 consisting of variable rate bonds	\$ 74,640,000	\$ -	\$ -	\$ -	\$ 74,640,000	\$ -
<b>Facility Loan and Lease Revenue Bonds and Notes</b>						
Facility Lease Revenue Bonds:						
\$91,575,000 Series 1998	\$ 71,520,000	\$ -	\$ -	\$ 2,740,000	\$ 68,780,000	\$ 2,880,000
\$29,735,000 Series 1997	23,980,000	-	-	760,000	23,220,000	810,000
\$29,660,000 Series 1996	16,710,000	-	-	1,610,000	15,100,000	1,725,000
\$10,000,000 Series 1999 Lease Revenue Bonds (Union City Lease Project)	7,705,000	-	-	7,705,000	-	-
\$22,080,000 Series 1999 Lease Revenue Bonds consisting of:						
\$7,010,000 Series 1999A (North Hudson Regional Fire and Rescue Project - Original Parties Guaranteed Tax-Exempt Series)	5,550,000	-	-	250,000	5,300,000	265,000
\$15,070,000 Series 1999B (North Hudson Regional Fire and Rescue Project - Original Parties Guaranteed Taxable Series)	12,520,000	-	-	475,000	12,045,000	510,000
\$13,540,000 Series 2002 Lease Revenue Bonds consisting of:						
\$9,340,000 Series 2002A, Waterfront Improvement Bonds (Weehawken Project)	4,505,000	-	-	1,060,000	3,445,000	1,100,000
\$4,200,000 Series 2002A, Waterfront Improvement Bonds (West New York Project)	2,015,000	-	-	480,000	1,535,000	495,000
\$15,00,000 Series 2004 Variable Rate Lease Revenue Bonds (North Hudson Regional Fire and Rescue Project - Original Parties Guaranteed Taxable Series)	15,000,000	-	-	200,000	14,800,000	250,000
\$7,025,000 Series 2004 Waterfront Improvement Bonds (Weehawken Project)	6,255,000	-	-	275,000	5,980,000	280,000
\$6,860,000 Lease Revenue Bonds Series 2004 (Weehawken Pershing Road Project)	6,375,000	-	-	130,000	6,245,000	135,000
\$10,000,000 Lease Revenue Bonds Series 2004 (Bayonne DPW Garage Project)	9,415,000	-	-	165,000	9,250,000	170,000
\$10,000,000 Lease Revenue Bonds Series 2004 consisting of:						
\$8,810,000 Series 2004A Facilities Lease Project (Harrison)	8,640,000	-	-	180,000	8,460,000	190,000
\$1,190,000 Series 2004B Facilities Lease Project (Harrison)	1,190,000	-	-	-	1,190,000	-

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

	December 31, 2008	Issuance	Accretions / Amortization	Payments	December 31, 2009	Due Within One Year
<b>Year ended December 31, 2009 (continued)</b>						
<b>Public Sector Financing (continued)</b>						
<b>Facility Loan and Lease Revenue Bonds and Notes (continued)</b>						
\$29,505,000 Series 2005A, County Secured Lease Revenue Bonds (County Services Building Project)	\$ 28,450,000	\$ -	\$ -	\$ 565,000	\$ 27,885,000	\$ 585,000
\$8,445,000 Variable Rate lease Revenue Bonds Series 2005, (Hoboken DPW Garage Project) (Federally Taxable)						
\$6,500,000 Series 2005 Variable Rate Lease Revenue Bonds (Township of Weehawken – Guaranteed Redevelopment Project) – Federally Taxable	6,500,000	-	-	-	6,500,000	-
\$10,000,000 Series 2006 Variable Rate Lease Revenue Bonds (Township of Weehawken – Guaranteed Baldwin – Avenue Project) - Federally Taxable	10,000,000	-	-	-	10,000,000	-
\$8,600,000 Lease Revenue Bonds Series 2006 consisting of:						
\$4,480,000 Lease Revenue Bonds (North Hudson Fire and Rescue Project Guaranteed Tax – Exempt Series) Series 2006A	4,305,000	-	-	185,000	4,120,000	195,000
\$4,120,000 Lease Revenue Bonds (North Hudson Fire and Rescue Project Guaranteed Tax – Exempt Series) Series 2006B	3,965,000	-	-	165,000	3,800,000	175,000
\$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 (Harrison Redevelopment Project)	34,468,322	-	1,682,623	-	36,150,945	-
\$8,871,298 –Federally Taxable County – Guaranteed Harrison Stadium Land Acquisition Special Obligation Capital Appreciation bonds, Series 2006A-2 (Harrison Redevelopment Project).	10,243,123	-	595,000	-	10,838,123	3,105,000
\$27,490,000 County Secured Lease Revenue Bonds, Series 2007 (County Services Building Completion Project)	27,490,000	-	-	555,000	26,935,000	575,000
\$8,000,000 Lease Revenue Bonds Series 2008 ( West New York DPW Garage Project)	8,000,000	-	-	80,000	7,920,000	200,000
\$1,400,000 Revenue Notes Series 2008 Renewal Note (West New York Guaranteed Senior Citizen Housing Building Project)	1,400,000		-	1,400,000	-	-
\$45,000,000 County Guaranteed Parking Revenue Bonds, Series 2009C (Harrison Parking Facility Redevelopment Project)	-	45,000,000	-	6,900,000	38,100,000	-
	326,201,445	45,000,000	2,277,623	25,880,000	347,599,068	13,645,000



# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

	December 31, 2008	Issuance	Accretions / Amortization	Payments	December 31, 2009	Due Within One Year
<b>Year ended December 31, 2009 (continued)</b>						
<b>Public Sector Financing (continued)</b>						
<b>Guaranteed Pooled Note Program</b>						
\$212,369,262 Hudson County Guaranteed Pooled Notes Series 2009 consisting of:						
\$173,962,530 Hudson County Guaranteed Pooled Notes Series 2009A	\$ -	\$ 173,962,530	\$ -		\$ 173,962,530	\$ 173,962,530
\$38,406,732 Hudson County Guaranteed Pooled Notes Series 2009B	-	38,406,732	-		38,406,732	38,406,732
	-	212,369,262	-	-	212,369,262	212,369,262
<b>New Jersey Environmental Infrastructure Trust Loan Program Bonds</b>						
\$16,786,913 New Jersey Environment Infrastructure Trust 2009 consisting of:						
\$14,996,795 New Jersey Environmental Infrastructure Trust, Fund Loan Series 2009A (Hudson County, IA Harrison Project	-	14,996,795	-	-	14,996,795	381,925
\$1,820,118 New Jersey Environmental Infrastructure Trust, Loan Series 2009A (Hudson County, IA Harrison Project )	-	1,820,118	-	-	1,820,118	46,275
	-	16,816,913	-	-	16,816,913	428,200
	\$ 400,841,445	\$ 274,186,175	\$ 2,277,623	\$ 25,880,000	\$ 651,425,243	\$ 226,442,462
<b>Solid Waste Revenue Bonds</b>						
\$32,040,000 Refunding Series 1998-1 consisting of:						
\$2,110,000 Term Bond	\$ 1,660,000	\$ -	\$ -	\$ 50,000	\$ 1,610,000	\$ 50,000
\$6,280,000 Term Bond	6,280,000	-	-	-	6,280,000	-
\$23,650,000 Term Bond	23,650,000	-	-	-	23,650,000	-
\$27,230,000 Refunding Series 1998-2 consisting of:						
\$6,125,000 Term Bond	6,125,000	-	-	-	6,125,000	-
\$21,105,000 Term Bond	21,105,000	-	-	-	21,105,000	-
\$17,510,000 Koppers Site Project Series 1998A	17,510,000	-	-	-	17,510,000	-
\$20,940,000 Federally Taxable Series 1998 B	12,835,000	-	-	1,610,000	11,225,000	1,795,000
	\$ 89,165,000	\$ -	\$ -	\$ 1,660,000	\$ 87,505,000	\$ 1,845,000
<b>Less:</b>						
Original issue discount on Solid Waste Revenue Bonds (net of accumulated amortization of \$796,328 in 2009 and \$729,217 in 2008)	\$ (824,617)	\$ -	\$ 67,111	\$ -	\$ (757,506)	\$ -
Deferred amount on refunding on Solid Waste Revenue Bonds (net of accumulated amortization of \$4,445,571 in 2009 and \$4,070,716 in 2008)	(3,515,907)	-	374,655	-	(3,141,252)	-
	\$ 84,824,476	\$ -	\$ 441,766	\$ 1,660,000	\$ 83,606,242	\$ 1,845,000
Bonds payable – net	\$ 485,665,921	\$ 274,186,175	\$ 2,719,389	\$ 27,540,000	\$ 735,031,485	\$ 228,287,462

# **HUDSON COUNTY IMPROVEMENT AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

### **9. 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, 2010 was 0.12% to 0.34 % and for the year ended December 31, 2009 was 0.16% to 0.75 %.

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 expires on September 15, 2011 or earlier as provided in the Authority's bond resolution and the letter of credit. 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, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

#### 1997 and 1998 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:

<b>Year</b>	<b>Principal</b>	<b>Interest (7.30- 7.40%)</b>
2011	\$ 870,000	\$ 1,652,080
2012	930,000	1,588,570
2013	1,000,000	1,520,680
2014	1,075,000	1,447,680
2015	1,150,000	1,369,204
2016-2020	7,160,000	5,447,386
2021-2025	10,225,000	2,377,250
	<u>\$ 22,410,000</u>	<u>\$ 15,402,850</u>

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. 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:

<b>Year</b>	<b>Principal</b>	<b>Interest (5.25 - 5.40%)</b>
2011	\$ 3,035,000	\$ 3,399,171
2012	3,195,000	3,239,834
2013	3,360,000	3,072,096
2014	3,545,000	2,895,696
2015	3,725,000	2,709,584
2016-2020	21,465,000	10,718,582
2021-2025	27,575,000	4,609,175
	<u>\$ 65,900,000</u>	<u>\$ 30,644,138</u>

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. 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:

<b>Year</b>	<b>Principal</b>	<b>Interest (7.10 - 7.37%)</b>
2011	\$ 1,850,000	\$ 985,738
2012	1,985,000	849,393
2013	2,135,000	703,098
2014	2,295,000	545,748
2015	2,465,000	376,607
2016	2,645,000	194,937
	<u>\$ 13,375,000</u>	<u>\$ 3,655,521</u>

# **HUDSON COUNTY IMPROVEMENT AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

### **9. BONDS AND NOTES PAYABLE (continued)**

#### **Series 1999 Lease Revenue Bonds (North Hudson Regional Fire and Rescue Project)**

On October 14, 1999, the Authority issued its \$22,080,000 Lease Revenue Bonds, Series 1999 (North Hudson Regional Fire and Rescue Project) (the “1999 North Hudson Regional Bonds”), consisting of \$7,010,000 Lease Revenue Bonds, Series 1999A (Original Parties’ Guaranteed 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. NHRFR is a public body formed by the Township of North Bergen, the City of Union City, the Township of Weehawken, the Town of West New York (the “Original Parties”) and the Town of Guttenberg. Under the terms of the financing and the lease and agreement between the Authority and NHRFR (the “Lease and Agreement”), the Authority leased back the Project to NHRFR whereby NHRFR is obligated to make rental payments to the Authority sufficient to pay the debt service on both Series 1999A and 1999B Bonds. The obligation of NHRFR to make timely rental payments to the Authority is unconditionally guaranteed by the Original Parties. The Lease and Agreement was to terminate upon retirement of the 1999 North Hudson Regional Bonds scheduled to occur in 2023.

The balance of the Series 1999A Bonds at December 31, 2010 consisted of (i) \$1,190,000 serial bonds maturing annually through 2014 in amounts ranging from \$275,000 to \$320,000 and (ii) \$3,845,000 term bonds subject to annual mandatory sinking fund redemption from 2015 to 2023 (final maturity) in amounts ranging from \$340,000 to \$525,000. The balance of the Series 1999B Bonds at December 31, 2010 consisted of (i) \$2,445,000 serial bonds maturing annually through 2014 in amounts ranging from \$545,000 to \$680,000 and (ii) \$9,090,000 term bonds subject to annual mandatory sinking fund redemption from 2015 to 2023 (final maturity) in amounts ranging from \$730,000 to \$1,345,000.

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**9. BONDS AND NOTES PAYABLE (continued)**

**Series 1999 Lease Revenue Bonds (North Hudson Regional Fire and Rescue Project)  
(continued)**

The debt service requirements on these bonds follow:

Year	Series 1999A		Series 1999B	
	Principal	Interest (5.20 - 5.70%)	Principal	Interest (7.39 - 8.00%)
2011	\$ 275,000	\$ 281,316	\$ 545,000	\$ 907,046
2012	290,000	267,016	590,000	866,771
2013	305,000	251,646	630,000	822,993
2014	320,000	235,177	680,000	775,994
2015	340,000	217,736	730,000	725,063
2016-2020	2,010,000	779,025	4,615,000	2,657,798
2021-2025	1,495,000	173,565	3,745,000	614,400
	<u>\$ 5,035,000</u>	<u>\$ 2,205,481</u>	<u>\$ 11,535,000</u>	<u>\$ 7,370,065</u>

**Series 2002 Lease Revenue Bonds (Waterfront Improvement Bonds)**

On August 6, 2002, the Authority issued its \$13,540,000 lease revenue bonds, consisting of \$9,340,000 Waterfront Improvement Bonds, Series 2002A (Weehawken Project) and \$4,200,000 Waterfront Improvement Bonds, Series 2002B (West New York Project) (the “2002 Waterfront Improvement Bonds”) to finance the acquisition of a leasehold interest in the acquisition and construction of improvements to the waterfront in the Township of Weehawken and the Town of West New York (the “Projects”). Under the terms of the financing, the Authority leased back the Projects to the Township of Weehawken and the Town of West New York (the “lease”) whereby the Township of Weehawken and the Town of West New York are obligated to make rental payments to the Authority sufficient to pay the debt service on both Series 2002A and 2002B bonds. The Township of Weehawken and the Town of West New York have unconditionally guaranteed their obligations. The lease terminates upon retirement of the 2002 Waterfront Improvement Bonds scheduled to occur in 2012.

The balance of the 2002 Water Improvement Bonds at December 31, 2010 consisted of (i) Series 2002A serial bonds totaling \$2,345,000, maturing in annual amounts ranging from \$1,100,000 to \$1,200,000 through 2012 (final maturity), and (ii) Series 2002B serial bonds totaling \$1,040,000, maturing in annual amounts ranging from \$495,000 to \$530,000 through 2012 (final maturity).

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**9. BONDS AND NOTES PAYABLE (continued)**

**Series 2002 Lease Revenue Bonds (Waterfront Improvement Bonds) (continued)**

The debt service requirements on these bonds follow:

<b>Year</b>	<b>Series 2002A</b>		<b>Series 2002B</b>	
	<b>Principal</b>	<b>Interest (4.50 - 4.75%)</b>	<b>Principal</b>	<b>Interest (3.625 - 3.85%)</b>
2011	\$ 1,145,000	\$ 108,525	\$ 510,000	\$ 39,530
2012	1,200,000	57,000	530,000	20,405
	<u>\$ 2,345,000</u>	<u>\$ 165,525</u>	<u>\$ 1,040,000</u>	<u>\$ 59,935</u>

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

Pursuant to the 2004 amendment to the Lease and Agreement entered into in 2002 (see Series 1999 Lease Revenue Bonds (North Hudson Regional Fire and Rescue Project above), the Authority, on January 11, 2004, 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

Under the terms of the amended Lease and Agreement, NHRFR is obligated to make rental payments to the Authority sufficient to pay the debt service on 2004 Variable Rate Lease Revenue Bonds, in addition to the debt service on both Series 1999A and 1999B Bonds, and other expenses of the Authority and of the Trustee (administrative costs). The amended Lease and Agreement terminates upon retirement of the 2004 Variable Rate Lease Revenue Bonds scheduled to occur in 2024.

Initially, the 2004 North Hudson Bonds bear interest at a rate of 3.01% (the “Initial Interest Rate”) until January 1, 2007 (the “Initial Interest Rate Period”). Thereafter, the 2004 Bonds may bear interest at an Auction, Daily, Weekly, Monthly, Short-Term, Long-Term or Fixed Rate. 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. Upon expiration of the Initial Interest Rate Period, the 2004 Bonds will be subject to mandatory tender in only one Interest Rate Period at the same time. Following expiration of the Initial Interest Rate Period, the Interest Rate Period for a series of 2004 Bonds may be changed from time to time.



# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

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

During the Initial Interest Rate Period, the scheduled payment of principal and of interest on the 2004 Bonds, when due, is further secured by amounts that may be drawn by the Trustee under a separate, irrevocable direct-pay letter of credit (the "Letter of Credit"). The Letter of Credit will permit the Trustee to draw up to the amount sufficient to pay the principal of the North Hudson Bonds and up to 183 days' accrued and unpaid interest thereon, computed at a maximum interest rate of 15% per annum, on the basis of a 360-day year. Amounts may also be drawn under the Letter of Credit for the payment of the purchase price of the 2004 Bonds tendered for mandatory purchase upon expiration of the Initial Interest Rate Period. The term of the Letter of Credit, which originally expired on January 8, 2007 was extended to January 7, 2010.

On December 31, 2007, the Authority converted the 2004 Bonds to a fixed interest rate pursuant to provisions of the General Bond Resolution and the provisions of the Supplemental Resolution as described above.

The revised debt service requirements on the 2004 North Hudson Bonds follow:

<b>Year</b>	<b>Principal</b>	<b>Interest (6.00 - 6.64%)</b>
2011	\$ 300,000	\$ 942,180
2012	450,000	920,130
2013	500,000	892,580
2014	600,000	860,680
2015	750,000	818,380
2016-2020	5,700,000	3,104,200
2021-2025	6,250,000	868,180
	<u>\$ 14,550,000</u>	<u>\$ 8,406,330</u>

#### Waterfront Improvement Bonds, Series 2004 (Weehawken Project)

On February 18, 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. The proceeds of the 2004 Waterfront Improvement Bonds included funds to make a deposit in the bond reserve fund, finance certain capitalized interest and pay the cost of issuance thereof.

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

#### Waterfront Improvement Bonds, Series 2004 (Weehawken Project) (continued)

Pursuant to the terms of the Loan Agreement, the District Management Corporation is obligated to make payments to the Authority on the Loan Payment Dates in amounts sufficient to pay or provide for payment of debt service on the 2004 Bonds when due and certain fees, charges and other expenses of the Authority, trustee and any fiduciary.

The balance of the 2004 Waterfront Improvement Bonds at December 31, 2010 consisted of (i) serial bonds totaling \$3,420,000, maturing in annual amounts ranging from \$285,000 to \$405,000 in 2020 and (ii) a term bond in the amount of \$2,280,000 that is subject to mandatory annual sinking fund redemption from 2021 to 2025 (final maturity) in amounts ranging from \$420,000 to \$495,000.

The debt service requirements on these bonds follow:

Year	Principal	Interest (2.125 - 4.25%)
2011	\$ 285,000	\$ 229,266
2012	295,000	221,785
2013	310,000	207,035
2014	325,000	191,535
2015	335,000	180,810
2016-2020	1,870,000	711,520
2021-2025	2,280,000	298,775
	<u>\$ 5,700,000</u>	<u>\$ 2,040,726</u>

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

On March 23, 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. Under terms of the financing, the Authority leased back the improvements and the equipment to the Township of Weehawken (the “Lease”), and the Township of Weehawken is obligated to make rental payments to the Authority in amounts sufficient to pay the debt service on the 2004 Weehawken Bonds when due. The Lease terminates upon the retirement of the 2004 Weehawken Bonds, scheduled to occur in 2034.

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**9. BONDS AND NOTES PAYABLE (continued)**

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

The balance of the 2004 Weehawken Bonds at December 31, 2010 consisted of (i) \$420,000 Term Bond bearing interest at 3.48% a year, subject to annual mandatory sinking fund redemption through 2013 (final maturity) in varying amounts ranging from \$135,000 to \$145,000; (ii) \$1,935,000 Term Bond bearing interest at 5.27% a year, subject to annual mandatory sinking fund redemption from 2014 to 2023 (final maturity) in varying amounts ranging from \$150,000 to \$240,000 and (iii) \$3,755,000 Term Bond bearing interest at 5.72% a year, subject to annual mandatory sinking fund redemption from 2024 to 2034 (final maturity) in amounts ranging from \$255,000 to \$445,000.

The debt service requirements on these bonds follow:

<b>Year</b>	<b>Principal</b>	<b>Interest (3.48 - 5.72%)</b>
2011	\$ 135,000	\$ 331,377
2012	140,000	326,679
2013	145,000	321,807
2014	150,000	316,760
2015	160,000	308,856
2016-2020	935,000	1,408,048
2021-2025	1,215,000	1,133,124
2026-2030	1,595,000	751,322
2031-2034	1,635,000	240,526
	<u>\$ 6,110,000</u>	<u>\$ 5,138,499</u>

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

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

On June 16, 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 proceeds of the 2004 Bayonne Bonds included funds to make a deposit to the bond reserve fund and pay the costs of issuance thereof. Under the terms of the financing, the Authority leased back the improvements and the equipment to the City of Bayonne (the “Lease”), and the City of Bayonne is obligated to make rental payments to the Authority in amounts sufficient to pay the debt service on the 2004 Bayonne Bonds when due and other expenses of the Authority and the trustee. The Lease terminates upon retirement of the 2004 Bayonne Bonds, scheduled to occur in 2018.

The balance of the 2004 Bayonne Bonds at December 31, 2010 consisted of (i) serial bonds totaling \$1,755,000 bearing interest ranging from 5.24% to 6.35% and maturing annually through 2018 in amounts ranging from \$170,000 to \$265,000; (ii) \$2,790,000 Term Bonds bearing interest at 6.25% a year and subject to annual mandatory sinking fund redemption from 2019 to 2026 (final maturity) in varying amounts ranging from \$280,000 to \$425,000 and (iii) \$4,535,000 Term Bond bearing interest at 6.350% a year and subject to annual mandatory sinking fund redemption from 2027 to 2034 (final maturity) in varying amounts ranging from \$455,000 to \$695,000.

The debt service requirements on these bonds follow:

<b>Year</b>	<b>Principal</b>	<b>Interest (5.24 - 6.35%)</b>
2011	\$ 180,000	\$ 556,338
2012	190,000	546,454
2013	200,000	535,646
2014	210,000	524,032
2015	225,000	511,645
2016-2020	1,330,000	2,338,112
2021-2025	1,785,000	1,861,618
2026-2030	2,415,000	1,209,832
2031-2034	2,545,000	335,440
	<u>\$ 9,080,000</u>	<u>\$ 8,419,117</u>

# **HUDSON COUNTY IMPROVEMENT AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

### **9. BONDS AND NOTES PAYABLE (continued)**

#### **Lease Revenue Bonds, Series 2004 (Harrison Facilities Lease Project)**

On December 16, 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. The proceeds of the 2004 Harrison Bonds included funds to finance certain capitalized interest and pay the costs of issuance thereof. Under terms of the financing, the Authority leased back the facilities and improvements to the Town of Harrison (the “Lease”), and the Town of Harrison is obligated to make rental payments to the Authority in amounts sufficient to pay the debt service on the 2004 Harrison Bonds when due. The Lease terminates upon retirement of the 2004 Harrison Bonds, scheduled to occur in 2035.

The balance of the 2004A Harrison Bonds December 31, 2010 consisted of: (i) \$1,075,000 term bonds bearing interest at 4.75% a year that are subject to annual mandatory sinking fund redemption from 2009 to 2015 (final maturity) in varying amounts ranging from \$190,000 to \$235,000, (ii) \$2,380,000 term bonds bearing interest at 5.30% a year that are subject to annual mandatory sinking fund redemption from 2016 to 2023 (final maturity) in varying amounts ranging from \$250,000 to \$340,000 and (iii) \$4,815,000 term bonds bearing interest at 5.625% a year that are subject to annual mandatory sinking fund redemption from 2027 to 2035 (final maturity) in varying amounts ranging from \$425,000 to \$660,000. The 2004B Harrison Bonds in the amount of \$1,190,000 bear interest at 4.375% a year and are subject to annual mandatory sinking fund redemption from 2023 to 2026 (final maturity) maturing in amounts ranging from \$15,000 to \$410,000.

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**9. BONDS AND NOTES PAYABLE (continued)**

**Lease Revenue Bonds, Series 2004 (Harrison Facilities Lease Project) (continued)**

The debt service requirements on these bonds follow:

<b>Year</b>	<b>Principal</b>	<b>Interest (4.375 - 5.625%)</b>
2011	\$ 195,000	\$ 495,478
2012	205,000	485,978
2013	215,000	476,003
2014	225,000	465,552
2015	235,000	454,628
2016-2020	1,380,000	2,069,801
2021-2025	1,780,000	1,660,310
2026-2030	2,260,000	1,162,094
2031-2035	2,965,000	435,233
	<u>\$ 9,460,000</u>	<u>\$ 7,705,077</u>

**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.

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

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

The 2005 County Secured Bonds consist of (i) serial bonds in the amount of \$7,370,000 bearing interest rates ranging from 4.00% to 5.00% maturing in annual amounts ranging from \$605,000 in 2011 to \$885,000 in 2020, (ii) \$5,105,000 term bonds bearing interest at 5.00% a year, subject to annual mandatory sinking fund redemption from 2021 to 2025 (final maturity) in varying amounts ranging from \$925,000 to \$1,120,000 and (iii) \$14,825,000 term bonds bearing interest at 5.000% a year subject to annual mandatory sinking fund redemption from 2026 to 2035 (final maturity) in varying amounts ranging from \$1,180,000 to \$1,830,000.

The debt service requirements on these bonds follow:

Year	Principal	Interest (4.00 - 5.00%)
2011	\$ 605,000	\$ 1,303,266
2012	630,000	1,278,566
2013	655,000	1,251,229
2014	685,000	1,221,079
2015	715,000	1,187,792
2016-2020	4,080,000	5,435,766
2021-2025	5,105,000	4,368,875
2026-2030	6,510,000	2,924,000
2031-2035	8,315,000	1,079,875
	<u>\$ 27,300,000</u>	<u>\$ 20,050,448</u>

#### Variable Rate Lease Revenue Bonds, Series 2005 (Weehawken – Guaranteed Redevelopment Project)

On July 7, 2005, the Authority issued its \$6,500,000 Lease Revenue Bonds, Series 2005 (Township of Weehawken – Guaranteed Redevelopment Project) (Federally Taxable) (the “2005 Weehawken Bonds”) to finance the acquisition of a leasehold interest in the Woodrow Wilson School from the Weehawken School Board currently under lease to the City of Union City. The proceeds of the 2005 Weehawken Bonds included funds to pay the costs of issuance of thereof. Under the terms of the financing, the Authority leased back its interest in the facility to the Township of Weehawken (the “Township”) (the “Lease”), and the Township is obligated to make rental payments to the Authority in amounts sufficient to pay the debt service on the 2005 Weehawken Bonds when due and other expenses of the Authority and the trustee. The Lease terminates upon retirement of the 2005 Weehawken Bonds, scheduled to occur in 2012.

## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

#### **9. BONDS AND NOTES PAYABLE (continued)**

##### **Variable Rate Lease Revenue Bonds, Series 2005 (Weehawken – Guaranteed Redevelopment Project) (continued)**

Initially, the 2005 Weehawken Bonds bear interest at a rate of 4.28% (the “Initial Interest Rate”) until July 1, 2008 (the “Initial Interest Rate Period”). Thereafter, the 2005 Bonds may bear interest at an Auction, Daily, Weekly, Monthly, Short-Term, Long-Term or Fixed Rate. 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. Upon expiration of the Initial Interest Rate Period, the 2005 Bonds will be subject to mandatory tender in only one Interest Rate Period at the same time. Following expiration of the Initial Interest Rate Period, the Interest Rate Period for a series of 2005 Bonds may be changed from time to time.

During the Initial Interest Rate Period, the scheduled payment of principal and of interest on the 2005 Bonds, when due, is further secured by amounts that may be drawn by the Trustee under a separate, irrevocable direct-pay letter of credit (the “Letter of Credit”). The Letter of Credit was issued by Capital One. The Letter of Credit will permit the Trustee to draw up to the amount sufficient to pay the principal of the 2005 Weehawken Bonds and up to 183 days’ accrued and unpaid interest thereon, computed at a maximum interest rate of 5.00% per annum, on the basis of a 360-day year. Amounts may also be drawn under the Letter of Credit for the payment of the purchase price of the 2005 Bonds tendered for mandatory purchase upon expiration of the Initial Interest Rate Period. The Letter of Credit expired on July 1, 2010.

The bonds were paid in full in 2010 and the lease was terminated.

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

On August 22, 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”). Under the terms of the financing, the Authority leased back its interest in the Road Facility to the Township (the “Lease”), and the Township of Weehawken is obligated to make rental payments to the Authority in amounts sufficient to pay the debt service on the 2006 Bonds when due and other expenses of the Authority and the Trustee. The Series 2006 Bonds will bear Interest at 4.125% payable semiannually on January 1, and July 1, commencing January 1, 2007. The Lease terminates upon retirement of the 2006 Weehawken Bonds, scheduled to occur in 2016.



**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**9. BONDS AND NOTES PAYABLE (continued)**

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

The debt service requirements on these bonds follow:

<b>Year</b>	<b>Principal</b>	<b>Interest (4.125%)</b>
2011	\$ -	\$ 412,500
2012	-	412,500
2013	-	412,500
2014	-	412,500
2015		412,500
2016	10,000,000	412,500
	<u>\$ 10,000,000</u>	<u>\$ 2,475,000</u>

**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**

On January 12, 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 (a) 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”), a joint meeting formed in accordance with the law, by the Township of North Bergen, the City of Union City, the Township of Weehawken, the Town of West New York (collectively, the Original Parties”) and the Town of Guttenberg (together with the Original Parties, the “Municipalities”) under the Consolidated Municipal Service Act, N.J.S.A. 40:48B-1 *et seq.*; (b) make a deposit into the 2006 Bond Reserve Fund; and (c) pay the costs of issuance of the Series 2006 Bonds.

Under the terms of the lease agreement, NHRFR is required to make rental payments to the Authority in amounts sufficient to pay debt service on the 2006 bonds and other expenses of the Authority and of the trustee (administrative costs). The lease terminates upon retirement of the 2006 NHRFR bonds scheduled to occur in 2024.

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**9. BONDS AND NOTES PAYABLE (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 (continued)**

The debt service requirements on these bonds follow:

<b>Year</b>	<b>Series 2006A</b>		<b>Series 2006B</b>	
	<b>Principal</b>	<b>Interest (4.00 - 5.00%)</b>	<b>Principal</b>	<b>Interest (5.09 - 5.40%)</b>
2011	\$ 205,000	\$ 168,516	\$ 180,000	\$ 187,217
2012	215,000	158,016	190,000	177,744
2013	225,000	147,016	200,000	167,661
2014	235,000	135,517	210,000	156,948
2015	250,000	123,392	225,000	145,473
2016-2020	1,425,000	436,151	1,305,000	533,682
2021-2025	1,370,000	118,370	1,315,000	146,475
	<u>\$ 3,925,000</u>	<u>\$ 1,286,978</u>	<u>\$ 3,625,000</u>	<u>\$ 1,515,200</u>

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

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: (a) purchase the Town G.O. Bond issued by the Town to the Authority, the proceeds of which will be granted by the Town to the Agency (defined herein), pursuant to an Interlocal Services Agreement by and among the Town, the Agency, the Authority and the County, to fund certain redevelopment costs related to the hereinafter defined 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) (b) fund a Bond Reserve Fund, and (c) pay the costs and expenses associated with the issuance of the Bonds.

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**9. BONDS AND NOTES PAYABLE (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

Under the terms of the financing, the Town is required to make debt service payments to the Authority in amounts sufficient to pay or provide for the payment of the accreted value at maturity of the Bonds and expenses incurred by the Authority, the Town and the fiduciaries. The lease terminates upon retirement of the 2006 Harrison Stadium Land Acquisition Special Obligation (Capital Appreciation Bonds).

The debt service requirements on these bonds follow:

<b>Series 2006A-1 Tax Exempt</b>	<b>Annual Interest</b>	<b>Accreted Value</b>	<b>Bond Payments</b>	<b>Net Accreted Value</b>
December 31, 2010	\$ 1,765,233	\$ 37,916,178	\$ -	\$ 37,916,178
2011	1,851,533	39,767,711	-	39,767,711
2012	1,942,428	41,710,139	-	41,710,139
2013	1,969,287	43,679,426		43,679,426
2014	2,137,437	45,816,863	3,105,000	42,711,863
2015-2019	10,088,948	55,905,811	15,520,000	37,280,811
2020-2024	8,762,045	64,667,856	15,515,000	30,527,856
2025-2029	6,953,924	71,621,780	15,525,000	21,956,780
2030-2034	4,514,419	76,136,199	15,505,000	10,966,199
2035-2038	1,443,801	77,580,000	12,410,000	-
	<u>\$ 41,429,055</u>		<u>\$ 77,580,000</u>	

<b>Series 2006A-2 Federally Taxable</b>	<b>Annual Interest</b>	<b>Accreted Value</b>	<b>Bond Payments</b>	<b>Net Accreted Value</b>
December 31, 2010	\$ 629,612	\$ 11,467,735	\$ 3,105,000	\$ 8,362,735
2011	487,429	11,955,164	3,110,000	5,740,164
2012	335,458	12,290,622	3,110,000	2,965,622
2013	149,378	12,440,000	3,115,000	-
	<u>\$ 1,601,877</u>		<u>\$ 12,440,000</u>	

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. 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 proceeds of the Series 2007 Bonds will be 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.

The debt service requirements on these bonds follow:

Year	Principal	Interest (3.95 - 5.00%)
2011	\$ 600,000	\$ 1,208,092
2012	620,000	1,183,842
2013	645,000	1,158,542
2014	670,000	1,131,405
2015	700,000	1,099,668
2016-2020	3,990,000	5,019,279
2021-2025	4,925,000	4,051,425
2026-2030	6,250,000	2,677,000
2031-2035	7,960,000	944,224
	<u>\$ 26,360,000</u>	<u>\$ 18,473,477</u>

#### Lease Revenue Bonds, Series 2008 (Town of West New York DPW Garage Project) (Federally Taxable)

On June 30, 2008, the Authority issued its \$8,000,000 Variable Rate Lease Revenue Bonds, Series 2008 (West New York DPW Garage Project) (Federally Taxable) (the "2008 West New York Bonds") to finance the acquisition of a Department of Public Works Garage of the Town of West New York. The proceeds of the 2008 West New York Bonds included funds to pay the costs of issuance thereof.

Upon expiration of the Initial Interest Rate Period, the Bonds may be converted, at the election of the Authority, to or from a Daily, Weekly, Monthly Interest rate period, to or from an Auction Rate Period, to or from a Short Term Interest Rate Period, to or from a long term interest rate period or to (but not from) a fixed Interest Rate Period.

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

#### Lease Revenue Bonds, Series 2008 (Town of West New York DPW Garage Project) (Federally Taxable) (continued)

The bonds shall bear interest computed based on the six-month LIBOR rate plus four percent margin. For the period June 30, 2008 to December 15, 2008 (the Initial Interest Rate Period), the interest rate was 7.08343%. The interest rate changed to 6.4375% for the period December 15, 2008 to June 15, 2009; 4.45575% for the period December 15, 2009 to June 15, 2010; and 4.5631% for the period December 15, 2010 to June 15, 2011.

Under the terms of the financing, the Authority leased back the improvements and the equipment to the Town of West New York (the "Lease"), and the Town of West New York is obligated to make rental payments to the Authority in amounts sufficient to pay the debt service on the 2008 West New York Bonds when due and other expenses of the Authority and the trustee. The Lease terminates upon retirement of the 2008 West New York bonds, scheduled to occur in 2023.

The debt service requirements on these bonds follow:

Year	Principal	Interest (4.45631%)
2011	\$ 240,000	\$ 345,146
2012	240,000	334,332
2013	240,000	323,518
2014	240,000	312,704
2015	240,000	301,890
2016-2020	1,200,000	1,347,242
2021-2023	5,320,000	463,199
	<u>\$ 7,720,000</u>	<u>\$ 3,428,031</u>

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

On January 14, 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: (a) 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, (b) fund a Liquidity Reserve Fund, (c) fund Capitalized Interest and (d) pay the cost of issuance of the Series 2009C Bonds.

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**9. BONDS AND NOTES PAYABLE (continued)**

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

The debt service requirements on these bonds follow:

<b>Year</b>	<b>Principal</b>	<b>Interest (2.00 - 5.375%)</b>
2011	\$ -	\$ 1,957,863
2012	-	1,957,863
2013	-	1,957,863
2014	-	1,957,862
2015	-	1,957,862
2016-2020	760,000	9,734,360
2021-2025	2,600,000	9,371,283
2026-2030	4,850,000	8,543,721
2031-2035	7,700,000	6,962,874
2036-2040	11,100,000	4,530,123
2041-2044	11,090,000	1,226,306
	<u>\$ 38,100,000</u>	<u>\$ 50,157,980</u>

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

On April 7, 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: (a) 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, (b) fund a Liquidity Reserve Fund, (c) fund Capitalized Interest and (d) pay the cost of issuance of the Series 2009C Bonds.

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**9. BONDS AND NOTES PAYABLE (continued)**

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

The debt service requirements on these bonds follow:

<b>Year</b>	<b>Principal</b>	<b>Interest (4.875 - 5.20%)</b>
2011	\$ -	\$ 358,500
2012	-	358,500
2013	-	358,500
2014	-	358,500
2015	-	358,500
2016-2020	-	1,792,500
2021-2025	-	1,792,500
2026-2030	-	1,792,500
2031-2035	-	1,792,500
2036-2040	-	1,792,500
2041-2045	6,900,000	1,800,293
	<u>\$ 6,900,000</u>	<u>\$ 12,555,293</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 will be 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, 2010 AND 2009

### 9. 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 debt service requirements on these bonds follow:

Year	Principal	Interest (1.704 - 6.928%)
2011	\$ 200,000	\$ 1,183,745
2012	200,000	1,253,666
2013	200,000	1,249,858
2014	200,000	1,244,742
2015	200,000	1,238,072
2016-2020	5,700,000	5,707,208
2021-2025	7,000,000	3,783,360
2026-2030	7,000,000	1,454,880
	<u>\$ 20,700,000</u>	<u>\$ 17,115,531</u>

#### County – Guaranteed Pooled Notes Series 2009A-1& A-2

On September 4, 2009, the Authority issued its \$173,962,530 County – Guaranteed Pooled Notes, Series 2009A consisting of \$115,384,530 Tax- Exempt County Guaranteed Notes Series 2009C-1 and \$58,578,000 Federally Taxable County Guaranteed. The Notes were issued to provide funds 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. 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 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 September 3, 2010 and the County Guaranty was terminated.



## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

#### **9. BONDS AND NOTES PAYABLE (continued)**

##### **County – Guaranteed Pooled Notes Series 2009B-1& B-2**

On September 23, 2009, the Authority issued its \$38,406,732 County – Guaranteed Pooled Notes, Series 2009B consisting of \$31,896,732 Tax- Exempt County Guaranteed Notes Series 2009B-1 and \$6,510,000 Federally Taxable County Guaranteed Notes Series 2009B-2. The Notes were issued to provide funds to make loans to the Township of Weehawken, Town of Harrison, and The County of Hudson to 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. 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 September 22, 2010 and the County Guaranty was terminated.

##### **County – Guaranteed Pooled Notes Series 2010C-1& C-2**

On January 13, 2010, the Authority issued its \$46,307,800 County – Guaranteed Pooled Notes, Series 2010C consisting of \$30,557,800 Tax- Exempt County Guaranteed Notes Series 2010C-1 and \$15,750,000 Federally Taxable County Guaranteed Notes Series 2010C-2. The Notes were issued to provide funds to make loans to the City of Jersey City, City of Union City, Township of Weehawken 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, 2010 AND 2009**

**9. BONDS AND NOTES PAYABLE (continued)**

**County – Guaranteed Pooled Notes Series 2010C-1& C-2 (continued)**

Debt service on these 2010C Notes due January 19, 2011 in amounts and at interest rates set forth in the table below:

		<b>Interest</b>			
		<b>Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Series 2010 C-1	Tax Exempt	1.25%	\$ 30,557,800	\$ 380,911	\$ 30,938,711
Series 2010 C-2	Taxable	2.00%	15,750,000	314,125	16,064,125
			<u>\$ 46,307,800</u>	<u>\$ 695,036</u>	<u>\$ 47,002,836</u>

**County – Guaranteed Pooled Notes Series 2010D-1& D-2**

On June 22, 2010, the Authority issued its \$27,397,667 County – Guaranteed Pooled Notes, Series 2010D consisting of: \$21,738,667 Tax- Exempt County Guaranteed Notes Series 2010D-1 and \$5,659,000 Federally Taxable County Guaranteed Notes Series 2010D-2. The Notes were issued to provide funds to make loans to the City of Hoboken, 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.

Debt service on these 2010D Notes due July 1, 2011 in amounts and at interest rates set forth in the table below:

		<b>Interest</b>			
		<b>Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Series 2010 D-1	Tax Exempt	1.50%	\$ 21,738,667	\$ 163,040	\$ 21,901,707
Series 2010 D-2	Taxable	2.38%	5,659,000	67,200	5,726,200
			<u>\$ 27,397,667</u>	<u>\$ 230,240</u>	<u>\$ 27,627,907</u>

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

#### County – Guaranteed Pooled Notes Series 2010E-1& E-2

On August 19, 2010, the Authority issued its \$163,205,137 County – Guaranteed Pooled Notes, Series 2010E consisting of: \$100,938,702 Tax- Exempt County Guaranteed Notes Series 2010E-1 and \$62,266,435 Federally Taxable County Guaranteed Notes Series 2010E-2. The Notes were issued to provide funds to make loans to the City of Bayonne, Town of Harrison, City of Hoboken, County of Hudson, City of Jersey City, Township of Weehawken, Town of West New York, Bayonne Local Redevelopment Authority, and Bayonne Municipal Utilities Authority to: (i) refinance certain outstanding refunding bond anticipation notes or project notes of the Borrowers issued to temporarily finance capital projects of the Borrowers, (ii) to temporarily finance capital projects of the Borrowers, (iii) finance tax anticipation notes, and (iv) 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.

Debt service on these 2010E Notes due August 31, 2011 in amounts and at interest rates set forth in the table below:

		Interest			
		Rate	Principal	Interest	Total
Series 2010 E-1	Tax Exempt	1.50%	\$ 100,938,702	\$ 1,514,081	\$ 102,452,783
Series 2010 E-2	Taxable	2.25%	62,266,435	1,400,995	63,667,430
			<u>\$ 163,205,137</u>	<u>\$ 2,915,076</u>	<u>\$ 166,120,213</u>

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

#### County – Guaranteed Pooled Note Series 2010F

On September 23, 2010, the Authority issued its \$29,250,000 Federally Taxable County – Guaranteed Pooled Note, Series 2010F. The Note was issued to provide funds to make a loan to the Bayonne Local Redevelopment Authority to: (i) currently refund and redeem on September 30, 2010, the principal of and interest due on the Borrower's \$21,900,000 Project Note, dated and issued August 30, 2010, (ii) refinance through reimbursement of the Borrower, a portion of the principal of and interest due on the Borrower's \$21,500,000 Project Note (Series 2005C), (iii) finance certain additional expenditures of the Borrower, and (iv) pay certain of the costs associated with the authorization, sale and issuance of the Note and the Borrower Note. The Note constitutes a direct, special and limited obligations of the Authority and will be payable from and secured by payments made on general obligations Note purchased from the Borrower. The Borrower Note is a direct and general obligation of the Borrowers. As additional security for the Note, payment of the principal of and interest on the Note 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 Note has been paid in full.

Debt service on these 2010F Notes due September 30, 2011 in amounts and at interest rates set forth in the table below:

		Interest			
		Rate	Principal	Interest	Total
Series 2010 F-1	Taxable	2.05%	\$ 29,250,000	\$ 585,000	\$ 29,835,000

#### 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.

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**9. BONDS AND NOTES PAYABLE (continued)**

**New Jersey Environmental Infrastructure Trust Fund Loan (continued)**

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.

The schedule of loan repayments are as follows:

	<b>Water Lines</b>		<b>Sewer Lines</b>	
	<b>Principal</b>	<b>Interet</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 84,413	\$ 18,700	\$ 707,888	\$ 153,013
2012	84,413	18,400	707,888	150,313
2013	84,413	17,950	712,888	146,263
2014	89,413	17,200	717,888	139,263
2015	89,413	16,200	727,888	132,012
2016-2020	457,064	66,000	3,754,439	538,412
2021-2025	482,063	41,175	3,959,439	336,362
2026-2029	402,651	12,800	3,326,552	105,200
	<u>\$ 1,773,843</u>	<u>\$ 208,425</u>	<u>\$ 14,614,870</u>	<u>\$ 1,700,838</u>

**Solid Waste System Revenue Bonds**

On February 17, 1999, the Authority issued its \$97,720,000 Solid Waste System Revenue Bonds consisting of (a) \$32,040,000 Solid Waste System Revenue Bonds, Refunding Series 1998-1 (non-AMT) (the "1998-1 Bonds"), (b) \$27,230,000 Solid Waste System Revenue Bonds, Refunding Series 1998-2 (non-AMT) (the "1998-2 Bonds"), (c) \$17,510,000 Solid Waste System Revenue Bonds, Koppers Site Project Series 1998A (AMT) (the "1998A Bonds") and (d) \$20,940,000 Solid Waste System Revenue Bonds, Federally Taxable Series 1998B (the "1998B Bonds") (collectively, the "Series 1998 Bonds").

## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

#### **9. BONDS AND NOTES PAYABLE (continued)**

##### **Solid Waste System Revenue Bonds (continued)**

The Series 1998 Bonds were issued to (i) advance refund and defease all of the Authority's then outstanding solid waste bonds consisting of \$54,865,000 outstanding Solid Waste System Revenue Bonds (Series 1993) dated January 1, 1993 and \$11,480,000 outstanding County Guaranteed Solid Waste System Revenue Bonds (Series 1994A) dated March 1, 1994 (collectively, the "Refunded Bonds"), (ii) finance improvements to the Koppers Site and other site-related payments in connection therewith, (iii) finance the termination of a landfill agreement in 1998, (iv) fund the bond reserve fund, (v) pay capitalized interest on the Series 1998B Bonds in the amount of \$3,500,000 and (vi) pay the costs of issuing the Series 1998 Bonds.

As a result of the advance refunding, the Authority recorded in 1999 a deferred amount on refunding of \$7,186,645, of which \$364,098 and \$374,655 was amortized to interest expense in 2010 and 2009, respectively.

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.

On December 22, 2010, 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 balance of the Series 2010A Bonds at December 31, 2010 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) \$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 (iii) \$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.

The balance of the Series 2010B Bonds at December 31, 2010 consisted of (i) \$500,000 Bond bearing interest at 2% a year (ii) \$1,330,000 Bond bearing interest at 3.25% a year (iii) \$12,865,000 Bond bearing interest at 4% a year and (iv) \$28,960,000 Bond bearing interest at 5% a year, all maturing on January 1, 2013.

## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

#### **9. BONDS AND NOTES PAYABLE (continued)**

##### **Solid Waste System Revenue Bonds (continued)**

The balance of the Series 2010C Bonds at December 31, 2010 consisted of (i) \$1,400,000 Bond bearing interest at 3% a year, maturing on January 1, 2012 (ii) \$1,500,000 Bond bearing interest at 3% a year, maturing on January 1, 2013 (iii) \$1,600,000 Bond bearing interest at 3.5% a year, maturing on January 1, 2014 (iv) \$1,700,000 Bond bearing interest at 4% a year, maturing on January 1, 2015 (v) \$1,805,000 Bond bearing interest at 4.75% a year, maturing on January 1, 2016 (vi) \$1,470,000 Bond bearing interest at 5% a year, maturing on January 1, 2017.

The Series 2010 Bonds were being issued to: (a) refund current refunding basis the Authority's outstanding \$85,660,000 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, Kopper 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.

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.

As a result of the refunding, the Authority recorded in 2010 a deferred amount on refunding of \$8,396,417.

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 9. BONDS AND NOTES PAYABLE (continued)

#### Solid Waste System Revenue Bonds (continued)

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

<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ -	4,256,843
2012	1,400,000	4,191,325
2013	45,155,000	2,130,500
2014	1,600,000	2,074,500
2015	1,700,000	2,006,500
2016-2020	3,275,000	9,309,813
2021-2025	-	9,236,312
2026-2030	-	9,236,313
2031-2035	6,065,000	8,783,787
2036-2040	25,750,000	3,242,425
	<u>\$ 84,945,000</u>	<u>\$ 54,468,318</u>

It is the intent of the Authority to restructure the Series 2010B Bonds prior to their maturity. Actions may include refinancing the entire amount for another year or reducing the amount outstanding and refinancing the remaining amounts on a level debt service maturity schedule. The ultimate action taken by the Authority will be dependent on the purchaser and purchase amount for the Koppers Site.

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 is in the process of seeking proposals from all interested parties for the sale of the Koppers Site. If a successful proposal or proposals are accepted by the Authority, the Koppers Site may be sold. 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, 2010 AND 2009**

#### **9. BONDS AND NOTES PAYABLE (continued)**

##### **Solid Waste System Revenue Bonds (continued)**

Any transfer of the Koppers Site to a private party will 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 Code, such a change in use could adversely affect the exclusion from gross income of interest on the Series 2010B Bonds. In order to prevent this from occurring, the Authority has structured the 2010B Bonds to mature early. This would allow for the concurrent sale to a private party to be consummated and the Series 2010B bonds to mature and be restructured.

#### **10. PENSION AND RETIREMENT PLAN**

All employees of the Authority are covered by the Public Employees' Retirement System ("PERS") which has been established by state statute and is administered by the New Jersey Division of Pensions and Benefits (the "Division"). According to the State of New Jersey Administrative Code, all obligations of the PERS will be assumed to the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The Public Employees' Retirement System was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

#### **10. PENSION AND RETIREMENT PLAN (continued)**

##### **Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55th of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

##### **Significant Legislation**

P.L. 2008, c.89, effective November 1, 2008, increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; changed the early retirement provisions; increased the minimum annual compensation required for membership eligibility for new members on or after the effective date of this law.

P.L. 2007, c.103, certain parts effective July 1, 2007, provided for the following: changed contribution rates of PERS to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) and established an employee contribution of 1.5 percent of the employee's base salary.

##### **Contribution Requirements**

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62 P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 5.5%, respectfully, of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 10. PENSION AND RETIREMENT PLAN (continued)

#### Contribution Requirements (continued)

The Authority's and employees' contributions for the past three years were as follows:

Year	Authority Contribution			Percentage of Covered Payroll	Employee Contributions
	Paid	Deferred			
2010	\$ 216,208	\$ -		6.0%	\$ 186,620
2009	96,076	96,076		2.8%	184,216
2008	172,358	43,090		5.2%	160,416

### 11. POST EMPLOYMENT 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. 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 1<sup>st</sup> day of September 2003.

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, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. 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, 2010 AND 2009

#### 11. POST EMPLOYMENT BENEFITS (continued)

The State made post-retirement (PRM) contributions of \$1.38 billion for fiscal year 2009 and \$3.22 million for fiscal year 2008.

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 June 30, 2009, the most recent actuarial valuation date, the State had a \$10 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 calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

#### Actuarial Methods and Assumptions

In the June 30, 2009, 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, 2010 AND 2009**

#### **11. POST EMPLOYMENT 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 [www.state.nj.us/treasury/pensions/gasb-43-aug2010.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-aug2010.pdf).

#### **12. 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 agree 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, 2010 and 2009, the total accumulated compensated absence liability was \$389,156 and \$735,085, respectively.

#### **13. 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.

## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

#### **14. 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, 2004, the Authority entered into a five-year contract with Solid Waste Transfer and Recycling Inc. ("SWT&R") to provide transfer station services to process all County solid waste type ID 10, transportation of processed wastes and disposal capacity for 450,000 tons a year (the 2004 SWT&R Agreement"). Under the terms of the contract, SWT&R will be paid \$78.00 per ton for the first year, increasing to \$83.00 in the fifth year. On July 19, 2009 the Authority entered into a five-year contract with Advanced Enterprises Recycling, Inc. ("AER") 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.

##### Other Disposal Capacity Agreements

In an effort to complement the disposal component of its solid waste system, the Authority entered into a five year disposal capacity contract through a process of competitive bidding with the New Jersey Meadowlands Commission ("NJMC"), formerly the Hackensack Meadowlands Development Commission for all non-processible waste.

The terms of the contract entered into on July 19, 2004 provides disposal capacity of 75,000 tons for 18 months at a rate of \$69.00 per ton. The terms of the contract were amended on January 1, 2006 to increase the term to a minimum of three years expiring on January 1, 2009, increase disposal capacity to 100,000 tons and reduce the per ton rate to \$65.00 per ton.

On February 17, 2009 the Authority authorized an Interlocal Solid Waste Services Agreement with the New Jersey Meadowlands Commission. The terms of the agreement provide for disposal of 50,000 tons per year of Solid Waste Types 13, 13C, 23 and 27 from January 1, 2009 through January 1, 2014. The rate per ton is \$53.65 in 2009 and shall be subject to annual adjustment in the amount of the CAP that local governments are required by applicable law to follow, but shall not, in any event exceed five percent (5%) in any particular year.

**HUDSON COUNTY IMPROVEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**14. COMMITMENTS AND CONTINGENCIES (continued)**

**Solid Waste System Contracts (continued)**

Other Disposal Capacity Agreements (continued)

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

	<u>2010</u>	<u>2009</u>
Combined transfer station, transportation and disposal services with SWT&R	\$ 25,063,734	\$ 29,286,271
Disposal fee at NJMC	2,130,798	2,547,119
Total	<u>\$ 27,194,532</u>	<u>\$ 31,833,390</u>

**Office Lease**

The Authority leases its office premises under a noncancellable, initial five-year lease agreement that commenced on October 1, 2000 and expired on September 30, 2005. In 2005, the Authority extended the office lease to September 30, 2010. The future minimum rental commitments during the extended period amounts to \$14,853 per month for the first and second years and \$18,120 per month for the third, fourth, and fifth years. In 2010, the Authority extended the office lease to September 30, 2011. The future minimum rental commitments during the extended period amounts to \$18,120 per month.

Future minimum lease payouts:

<u>Year</u>	<u>Amount</u>
2011	\$ 163,076

In addition, pursuant to the terms of the lease, the Authority was assessed additional rent for costs related to common areas for the five years of the initial lease and first three years of the extended period. It was agreed that the additional rent for years 2000 through 2006 would be paid in 12 equal payments of \$5,272.08 commencing on July 1, 2008 through June 1, 2009, additional rent for the years 2007 through 2008 in the amount of \$25,119 were paid in July 2009.

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 14. COMMITMENTS AND CONTINGENCIES (continued)

#### Office Equipment Lease Purchase Agreement

On October 6, 2008 the Authority entered into a lease purchase agreement in the amount of \$20,123 with Municipal Capital Corporation for a Savin 8080SP copier. Under the terms of the Agreement the Authority will make sixty monthly rental payments of \$401. The Authority then has the option to purchase the copier for the unpaid principal with 30 days written notice in addition to the rental payment.

Future minimum lease payouts:

Year	Principal	Interest	Total
2011	\$ 4,077	\$ 739	\$ 4,816
2012	4,385	431	4,816
2013	3,504	107	3,611
	<u>\$ 11,966</u>	<u>\$ 1,277</u>	<u>\$ 13,243</u>

#### 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.

#### 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.



## **HUDSON COUNTY IMPROVEMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

#### **14. COMMITMENTS AND CONTINGENCIES (continued)**

##### **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.

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.

##### **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 is three years from the “commencement date”, which occurred on September 1, 2009, with two additional one-year terms at the option of the Authority. The Authority shall be paid prepaid rent of \$198,000 which will be 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. The Authority received prepaid rent of \$66,000 and \$198,000 in 2010 and 2009, respectively.

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 15. SUBSEQUENT EVENTS

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

On March 25, 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. Under the terms of the financing, the Authority leased back its interest in the Parking Facility to the Township (the “Lease”), and the Township of Weehawken 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 Series 2011 Bonds will bear Interest at 3.56% to 7.83% payable semiannually on March 1, and September 1, commencing September 1, 2011. The Lease terminates upon retirement of the 2011 Weehawken Bonds, scheduled to occur in 2041.

The debt service requirements on these bonds follow:

<b>Year</b>	<b>Principal</b>	<b>Interest (3.56 - 7.83%)</b>
2011	\$ -	\$ 705,315
2012	-	908,174
2013	-	920,533
2014	170,000	915,489
2015	175,000	908,078
2016-2020	1,010,000	4,386,371
2021-2025	1,370,000	3,996,553
2026-2030	1,930,000	3,399,423
2031-2035	2,785,000	2,486,113
2036-2040	4,050,000	1,129,869
2041	1,010,000	13,180
	<u>\$ 12,500,000</u>	<u>\$ 19,769,098</u>

# HUDSON COUNTY IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

### 15. SUBSEQUENT EVENTS (continued)

#### County – Guaranteed Pooled Notes Series 2010G-1& G-2

On January 5, 2011, the Authority issued its \$50,357,700 County – Guaranteed Pooled Notes, Series 2010G consisting of: \$31,467,700 Tax- Exempt County Guaranteed Notes Series 2010G-1 and \$18,890,000 Federally Taxable County Guaranteed Notes Series 2010G-2. The Notes were issued to provide funds to make loans to the City of Jersey City, City of Union City, Township of Weehawken, Town of West New York, Town of Harrison, and 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) make a debt service payment on outstanding bonds for the Town of Harrison, (iii) temporary finance capital projects of the Borrowers, and (iv) 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.

Debt service on these 2010G Notes due January 9, 2012 in amounts and at interest rates set forth in the table below:

		Interest			
		Rate	Principal	Interest	Total
Series 2011 G-1	Tax Exempt	2.00%	\$ 31,467,700	\$ 629,354	\$ 32,097,054
Series 2011 G-2	Taxable	2.00%	18,890,000	377,800	19,267,800
			<u>\$ 50,357,700</u>	<u>\$ 1,007,154</u>	<u>\$ 51,364,854</u>

## **Other Supplementary Information**

## HUDSON COUNTY IMPROVEMENT AUTHORITY

## COMBINING SCHEDULE OF FUND NET ASSETS (DEFICIT)

DECEMBER 31, 2010 WITH COMPARATIVE TOTALS FOR 2009

	Administration	Transportation Management Association	Property Development	Lincoln Park Golf Range	Solid Waste Management
<b>Assets</b>					
Unrestricted assets:					
Cash and cash equivalents	\$ 1,164,984	\$ -	\$ 1,000	\$ -	\$ 8,172,129
Investments	81,172	-	-	-	-
Accounts receivable, net of allowance of \$722,228 and \$4,358,588 in 2010 and 2009, respectively	-	-	-	-	6,448,194
Other accounts receivable	640,646	-	-	-	-
Due from County of Hudson	3,694,804	38,304	-	-	-
Prepaid expenses	213,009	1,097	-	-	-
Total unrestricted assets	5,794,615	39,401	1,000	-	14,620,323
Restricted assets:					
Cash and cash equivalents	-	63,157	-	-	6,000,000
Due from NJ Environmental Infrastructure Trust	-	-	-	-	-
Grants receivable	561,563	232,242	-	-	-
Pooled loan program loans receivable	-	-	-	-	-
Net investment in direct financing lease	-	-	-	-	-
Interest receivable	-	-	-	-	-
Prepaid expense and other receivables	-	-	-	-	-
Total restricted assets	561,563	295,399	-	-	6,000,000
Total current assets	6,356,178	334,800	1,000	-	20,620,323
Capital assets	239,093	41,800	173,209	-	556,188
Less accumulated depreciation	(170,972)	(39,231)	(5,609)	-	(395,082)
Net property, plant, and equipment	68,121	2,569	167,600	-	161,106
Interfund transfers receivable	952,538	-	-	-	7,614,699
Pooled loan program loans receivable	-	-	-	-	-
Net Investment in direct financing lease	-	-	-	-	-
Deferred charges:					
Debt issuance costs, net of accumulated amortization of \$0 and \$820,864 in 2010 and 2009, respectively	-	-	-	-	801,189
Total assets	\$ 7,376,837	\$ 337,369	\$ 168,600	\$ -	\$ 29,197,317
<b>Liabilities and net assets (deficit)</b>					
Current liabilities:					
Payable from unrestricted assets:					
Accounts payable and accrued liabilities	\$ 397,528	\$ -	\$ 2,922	\$ -	\$ 2,510,277
Capital lease payable - current portion	4,077	-	-	-	-
Payable from restricted assets:					
Accounts payable and accrued liabilities	22,789	47,544	-	-	-
Accrued interest payable	-	-	-	-	-
Due to pooled loan participants	-	-	-	-	-
Facility lease revenue bonds payable	-	-	-	-	-
Solid waste system revenue bonds payable	-	-	-	-	1,400,000
Deferred revenue	159,310	-	281,604	-	-
Unearned service revenues	-	-	-	-	402,536
Total current liabilities	583,704	47,544	284,526	-	4,312,813
Interfund transfers payable	7,606,032	425,860	511,179	-	-
Capital lease payable - long term portion	7,889	-	-	-	-
Long-term pooled loan program bonds	-	-	-	-	-
Facility lease revenue bonds payable	-	-	-	-	-
Long-term solid waste system revenue bonds payable	-	-	-	-	77,904,092
Total long-term liabilities	7,889	-	-	-	77,904,092
Net assets (deficit):					
Unrestricted	(888,909)	(138,604)	(794,705)	-	(53,180,694)
Invested in capital assets, net of related debt	68,121	2,569	167,600	-	161,106
Net assets (deficit)	(820,788)	(136,035)	(627,105)	-	(53,019,588)
Total liabilities and net assets (deficit)	\$ 7,376,837	\$ 337,369	\$ 168,600	\$ -	\$ 29,197,317

**SCHEDULE 1**

Essential Purpose Government Pooled Loan Program	Public Sector Financing Programs				Transfer Elimination	Total	
	Facility Loan and Lease Financing Program	Guaranteed Pooled Note Program	New Jersey Environmental Infrastructure Loan Program	Total Public Sector Financing Programs		2010	2009
\$ -	\$ -	\$ -	\$ 841	\$ 841	\$ -	\$ 9,338,954	\$ 14,867,765
-	-	-	-	-	-	81,172	59,932
-	-	-	-	-	-	6,448,194	5,167,933
-	-	-	-	-	-	640,646	436,672
-	-	-	-	-	-	3,733,108	2,236,395
-	-	-	-	-	-	214,106	246,665
-	-	-	841	841	-	20,456,180	23,015,362
41,203,171	180	-	-	180	-	47,266,508	47,745,974
-	-	-	3,562,359	3,562,359	-	3,562,359	7,094,290
-	-	-	-	-	-	793,805	277,437
2,010,461	-	-	-	-	-	2,010,461	2,017,061
-	14,465,000	266,160,604	792,301	281,417,905	-	281,417,905	226,442,462
272	4,657,965	2,020,798	71,547	6,750,310	-	6,750,582	6,032,626
3,500	-	-	-	-	-	3,500	3,500
43,217,404	19,123,145	268,181,402	4,426,207	291,730,754	-	341,805,120	289,613,350
43,217,404	19,123,145	268,181,402	4,427,048	291,731,595	-	362,261,300	312,628,712
-	-	-	-	-	-	1,010,290	1,147,747
-	-	-	-	-	-	(610,894)	(677,839)
-	-	-	-	-	-	399,396	469,908
-	-	-	-	-	(8,567,237)	-	-
32,241,795	-	-	-	-	-	32,241,795	34,465,656
-	342,983,913	-	12,034,053	355,017,966	-	355,017,966	343,248,491
-	-	-	-	-	-	801,189	780,843
\$ 75,459,199	\$ 362,107,058	\$ 268,181,402	\$ 16,461,101	\$ 646,749,561	\$ (8,567,237)	\$ 750,721,646	\$ 691,593,610
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,910,727	\$ 3,466,422
-	-	-	-	-	-	4,077	3,791
-	-	-	-	-	-	-	-
48,756	180	-	-	180	-	119,269	72,422
100,368	4,657,965	2,020,798	71,547	6,750,310	-	6,850,678	8,910,686
646,750	-	-	-	-	-	646,750	478,411
-	14,465,000	266,160,604	792,301	281,417,905	-	281,417,905	226,442,462
-	-	-	-	-	-	1,400,000	1,845,000
-	-	-	-	-	-	440,914	274,367
-	-	-	-	-	-	402,536	295,381
795,874	19,123,145	268,181,402	863,848	288,168,395	-	294,192,856	241,788,942
23,325	-	-	841	841	(8,567,237)	-	-
-	-	-	-	-	-	7,889	11,966
74,640,000	-	-	-	-	-	74,640,000	74,640,000
-	342,983,913	-	15,596,412	358,580,325	-	358,580,325	350,342,781
-	-	-	-	-	-	77,904,092	81,761,242
74,640,000	342,983,913	-	15,596,412	358,580,325	-	511,132,306	506,755,989
-	-	-	-	-	-	(55,002,912)	(57,421,229)
-	-	-	-	-	-	399,396	469,908
-	-	-	-	-	-	(54,603,516)	(56,951,321)
\$ 75,459,199	\$ 362,107,058	\$ 268,181,402	\$ 16,461,101	\$ 646,749,561	\$ (8,567,237)	\$ 750,721,646	\$ 691,593,610

## HUDSON COUNTY IMPROVEMENT AUTHORITY

## COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (DEFICIT)

YEAR ENDED DECEMBER 31, 2010 WITH COMPARATIVE TOTALS FOR 2009

	Administration	Transportation Management Association	Property Development	Lincoln Park Golf Range	Solid Waste Management
Operating revenues:					
Solid waste revenues	\$ -	\$ -	\$ -	\$ -	\$ 35,634,080
Administration fee income	843,903	-	-	-	-
Range income	-	-	-	-	-
Miscellaneous	7,186	-	-	-	30,204
Total operating revenues	851,089	-	-	-	35,664,284
Operating expenses:					
Salaries and wages	91,561	113,063	114,454	-	2,252,926
Employee benefits	138,889	54,569	26,600	-	1,009,561
Other expenses	362,687	(149,397)	325,924	-	28,851,959
Total operating expenses	593,137	18,235	466,978	-	32,114,446
Depreciation	29,315	3,613	2,321	-	67,850
	622,452	21,848	469,299	-	32,182,296
Income (loss) from operations	228,637	(21,848)	(469,299)	-	3,481,988
Non-operating revenues (expenses):					
Grant income	\$ 395,628	\$ 555,128	\$ 642,640	\$ -	\$ -
Grant expense	(395,628)	(555,128)	(642,640)	-	-
Stranded debt relief aid from State of New Jersey	-	-	-	-	2,250,000
Interest earned on investments	56,966	613	-	-	36,998
Interest expense:					
Capital lease	(1,025)	-	-	-	-
Pooled loan program bonds	-	-	-	-	-
Financing loan and lease program bonds	-	-	-	-	-
Solid waste bonds	-	-	-	-	(3,150,069)
Unrealized gain on investments	21,240	-	-	-	-
Loss on disposal of capital assets	(19,166)	-	-	-	-
Financing loan and lease income	-	-	-	-	-
Pooled loan program expenses, net	-	-	-	-	-
Amortization of debt issuance costs	-	-	-	-	-
Solid waste revenues	-	-	-	-	(67,230)
Other non-operating revenue	-	-	-	-	-
Total non-operating revenues (expenses)	58,015	613	-	-	(930,301)
Change in net assets (deficit)	286,652	(21,235)	(469,299)	-	2,551,687
Net assets (deficit), beginning of year	(933,286)	(114,800)	(157,806)	(174,154)	(55,571,275)
*Transfers	(174,154)	-	-	174,154	-
Net assets (deficit), end of year	\$ (820,788)	\$ (136,035)	\$ (627,105)	\$ -	\$ (53,019,588)

\* - In 2010, the Lincoln Golf Range Fund was dissolved as a result of the closing of the golf range and the accumulated deficit of \$174,154 was transferred to the Operating Fund.

SCHEDULE 2

Essential Purpose Government Pooled Loan Program	Public Sector Financing Programs				Total Public Sector Financing Programs	Total			
	Facility Loan and Lease Financing Program	Guaranteed Pooled Note Program	New Jersey Environmental Infrastructure Loan Program			2010	2009		
\$	-	\$	-	\$	-	\$	35,634,080	\$	36,616,817
	-		-		-		843,903		890,711
	-		-		-		-		209,951
	-		-		-		37,390		647,669
	-		-		-		36,515,373		38,365,147
	-		-		-				
	-		-		-		2,572,004		3,211,328
	-		-		-		1,229,619		1,216,080
	-		-		-		29,391,173		35,030,391
	-		-		-		33,192,796		39,457,799
	-		-		-		103,099		132,088
	-		-		-		33,295,895		39,589,887
	-		-		-		3,219,478		(1,224,740)
\$	-	\$	-	\$	-	\$	1,593,396	\$	937,312
	-		-		-		(1,593,396)		(937,312)
	-		-		-		2,250,000		-
1,019,898		-	-		-		1,114,475		973,536
	-		-		-		-		-
	-		-		-		(1,025)		(1,291)
(851,559)		-	-		-		(851,559)		(813,482)
	(18,798,031)		(4,900,303)		(183,948)	(23,882,282)	(23,882,282)		(20,897,349)
	-		-		-		(3,150,069)		(6,041,037)
	-		-		-		21,240		3,665
	-		-		-		(19,166)		-
	18,798,031		4,900,303		183,948	23,882,282	23,882,282		20,897,349
(168,339)		-	-		-		(168,339)		625
	-		-		-		-		-
	-		-		-		(67,230)		(69,179)
	-		-		-		-		33,050
	-		-		-		(871,673)		(5,914,113)
	-		-		-		2,347,805		(7,138,853)
	-		-		-		(56,951,321)		(49,812,468)
	-		-		-		-		-
\$	-	\$	-	\$	-	\$	(54,603,516)	\$	(56,951,321)



**HUDSON COUNTY IMPROVEMENT AUTHORITY**  
**COMBINING BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2010**

	BUDGET									
	Administration	Transportation Management Association	Property Development	Solid Waste Management	Essential Purpose Government Loan Program	Facility Loan and Lease Financing Program	Public Sector Financing Programs			
							Guaranteed Pooled Note Program	Environmental Infrastructure Loan Fund	Total Public Sector Financing Programs	Total Budget
Revenues:										
Revenues anticipated:										
Net assets appropriated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,104,880
Service charges	-	-	-	-	-	-	-	-	-	35,644,000
Other revenues	1,425,900	-	198,000	203,500	2,600,000	30,606,253	216,545,974	763,850	247,916,077	252,343,477
Grants	524,508	434,087	-	-	-	-	-	-	-	958,595
Interest on investments	-	-	-	-	487,000	-	-	-	-	1,157,000
Nonbudgeted revenues	-	-	-	-	-	-	-	-	-	-
Total revenues	\$ 1,950,408	\$ 434,087	\$ 198,000	\$ 40,622,380	\$ 3,087,000	\$ 30,606,253	\$ 216,545,974	\$ 763,850	\$ 247,916,077	\$ 294,207,952
Appropriations:										
Cost of providing services:										
Salaries and wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,674,647
Employee benefits	-	-	-	-	-	-	-	-	-	852,853
Other expenses	-	-	-	-	-	-	-	-	-	28,974,186
Total cost of providing services	-	-	-	-	-	-	-	-	-	31,501,686
Administration:										
Salaries and wages	699,683	220,576	91,113	1,110,748	-	-	-	-	-	2,122,120
Employee benefits	356,025	119,224	43,306	565,675	-	-	-	-	-	1,084,230
Other expenses	894,700	94,287	63,581	-	487,000	-	-	-	-	1,539,568
Total administration	1,950,408	434,087	198,000	1,676,423	487,000	-	-	-	-	4,745,918
Debt service:										
Bond principal	-	-	-	1,845,000	2,600,000	13,288,237	212,369,262	381,925	226,039,424	230,484,424
Bond interest	-	-	-	5,599,271	-	17,585,607	4,176,712	114,334	21,876,653	27,475,924
Total debt service	-	-	-	7,444,271	2,600,000	30,873,844	216,545,974	496,259	247,916,077	257,960,348
Total appropriations	\$ 1,950,408	\$ 434,087	\$ 198,000	\$ 40,622,380	\$ 3,087,000	\$ 30,873,844	\$ 216,545,974	\$ 496,259	\$ 247,916,077	\$ 294,207,952

## HUDSON COUNTY IMPROVEMENT AUTHORITY

## COMBINING BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2010

ACTUAL																				
		Administration	Transportation Management Association	Property Development	Solid Waste Management	Essential Purpose Pooled Government Loan Program	Facility Loan and Lease Financing Program	Public Sector Financing Programs			Total									
								Guaranteed Pooled Note Program	Environmental Infrastructure Loan Fund	Financing Programs		Actual								
Revenues:																				
Revenues anticipated:																				
Net assets appropriated	\$	-	\$	-	\$	4,104,880	\$	-	\$	-	\$	4,104,880								
Service charges						35,634,080						35,634,080								
Other revenues		843,903				30,204						259,929,312								
Grants		395,628	555,128	642,640	2,250,000			217,269,565	612,148	256,824,744		3,843,396								
Interest on investments		56,966	613		36,998	1,019,898						1,114,475								
Nonbudgeted revenues		7,186			2,755,509							2,762,695								
Total revenues	\$	1,303,683	\$	555,741	\$	44,811,671	\$	3,250,359	\$	38,943,031	\$	217,269,565	\$	612,148	\$	256,824,744	\$	307,388,838		
Appropriations:																				
Cost of providing services:																				
Salaries and wages	\$	-	\$	-	\$	1,469,830	\$	-	\$	-	\$	-	\$	-	\$	1,469,830				
Employee benefits						632,848										632,848				
Other expenses						33,866,512										33,866,512				
Total cost of providing services						35,969,190										35,969,190				
Administration:																				
Salaries and wages		164,589	249,876	114,454	783,096														1,312,015	
Employee benefits		153,685	132,490	26,600	376,713														689,488	
Other expenses		671,516	190,997	968,564		1,019,898													2,850,975	
Total administration		989,790	573,363	1,109,618	1,159,809	1,019,898													4,852,478	
Debt service:																				
Bond principal		-	-	-	1,845,000	2,230,461	20,145,000	212,369,262	428,200	232,942,462									237,017,923	
Bond interest		-	-	-	2,720,751	-	18,798,031	4,900,303	183,948	23,882,282									26,603,033	
Total debt service		-	-	-	4,565,751	2,230,461	38,943,031	217,269,565	612,148	256,824,744									263,620,956	
Total appropriations	\$	989,790	\$	573,363	\$	1,109,618	\$	41,694,750	\$	3,250,359	\$	38,943,031	\$	217,269,565	\$	612,148	\$	256,824,744	\$	304,442,624
Revenues less appropriations	\$	313,893	\$	(17,622)	\$	(466,978)	\$	3,116,921	\$	-	\$	-	\$	-	\$	-	\$	-	\$	2,946,214
Adjustments - GAAP basis:																				
Net assets appropriated	\$	-	\$	-	\$	(4,104,880)	\$	-	\$	-	\$	-	\$	-	\$	(4,104,880)				
Depreciation		(29,315)	(3,613)	(2,321)	(67,850)											(103,099)				
Unrealized Gain on investments		21,240														21,240				
Loss on disposal of capital assets		(19,166)														(19,166)				
Amortization of deferred charges		-			(67,230)											(67,230)				
Amortization of original issue discount and deferred amount on refunding (included in interest expense)																				
Premium on issuance of bonds		-			(429,318)											(429,318)				
Deferred amount on issuance of bonds		-			(2,755,509)											(2,755,509)				
Revenues for note, bond and loan principal		-			5,014,553	(2,230,461)	(20,145,000)	(212,369,262)	(428,200)	(232,942,462)						5,014,553				
Bond and loan principal		-			-	2,230,461	20,145,000	212,369,262	428,200	232,942,462						(235,172,923)				
Total adjustments		(27,241)	(3,613)	(2,321)	(565,234)														(598,409)	
Net change in net assets - GAAP basis	\$	286,652	\$	(21,235)	\$	(469,299)	\$	2,551,687	\$	-	\$	-	\$	-	\$	-	\$	-	\$	2,347,805

**HUDSON COUNTY IMPROVEMENT AUTHORITY  
SOLID WASTE OPERATIONS**

**STATEMENT OF OPERATIONS WITH RECONCILIATION TO REGULATORY BASIS**

**YEAR ENDED DECEMBER 31, 2010**

	<u><b>Solid Waste Management</b></u>
Operating revenues:	
Solid waste revenues	\$ 35,634,080
Miscellaneous	30,204
	<u>35,664,284</u>
Operating expenses:	
Salaries and wages	2,252,926
Employee benefits	1,009,561
Other expenses	28,851,959
	<u>32,114,446</u>
Depreciation	67,850
	<u>32,182,296</u>
Income from operations	<u>3,481,988</u>
Non-operating revenues (expenses):	
Stranded debt relief aid from State of New Jersey	2,250,000
Interest earned on investments	36,998
Interest expense	(3,150,069)
Amortization of debt issuance costs	(67,230)
	<u>(930,301)</u>
Net income	<u><u>\$ 2,551,687</u></u>
Net income based on accounting principles generally accepted in the United States of America	\$ 2,551,687
Add:	
Amortization of deferred charges	67,230
Amortization of original issue discount and deferred amount on refunding (included in interest expense)	429,318
Depreciation	67,850
Premium on issuance of bonds	2,755,509
Less:	
Deferred amount on issuance of bonds	(5,014,553)
Bond principal	(1,845,000)
Net loss on regulatory basis	<u><u>\$ (987,959)</u></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.

**STATISTICAL SECTION  
(UNAUDITED)**

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

Year ended December 31,	Operating				Non-operating					Total revenues
	Solid waste revenues	Administration fee income	Miscellaneous	Total Operating	Grant income	Stranded debt relief aid	*Interest earned on investments	Other	Total Non-operating	
2010	\$ 35,634,080	\$ 843,903	\$ 37,390	\$ 36,515,373	\$ 1,593,396	\$ 2,250,000	\$ 1,114,475	\$ 21,240	\$ 4,979,111	\$ 41,494,484
2009	36,616,817	890,710	857,620	38,365,147	937,312	-	973,536	37,340	1,948,188	40,313,335
2008	40,115,339	760,725	1,073,638	41,949,702	834,030	4,500,000	2,699,289	165,385	8,198,704	50,148,406
2007	42,303,765	513,323	915,824	43,732,912	730,521	4,500,000	4,983,950	25,901	10,240,372	53,973,284

\* - Investment earned on investments excludes amounts from Public Sector Financing Programs.

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

Year ended December 31,	Operating			Non-operating				Total non-operating	Total Expenses
	Salaries and wages	Employee benefits	Other expenses	Depreciation	Total operating	Grant expense	*Interest expense	Other	
2010	\$ 2,572,004	\$ 1,229,619	\$ 29,391,173	\$ 103,099	\$ 33,295,895	\$ 1,593,396	\$ 4,002,653	\$ 254,735	\$ 5,850,784
2009	3,211,328	1,216,080	35,030,391	132,088	39,589,887	937,312	6,855,810	69,179	7,862,301
2008	3,155,520	1,229,041	41,415,853	154,030	45,954,444	834,030	8,339,574	186,282	9,359,886
2007	2,835,409	941,761	43,705,092	151,854	47,634,116	730,521	9,404,730	105,895	10,241,146
									\$ 39,146,679
									47,452,188
									55,314,330
									57,875,262

\* Interest expense excludes amounts from Public Sector Financing Programs.

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

Year ended December 31,	Debt service			Total expenses	Ratio of debt service to expenses
	Principal	Interest	Total		
2010	\$ 4,075,461	\$ 4,002,653	\$ 8,078,114	\$ 39,146,679	20.64%
2009	3,852,061	6,855,810	10,707,871	47,452,188	22.57%
2008	3,677,061	8,339,574	12,016,635	55,314,330	21.72%
2007	2,247,111	9,404,730	11,651,841	57,875,262	20.13%

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

Year ended December 31,	Operating revenues	Operating expenses	Net revenue available for debt service	Debt service obligations		Total	Coverage
				Principal	Interest		
2010	\$ 36,515,373	\$ 33,295,895	\$ 3,219,478	\$ 4,075,461	\$ 4,002,653	\$ 8,078,114	\$ (4,858,636)
2009	38,365,147	39,589,887	(1,224,740)	3,852,061	6,855,810	10,707,871	(11,932,611)
2008	41,949,702	45,954,444	(4,004,742)	3,677,061	8,339,574	12,016,635	(16,021,377)
2007	43,732,912	47,634,116	(3,901,204)	2,247,111	9,404,730	11,651,841	(15,553,045)



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

Year ended December 31,	Rate per ton	Tons			Total
		Type 10	Type 13	Type 27	
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
2005	78.00	480,790	57,299	1,678	539,767
2004	78.00	477,713	72,844	1,610	552,167

## **SINGLE AUDIT SECTION**

# DONOHUE, GIRONDA & DORIA

*Certified Public Accountants*

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## **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 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, 2010, and have issued our report thereon dated May 27, 2011. We conducted our audit 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.

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

In planning and performing our audit, we considered the Authority’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over financial reporting.

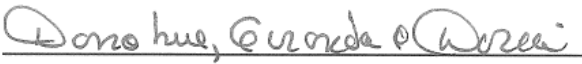
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of 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.


Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***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.

This report is intended solely for the information and use of the management and the Board of the Authority and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, applicable federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
DONOHUE, GIRONDA & DORIA  
*Certified Public Accountants*

  
ROBERT G. DORIA  
Certified Public Accountant

Bayonne, New Jersey  
May 27, 2011

# DONOHUE, GIRONDA & DORIA

*Certified Public Accountants*

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

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

### ***Compliance***

We have audited the compliance of the Hudson County Improvement Authority, (the “Authority”), a component unit of the County of Hudson, New Jersey with the types of compliance requirements described in the U.S. Office of Management and Budget, (“OMB”), *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement*, that could have a direct and material effect on each of the Authority’s major federal and state programs for the year ended December 31, 2010. The Authority’s major federal and state programs are identified in the summary of Auditors’ Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal and state programs is the responsibility of the Authority’s management. Our responsibility is to express an opinion on the Authority’s compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB’s Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB’s Circular 04-04, 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 and 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. Our audit does not provide a legal determination of the Authority’s compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each its major federal and state programs for the year ended December 31, 2010.

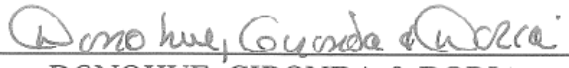
### ***Internal Control Over Compliance***


The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04, 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 and state 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 and state program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above.

This report is intended solely for the information and use of management, the Authority's governing body, others within the entity, the Division of Local Government Services, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
DONOHUE, GIRONDA & DORIA  
*Certified Public Accountants*

  
ROBERT G. DORIA  
Certified Public Accountant

Bayonne, New Jersey  
May 27, 2011

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Grant Number	Grant Period		Grant Award	Balance at December 31, 2009	Cash Received	Hudson County Match	Expenditures	Balance at December 31, 2010
			From	To						
US Department of Transportation										
Federal Highway Administration										
Pass through State of New Jersey,										
Department of Transportation										
** Highway Planning and Construction	20.205	TMA-8 (09) Task Order No. 13	07/01/10	06/30/11	\$ 469,999	\$ -	\$ -	\$ -	\$ (202,453)	\$ (202,453)
** Highway Planning and Construction	20.205	TMA-8 (96) Task Order No. 13	07/01/09	06/30/10	469,999	(17,514)	269,730	-	(252,216)	-
Federal Transit Administration										
Pass through State of New Jersey,										
New Jersey Transit Corporation										
Congestion Mitigation Air Quality Initiatives:										
Harrison Avenue - Kearny Shuttle	20.205	*	07/01/10	06/30/13	288,750	-	-	-	(11,449)	(11,449)
Liberty State Park Shuttle	20.205	*	07/01/10	06/30/11	11,000	-	-	10,500	(21,000)	(10,500)
NJ Transit Marketing	20.205	T56696	01/01/10	12/31/10	25,000	-	17,137	-	(24,977)	(7,840)
NJ Transit Marketing	20.205	T56696	01/01/09	12/31/09	25,000	(5,384)	5,384	-	-	-
						(22,898)	292,251	10,500	(512,095)	(232,242)
US Department of Health and Human Services										
Pass through County of Hudson										
Ryan White Part A Formula Grant -	93.914	H89HA00010	03/01/10	02/28/11	134,487	-	66,341	-	(133,585)	(67,244)
HIV Emergency Relief Project Grants	93.914	H89HA00010	03/01/09	02/28/10	162,549	(22,262)	22,262	-	-	-
HIV Emergency Relief Project Grants						(22,262)	88,603	-	(133,585)	(67,244)
US Environmental Protection Agency										
Pass through State of New Jersey										
Department of Environmental Protection:										
Environmental Infrastructure Trust -	66.458	*	06/01/09	Completion	11,266,795	-	1,895,403	-	(1,895,403)	-
** Fund Loan - CW Sewer Project	66.468	*	06/01/09	Completion	1,365,118	-	102,000	-	(102,000)	-
Fund Loan - DW Water Project						-	1,997,403	-	(1,997,403)	-
US Department of Housing and Urban Development										
Passed through County of Hudson,										
Community Development Block Grant										
Economic Development Initiative -	14.251	*	10/01/07	09/30/08	262,640	-	262,640	-	(262,640)	-
** Koppers Seaboard Site Remediation	14.251	*	10/01/08	09/30/09	380,000	-	380,000	-	(380,000)	-
** Koppers Seaboard Site Remediation						-	642,640	-	(642,640)	-
Total Expenditures Federal Awards					\$ (45,160)	\$ (45,160)	\$ 3,020,897	\$ 10,500	\$ (3,285,723)	\$ (299,486)

\* - Not Available

\*\* - Denotes a major program

See Accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance



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

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**YEAR ENDED DECEMBER 31, 2010**

State Department and Program	Grant Number	Grant Period		Grant Award	Balance at December 31, 2009	Received	Expenditures	Balance at December 31, 2010	Memo, Cumulative Total Expenditures
		From	To						
New Jersey Department of Environmental Protection, Division of Solid Waste and Hazardous Waste:									
09 Solid Waste Service Tax Entitlement	*	01/01/09	Completion	\$ 676,700	\$ (212,397)	\$ -	\$ (253,541)	\$ (465,938)	\$ 676,700
10 Clean Communities Entitlement	*	01/01/10	Completion	12,504	-	-	-	-	12,504
09 Clean Communities Entitlement	*	01/01/09	Completion	12,096	(2,470)	-	(8,502)	(10,972)	12,096
08 Clean Communities Entitlement	*	01/01/08	Completion	8,455	(8,455)	-	-	(8,455)	8,455
07 Clean Communities Entitlement	*	01/01/07	Completion	8,954	(8,954)	-	-	(8,954)	8,954
					(232,276)	-	(262,043)	(494,319)	718,709
New Jersey Department of Environmental Protection, Environmental Infrastructure Trust -									
** Trust Loan - CW Sewer Project	S340 098-01	06/01/09	Completion	3,755,598	-	1,500,527	(1,500,527)	-	3,755,598
Trust Loan - DW Water Project	S340 098-01	06/01/09	Completion	455,036	-	34,002	(34,002)	-	455,036
					-	1,534,529	(1,534,529)	-	4,210,634
New Jersey Department of Law and Public Safety, Division of Highway Traffic Safety									
10 Pedestrian and Bicycle Safety	*	10/01/09	09/30/10	43,052	-	43,033	(43,033)	-	43,052
					-	43,033	(43,033)	-	43,052
New Jersey Department of Treasury									
** Stranded Debt Relief Aid	*	01/01/10	12/31/10	2,250,000	-	2,250,000	(2,250,000)	-	2,250,000
					-	2,250,000	(2,250,000)	-	2,250,000
Total Expenditures of State Financial Assistance					\$ (232,276)	\$ 3,827,562	\$ (4,089,605)	\$ (494,319)	\$ 7,222,395

\* - Not Available

\*\* - Denotes a major program

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

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

**DECEMBER 31, 2010 AND 2009**

**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 04-04, *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, 2010**

*Section I - Summary of Auditor's Results*

Financial Statement Section

A) Type of Auditor's Report Issued:	_____	Unqualified
B) Internal Control over Financial Reporting:		
1) Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
2) Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
C) Noncompliance material to financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Federal Awards Section

D) Internal Control over major programs:		
1) Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
2) Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
E) Type of auditor's report on compliance for major programs	_____	Unqualified
F) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 [section 510(e)]?	_____ Yes	_____ <input checked="" type="checkbox"/> No

G) Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
60.458	Environmental Infrastructure Trust - Fund Loan - CW Sewer Project
14.251	Economic Development Initiative - Koppers Seaboard Site Remediation

H) Dollar threshold used to determine between Type A and Type B Programs.	_____	\$300,000
I) Auditee qualified as low-risk auditee?	_____ Yes	_____ <input checked="" type="checkbox"/> No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED DECEMBER 31, 2010**

*Section I - Summary of Auditor's Results*

State Financial Assistance Section

J) Dollar threshold used to determine between Type A and Type B Programs.	\$300,000
K) Auditee qualified as low-risk auditee?	_____ Yes <u>✓</u> No
L) Internal Control over major programs:	
1) Material weakness(es) identified?	_____ Yes <u>✓</u> No
2) Significant deficiency(ies) identified?	_____ Yes <u>✓</u> None reported
M) Type of auditor's report on compliance for major programs	Unqualified
N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04?	_____ Yes <u>✓</u> No
O) Identification of major programs	
_____ State Grant/Project Number(s) _____	_____ Name of State Program _____
S340 098-01	Environmental Infrastructure Trust -
Not Available	Trust Loan - CW Sewer Project
	Stranded Debt Relief Aid

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED DECEMBER 31, 2010**

***Section II – Financial Statement Findings***

(This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.)

None

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED DECEMBER 31, 2010**

***Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs***

(This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and New Jersey OMB Circular 04-04.)

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, 2010**

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

**STATUS OF PRIOR YEAR FINDINGS**

Not Applicable