

**MIDDLESEX COUNTY  
IMPROVEMENT AUTHORITY**

**COUNTY OF MIDDLESEX  
NEW JERSEY**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**

***HODULIK & MORRISON, P.A.***

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
HIGHLAND PARK, N.J.

**MIDDLESEX COUNTY IMPROVEMENT AUTHORITY**  
**MIDDLESEX COUNTY, NEW JERSEY**

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MIDDLESEX COUNTY, NEW JERSEY**

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**MIDDLESEX COUNTY IMPROVEMENT AUTHORITY**

**MIDDLESEX COUNTY, NEW JERSEY**



**PART I**

**INDEPENDENT AUDITOR'S REPORT**

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)  
(E-MAIL) admin@hm-pa.net

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the  
Middlesex County Improvement Authority  
County of Middlesex, New Jersey

**Report on Financial Statements**

We have audited the accompanying financial statements of the Middlesex County Improvement Authority, County of Middlesex, New Jersey (the "Authority") as of December 31, 2016 and 2015 and for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middlesex County Improvement Authority, County of Middlesex, New Jersey, as of December 31, 2016 and 2015 and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

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

#### **Supplementary Information**

The Other Supplementary Schedules and Data – Part IV section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them

**Other Reporting Required by Government Auditing Standards**

In Accordance with Government Auditing Standards, we have also issued our report dated June 30, 2017, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants



Andrew G. Hodulik  
Registered Municipal Accountant  
No. 406

Highland Park, New Jersey  
June 30, 2017

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
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(E-MAIL) admin@hm-pa.net

ANDREW G. HODULIK, CPA, RMA, PSA  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Chairman and Members of the  
Middlesex County Improvement Authority  
County of Middlesex, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Middlesex County Improvement Authority, County of Middlesex, New Jersey (the "Authority") as of December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2017.

**Internal Control Over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants

Highland Park, New Jersey  
June 30, 2017

**MIDDLESEX COUNTY IMPROVEMENT AUTHORITY**  
**MIDDLESEX COUNTY, NEW JERSEY**



**PART II**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
December 31, 2016**

The Middlesex County Improvement Authority (the "Authority") is a component-unit of the County of Middlesex, New Jersey (the "County"). The following Management's Discussion and Analysis of the activities and financial performance of the Authority provide an introduction to the financial statements of the Authority for the year ended December 31, 2016. Please read it in conjunction with the Authority's financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- Capital Assets increased by \$133,379,738 in 2016. This is a \$1,192,435 increase over last year.
- Other current liabilities decreased by \$3,091,465 or a 7% decrease over last year.
- Operating expenses decreased by \$2,686,902, or a 4% decrease over last year.

**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 generally accepted accounting principles as promulgated by GASB. The Authority adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions*, which impacted the Authority's Net Position to a significant degree and which also entailed the restatement of the operations and the balance sheet at December 31, 2014 and for the year then ended. 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 the notes to the financial statements for a summary of the Authority's significant accounting policies.

**REQUIRED FINANCIAL STATEMENTS**

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.

The **Statement of Net Position** includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

The **Statement of Revenues, Expenses and Changes in Net Position** accounts for all of the current year's revenues and expenses. This statement measures the success of the Authority's operations over the

past year and can be used to determine whether the Authority has successfully recovered all of its costs through its user fees and other charges. This statement also measures the Authority's profit and credit worthiness.

The **Statement of Cash Flows** provides information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities. This statement provides the answers to such questions as "where did the cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period?"

## **FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority, and changes in them. The Authority's net position – the difference between assets and liabilities – are a measurement of the financial health or financial position.

Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, customer growth and legislative mandates also need to be considered.

## NET POSITION

The Authority's total net position decreased from last year by 11%. The analysis, which follows focuses on the Authority's net position (Table A-1) and changes in in net position (Table A-2) during the year.

**Table A-1**  
**Net Position**

	DECEMBER 31,		2016-2015		2015-2014	
	2016	2015	2014	INCREASE(DECREASE)	INCREASE(DECREASE)	INCREASE(DECREASE)
			(Restated)	\$	\$	%
Current and Other Assets	\$ 322,301,209	\$ 319,513,480	\$ 352,931,681	\$ 2,787,729	\$ (33,418,201)	-9%
Capital Assets	88,659,307	90,652,260	93,280,367	(1,992,953)	(2,628,107)	-3%
Total Assets	410,960,516	410,165,740	446,212,048	794,776	(36,046,308)	-8%
Current Liabilities	40,035,114	43,126,579	47,355,569	(3,091,465)	(4,228,990)	-9%
Long-term Debt/Other Liabilities	525,565,458	505,881,727	524,039,456	19,683,731	(18,157,730)	-3%
Total Liabilities	565,600,572	549,008,306	571,395,025	16,592,267	(22,386,720)	-4%
Net Assets						
Invested in Capital Assets,						
Net of Debt	(9,488,865)	(9,191,273)	(8,058,255)	(297,592)	(1,133,018)	14%
Restricted	2,684	356	17,703	2,328	(17,347)	-98%
Unrestricted	(145,152,875)	(129,651,649)	(117,142,425)	(15,501,226)	(12,509,224)	-11%
Total Net Position	\$ (154,639,056)	\$ (138,842,566)	\$ (125,182,977)	\$ (15,796,490)	\$ (13,659,589)	-11%

**CHANGES IN NET POSITION**

Changes in the Authority's net position can be determined by reviewing the following condensed statement of revenues, expenses, and changes in net position for the year.

**Table A-2**  
**Statement of Revenues, Expenses, and Changes in Net Position**

	2016		DECEMBER 31, 2015		2014		2016-2015		2015-2014	
							\$	%	\$	%
(Restated)										
<b>REVENUES</b>										
Operating Revenues:										
Financing/Administrative Fees	\$	316,163	\$	355,685	\$	254,266	\$	(39,522)	\$	101,419
Roosevelt Care Center Facilities		36,493,909		37,420,378		37,463,885		(926,469)		(43,507)
Recycling Operations		7,532,911		7,470,658		7,413,640		62,253		57,018
Golf Course Operations		2,348,777		2,576,261		2,550,702		(227,484)		25,559
Open Space Reimbursement		877,932		1,197,532		1,018,376		(319,599)		179,156
<b>Total Operating Revenues</b>		<b>47,569,693</b>		<b>49,020,514</b>		<b>48,700,869</b>		<b>(1,450,820)</b>		<b>319,645</b>
Operating Expenses:										
Administrative		10,283,568		10,128,813		10,075,006		154,755		53,807
Cost of Providing Services		47,001,701		49,833,394		52,462,790		(2,831,693)		(2,629,396)
Depreciation		1,088,906		1,098,869		1,402,747		(9,963)		(303,878)
<b>Total Operating Expenses</b>		<b>58,374,174</b>		<b>61,061,076</b>		<b>63,940,543</b>		<b>(2,686,902)</b>		<b>(2,879,467)</b>
<b>Net Non-Operating Revenues (Expenses)</b>		<b>(4,992,009)</b>		<b>(1,619,027)</b>		<b>2,381,965</b>		<b>(3,372,983)</b>		<b>(4,000,992)</b>
<b>Increase (Decrease) in Net Position</b>		<b>\$ (15,796,490)</b>		<b>\$ (13,659,589)</b>		<b>\$ (12,857,709)</b>		<b>\$ (2,136,901)</b>		<b>\$ (801,880)</b>
										<b>6%</b>

While the balance sheets show change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position, provide answers as to the nature and source of these changes. As can be seen in Table A-2 above, the change in net position of (\$2,136,901) relative to the change in net position in the previous year was reported for fiscal year ended December 31, 2016.

**REVENUES:**

Table A-2 shows "Total Revenues" decreased by \$1,450,820 or (3%) to \$47,569,693 for fiscal year ended December 31, 2016 down from \$49,020,514 for fiscal year ended December 31, 2015.

**EXPENSES:**

A further review of Table A-2 reveals that "Total Operating Expenses" decreased by \$2,686,902 or (4%) for the fiscal year ended December 31, 2016.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At December 31, 2016, The Authority had \$88,659,307 invested in a capital assets, which consist of leasehold improvements, vehicles and equipment. Accumulated depreciation amounted to \$44,720,431 as of December 31, 2016.

The following table summarizes the Authority's capital assets and changes therein for the years ended December 31, 2016, 2015, and 2014. Capital asset detail information is presented in Note 7 to the financial statements. Detail of the Authority's debt is presented in Note 4 to the financial statements.

**Table A-3  
Gross Capital Assets**

	DECEMBER 31,		2014		2016-2015		2015-2014	
	2016	2015	2014		INCREASE(DECREASE)	%	INCREASE(DECREASE)	%
	\$	\$	\$	\$	\$	%	\$	%
Furniture and Fixtures	6,550,395	6,404,251	6,325,751	146,144	78,500	2%	78,500	1%
Machinery & Equipment	2,171,745	1,688,779	2,061,503	482,966	(372,724)	29%	(372,724)	-18%
Vehicles	297,348	312,914	543,505	(15,566)	(230,591)	-5%	(230,591)	-42%
Leasehold Improvements	3,851,760	3,572,514	3,512,251	279,246	60,263	8%	60,263	2%
Recreation Equipment	684,622	526,485	545,845	158,137	(19,360)	30%	(19,360)	-4%
Golf Courses	4,676,560	4,676,560	4,676,560	0	0	0%	0	0%
Buildings	21,907,625	21,816,117	21,685,481	91,508	130,636	0%	130,636	1%
Heldrich Center	93,239,683	93,189,683	92,739,683	50,000	450,000	0%	450,000	0%
	\$ 133,379,738	\$ 132,187,303	\$ 132,090,579	\$ 1,192,435	\$ 96,724	1%	\$ 96,724	0%

## **BUDGETARY HIGHLIGHTS**

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

Supplementary Schedule 1 shows that, on a budgetary basis, the Authority realized a favorable variance of \$1,878,169 on budgeted expenses of \$61,073,499 for the period ended December 31, 2016. As shown by the reconciliation of the budgetary basis to GAAP on page 4 of the schedule, adjustments to the budgetary basis are required to:

- Eliminate Appropriated Retained Earnings from Revenues
- Eliminate Maturing Bond Principal from Expenses
- Eliminate Fixed Capital Acquired through Budgeted Capital Outlay from Expenses.
- Add Unrecorded Depreciation and Amortization Expenses.

Readers should be cautioned that the statutory operating results presented in supplementary schedule 1 are not intended to present and do not present financial results in accordance with GAAP.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Middlesex 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 information, please contact the Middlesex County Improvement Authority, 101 Interchange Plaza, Cranbury, New Jersey, 08512, or visit the Authority's website at: [www.mciauth.com](http://www.mciauth.com)



**FINANCIAL STATEMENTS**

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

BALANCE SHEET  
DECEMBER 31, 2016 AND 2015

ASSETS	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015	LIABILITIES	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015
Current Assets:			Current Liabilities		
Cash and Cash Equivalents	3,286,796.87	5,161,462.16	Accounts Payable	\$ 1,026,385.81	\$ 984,258.42
Accounts Receivable	850,883.79	787,422.94	Accrued Expenses	950,519.48	573,835.46
Due from Municipalities and Participants	783,021.73	821,278.60	Total Current Liabilities	1,976,905.29	1,558,093.88
Interest Receivable	382.26	440.01	Non-Current Liabilities		
Prepaid Expenses	3,416.88	3,416.88	Reserve for COBRA/Workers Comp Insurance	515,008.56	543,450.04
Total Current Assets	4,924,501.53	6,774,020.59	Total Non-Current Liabilities	515,008.56	543,450.04
Noncurrent Assets:			Current Liabilities Payable from Restricted Assets		
Restricted Assets			Revenue Bonds Payable	29,886,637.80	31,186,576.50
Cash and Cash Equivalents	22,665,905.28	18,058,588.85	Accrued Expenses	1,189,795.38	1,113,634.18
Investments	58,814,120.74	48,449,049.99	Reserve for Special RCC Funds	527,130.15	507,174.40
Accounts Receivable	7,503,344.36	4,776,432.54	Prepaid Lease Payments	174,875.00	189,831.26
Patient Fees Receivable	4,855,325.18	5,376,496.47	Deferred Revenue	4,345.00	7,105.00
Interest Receivable	943,668.31	1,361,408.39	Reserved for Future Projects	560,105.65	3,929,467.91
Loans Receivable	49,905,000.00	52,855,000.00	Accrued Interest on Bonds	995,996.02	1,361,408.39
Inventory	139,339.85	184,273.43	Accounts Payable	4,203,315.57	2,729,837.88
Net Investment in Perth Amboy Utility Franchise Lease	15,053,490.45	15,199,459.05	Total Current Liabilities Payable from Restricted Assets	37,542,200.57	41,025,035.52
Net Investment in Middlesex County Adm. Bldg. Housing Proj.	-	6,359,224.31	Noncurrent Liabilities:		
Net Investment in Capital Lease and Improvement			Revenue Bonds Payable	260,641,065.25	286,484,370.21
Programs ( Unearned Income of \$2,909,188.10			Loan Payable-CRDA	20,000,000.00	20,000,000.00
and \$1,162,804.84, respectively)			Due to County-CIP Participation	1,341,862.89	1,545,398.26
Total Restricted Assets	133,684,248.43	148,454,948.57	Accrued Post-Employment Health Benefits Liability	92,506,000.00	82,278,000.00
Capital Assets (Net)	293,566,442.60	301,074,881.60	Net Pension Liability	81,330,171.00	65,770,874.00
Total Noncurrent Assets	88,659,307.22	90,652,259.92	Reserve for Proceeds, Acq. Funds and Refunding Escrows	21,472,197.64	2,188,643.33
	382,225,749.82	391,727,141.52	Reserve for Deferred Revenue - Bond Funds	1,080.66	5,130.03
			Funds Held in Trust:		
			Heldrich Hotel/Conference Ctr. Project	7,360,819.90	7,029,390.27
			South Plainfield Housing Project	257,341.06	230,837.62
			North Brunswick Senior Citizen Housing Project	1,522,171.86	1,489,684.90
			Middlesex County Educational Services Commission	31,443,395.51	32,541,641.38
			Perth Amboy Lease & Franchise Ext. Project	2,539,535.92	2,528,083.35
			Total Noncurrent Liabilities	520,415,641.69	502,092,053.35
			Total Liabilities	560,449,756.11	545,218,632.79
DEFERRED OUTFLOWS OF RESOURCES			DEFERRED INFLOWS OF RESOURCES		
Deferred Amount on Net Pension Liability	23,810,265.00	11,664,578.00	Deferred Amount on Net Pension Liability	5,149,816.00	3,789,673.00
Total Deferred Outflows of Resources	23,810,265.00	11,664,578.00	Total Deferred Inflows of Resources	5,149,816.00	3,789,673.00
			NET POSITION		
			Invested in Capital Assets, Net of Related Debt	(9,488,864.90)	(9,191,273.37)
			Restricted for:		
			Unemployment Insurance	2,683.92	355.79
			Unrestricted	(145,152,874.78)	(129,651,648.10)
			Total Net Position	(154,639,055.76)	(138,842,565.68)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 410,960,516.35	\$ 410,165,740.11	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 410,960,516.35	\$ 410,165,740.11

Note: See Notes to Financial Statements

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>YEAR ENDED</u> <u>DEC. 31, 2016</u>	<u>YEAR ENDED</u> <u>DEC. 31, 2015</u>
Operating Revenues:		
Financing/Administrative Fees	\$ 316,163.35	\$ 355,685.36
Roosevelt Care Center Facilities	36,493,909.00	37,420,378.18
Curbside/Yardwaste Pick Up	3,682,911.56	3,502,473.17
Recycling Operations	3,849,999.92	3,850,000.26
Golf Course Operations	2,348,777.31	2,576,261.23
Marketing Revenues (Net of Market Share Distribution)	-	118,185.00
Open Space Reimbursement	<u>877,932.01</u>	<u>1,197,530.72</u>
Total Operating Revenues	<u>47,569,693.15</u>	<u>49,020,513.92</u>
Operating Expenses:		
Administrative	10,283,567.77	10,128,813.31
Cost of Providing Services	47,001,700.69	49,833,394.28
Depreciation	<u>1,088,905.71</u>	<u>1,098,868.69</u>
Total Operating Expenses	<u>58,374,174.17</u>	<u>61,061,076.28</u>
Operating Income (Loss)	<u>(10,804,481.02)</u>	<u>(12,040,562.36)</u>
Non-Operating Revenues (Expenses):		
Interest Income	35,194.05	18,692.89
Lease Revenues	12,240,000.00	13,805,000.00
Local Subsidy & Donations	12,406,965.27	12,467,284.52
Reserve for SUI	(2,683.92)	(355.79)
Account Receivables-Cancelled	(10,011.50)	-
Reserves Cancelled	-	164,578.59
Interest on Bonds	(12,836,036.51)	(14,449,676.52)
Sale of Assets	19,237.50	136,992.58
Depreciation-Heldrich Hotel/Conference Ctr. Proj.	(2,330,992.08)	(2,329,742.08)
Payment to County-CELP	(44,307.00)	(44,032.00)
OPEB Liability	(10,228,000.00)	(10,092,000.00)
Net Pension Liability	(4,773,753.00)	(1,899,789.00)
Miscellaneous	<u>532,378.13</u>	<u>604,020.19</u>
Net Non- Operating Revenues (Expenses)	<u>(4,992,009.06)</u>	<u>(1,619,026.62)</u>
Income (Loss) Before Contributions and Transfers	(15,796,490.08)	(13,659,588.98)
Total Net Position - Beginning	<u>(138,842,565.68)</u>	<u>(125,182,976.70)</u>
Total Net Position - Ending	<u>\$ (154,639,055.76)</u>	<u>\$ (138,842,565.68)</u>

Note: See Notes to Financial Statements

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF CASH FLOWS  
FOR THE CALENDAR YEARS ENDED DECEMBER 31, 2016 AND 2015

	YEAR ENDED DEC. 31, 2016	YEAR ENDED DEC. 31, 2015
Cash Flows from Operating Activities:		
Cash Received from:		
Golf Course Operations	\$ 2,364,209.45	\$ 2,560,829.09
Open Space Reimbursement	906,012.80	1,167,310.57
Recycling Operations	7,504,765.73	7,569,788.54
Roosevelt Care Center	37,015,080.29	39,384,332.93
Other	320,454.18	477,061.62
Cash Payments for Operating Serv.	(58,249,953.76)	(61,498,617.82)
Net Cash Provided by Operating Activities	(10,139,431.31)	(10,339,295.07)
Cash Flows from Non-Capital Financing Activities:		
Accounts Receivable-Cancelled	(10,011.50)	-
Reserves-Cancelled	-	164,578.59
Federal Aid Grant (Net)	203,323.45	297,597.91
Other Non-Operating Income	532,378.13	604,020.19
County Subsidy and Sale Proceeds	12,203,641.82	12,169,686.61
SUI Reserve	(2,683.92)	(355.79)
Net Cash Provided by Non-Capital Financing Activities	12,926,647.98	13,235,527.51
Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Revenue Bond Maturities/ Long Term Debt Maturities	(56,261,576.50)	(42,642,291.00)
Interest Paid on Bonds/Other	(1,005,755.88)	(840,706.51)
Proceeds Bond Sale (Net)	26,235,000.00	8,080,000.00
Loan Payments Received	2,950,000.00	2,755,000.00
Bond Issue Costs (Net)	24,178,070.24	(340,355.82)
Net Investment in Bond Projects	15,169,483.07	10,856,791.92
Net Cash Provided (Used) for Capital and Related Financing Activities	11,265,220.93	(22,131,561.41)

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF CASH FLOWS  
FOR THE CALENDAR YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>YEAR ENDED</u> <u>DEC. 31, 2016</u>	<u>YEAR ENDED</u> <u>DEC. 31, 2015</u>
Cash Flows from Investing Activities:		
Acquisition and Constr. Of Capital Assets	\$ (1,407,707.59)	\$ (663,510.83)
Purchase/Redemption of Investments (Net)	(10,365,070.75)	1,112,627.00
Interest on Investments and Deposits	<u>452,991.88</u>	<u>(1,283,751.50)</u>
Net Cash Used by Investing Activities	<u>(11,319,786.46)</u>	<u>(834,635.33)</u>
Net Increase (Decrease) in Cash and Cash Equiv.	2,732,651.14	(20,069,964.30)
Cash and Cash Equiv. At Beginning of Year	<u>23,220,051.01</u>	<u>43,290,015.31</u>
Cash and Cash Equiv. At End of Year	<u>\$ 25,952,702.15</u>	<u>\$ 23,220,051.01</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	<u>\$ (10,804,481.02)</u>	<u>\$ (12,040,562.36)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Income:		
Depreciation and Amortization	1,088,905.71	1,098,868.69
Change in Assets and Liabilities:		
Receivables/Deposits	(2,230,944.51)	4,640,028.58
Inventory	44,933.58	15,730.63
Accounts Payable/Other Liabilities	<u>1,762,154.93</u>	<u>(4,053,360.61)</u>
Total Adjustments	<u>665,049.71</u>	<u>1,701,267.29</u>
Net Cash Provided by Operating Activities	<u>\$ (10,139,431.31)</u>	<u>\$ (10,339,295.07)</u>

Note: See Notes to Financial Statements

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016 AND 2015

1. GENERAL

The Middlesex County Improvement Authority (the Authority) is a public body, politic and corporate constituting a political subdivision of the State of New Jersey. It was established as an instrumentality exercising public and essential governmental functions under the provisions of the County Improvement Authorities Law, P.L. 1960, C.183 (N.J.S.A. 40:37A-44 et seq.), as amended and supplemented. The Authority was established September 6, 1990 by resolution of the Board of Chosen Freeholders of the County of Middlesex.

The Authority is governed by a board consisting of five members, each of whom is appointed by the Board of Chosen Freeholders of Middlesex County for a term of five years. The Freeholder Board also approves all new debt issues of the Authority. Therefore, in accordance with Governmental Accounting Standards Board Statement No. 14, the Authority is considered a component-unit of the County of Middlesex.

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

The Authority was established to provide a wide range of public services, including recycling services and project financing for governmental and nonprofit entities. The Authority's operations consist primarily of the following programs/projects and financings:

Capital Equipment Lease/Improvement Programs –  
2006 Series through 2016 Series

The Authority issues bonds to finance the acquisition and installation of certain items of equipment, which are simultaneously leased to the County of Middlesex and participating municipalities located in Middlesex County, New Jersey. During the term of the lease, the Authority will hold title to the equipment and lease such items of equipment to the respective participant. Each participant will make payments of basic rent to the trustee for the benefit of the Authority on dates set forth in lease agreements in each year during the lease term in an amount equal to the participant's allocable share of debt service due on the bonds on the next succeeding interest payment date and principal installment date, as applicable.

Middlesex County Educational Services Commission Project –  
Series 2008, 2010 and 2014

The Authority financed a portion of the costs relating to the construction and equipping of a special education school facilities for the Middlesex County Educational Services Commission. The proceeds of the bonds were loaned to the Commission and, under the terms of the loan agreements, the Commission is required to make payments to the Authority for debt service on the bonds.

## 1. GENERAL (CONT'D)

North Brunswick Taxable Guaranteed Revenue Bonds –  
Senior Citizen's Housing Project – Series 1994

The Authority financed a portion of the costs of construction of a senior citizen's housing project located in the Authority of North Brunswick. Payment, when due, of the principal and interest on the bonds is secured by a full and unconditional guaranty by Authority of North Brunswick.

Roosevelt Care Center Facilities

The Authority, pursuant to a lease and agreement with the County of Middlesex, provides for the long-term management, administration, and operation and maintenance services for the Roosevelt Care Center facilities.

County Guaranteed Open Space Trust Fund Revenue Bonds –  
Series 2008, 2009, 2011 and 2016 Refunding Bonds

The Bonds were issued to finance the acquisition of various parcels of real property by the County of Middlesex for the purposes of providing open space, farmland, historic preservation and recreational areas through the County of Middlesex. The Authority has entered into loan and security agreements with the County of Middlesex. The County of Middlesex will make payments of basic rent to the trustee for the benefit of the Authority in each year during the loan term equal to the debt service due on the bond.

Perth Amboy Franchise Acquisition Project - Utility  
System Revenue Bonds - Series 1999B and 2004

The Franchise Acquisition Project provides for the leasing of the City of Perth Amboy water supply, transmission and distribution system and wastewater collection system in order to upgrade and improve as well as manage and maintain the System by way of an agreement with a designated affiliate or subsidiary of Middlesex Water Company. The project involved the issuance of a series of revenue bonds of the Authority. Series B Bonds were issued in the amount of \$24,469,076.20 to provide proceeds for ongoing and certain additional capital improvements along with the current refunding of the balance of City note indebtedness. The Series 1999 Bonds carry municipal bond insurance. The City has adopted a City bond guaranty for the Series 1999B Bonds.

Authority of South Plainfield Guaranteed Revenue Bonds -  
South Plainfield Senior Housing Project - Series 2000

The Revenue Bonds were issued to provide funds for a portion of the costs of the construction, by a limited partnership, of a Low/Moderate Income Family housing facility consisting of 101 units for senior citizens located in the Authority of South Plainfield, Middlesex County, New Jersey, including the furnishing, equipping and site work associated with the project. The Authority

## 1. GENERAL (CONT'D)

Authority of South Plainfield Guaranteed Revenue Bonds -  
South Plainfield Senior Housing Project - Series 2000 (Cont'd)

issued bonds in the amount of \$6,000,000.00 in connection with the project. Total sources of funds, net of the \$3,275,000.00 of interim financing included in the \$6,000,000.00 are expected to be \$12,114,649.50. The Bonds matured on September 1, 2003 and thereafter, excluding the interim financing of \$3,275,000.00 that matured September 1, 2002, carry municipal bond insurance.

Heldrich Center Hotel/Conference Project –  
Series 2005 and 2007

The revenue bonds are issued to provide moneys to fund, together with moneys contributed from Heldrich Associates, LLC, grant and loan moneys received from the State of New Jersey and from the Casino Reinvestment Development Authority (CRDA) for development and construction of a mixed-use building located within the City of New Brunswick. The site consists of 250 guest room and suites hotel, a full-service restaurant and lounge, 500 seat ballroom, ground floor retail space and ancillary services and approximately 50,000 square-foot conference center and related support facilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

The Authority is generally a self-supporting entity and follows a proprietary fund type basis of accounting; accordingly, the accompanying financial statements are presented on that basis as an enterprise fund and have been prepared on the accrual basis and in accordance with generally accepted accounting principles. While detailed sub-fund information is not presented, separate accounts are maintained for each program/project and include certain funds which are unrestricted and those that are legally restricted as to use.

In its accounting and financial reporting, the Authority follows the pronouncements of the Government Accounting Standards Board (GASB). In addition, the Authority follows the pronouncements of all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. As permitted by accounting principles generally accepted in the United States, the Authority has elected to not adopt Financial Accounting Standards Board pronouncements issued after November 30, 1989. Under GAAP, the Authority is considered to be a component unit of the County of Middlesex. Based upon the requirements set forth by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, the Authority's reporting obligation is to issue stand alone financial statements, prepared on a GAAP basis.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A. Basis of Accounting and Presentation (Cont'd)

Implementation of Statement No. 34 of the Government Accounting Standards Board (“GASB 34”)

The Authority adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* during the fiscal year ended December 31, 2003. Statement 34 establishes standards for external financial reporting for all state and local governmental entities which includes a Management’s Discussion and Analysis section, a Balance Sheet, a Statement of Revenues, Expenses and Change in Net Assets and a Statement of Cash Flows. It requires the classification of Net Assets into three components – Invested in Capital Assets, net of related debt; Restricted for Debt Service; and Unrestricted.

The adoption of Statement 34 had little effect on the basic financial statements except for the classification of net assets, the reflection of capital contributions as a change in net assets, presentation of the Statement of Cash Flows using the direct method, and the inclusion of Management’s Discussion and Analysis (MD&A) section providing an analysis of the Authority’s overall financial position and results of operations.

Implementation of Statements No. 68 and 71 of the Government Accounting Standards Board (“GASB 68 and GASB 71”)

The Authority adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the fiscal year ended December 31, 2015. The objective of this Statement is to improve the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*, is to be applied simultaneously with the provisions of Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A. Basis of Accounting and Presentation (Cont'd)

Implementation of Statements No. 68 and 71 of the Government Accounting Standards Board (“GASB 68 and GASB 71”) (Cont'd.)

The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

Measurement Focus/Basis of Accounting:

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The Authority utilizes the accrual basis of accounting.

Revenue Recognition – Revenue is recognized when it becomes earned and measurable.

Expense Recognition – Expenses are recognized when incurred, if measurable

B. Description of the Funds

The Authority maintains unrestricted and restricted funds to account for its assets, liabilities, revenues, expenses and fund equity. Also, as the Authority chooses to utilize reserves in its accounting for various projects, in addition to restricted cash accounts, the financial statement account “net investment in project”, is utilized as the offset to the applicable reserve category.

C. Net Position

In the statement of net position, there are three classes of net position:

Investment in Capital Assets – consists of capital assets less accumulated depreciation as adjusted by outstanding debt.

Restricted Net Position – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – any portion of net position not already classified as either net investment in capital assets or net position – restricted, is classified as net position – unrestricted.

D. Revenues

Revenues are recognized in the period in which they are earned. Expenses are recorded when the liability is incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are stated at historical cost. Depreciation is determined using the straight-line basis, over estimated useful lives, and or, life of lease, where applicable, when placed in service. The capitalization of interest in capital assets is not recorded for the Authority's participation in conduit financings.

F. Cash Equivalents

The Authority considers investments with maturities of three months or less at date of purchase to be cash equivalents.

G. Investments

Investments are valued at cost or amortized cost, which approximates fair value.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

I. Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments: The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term investments: The fair values of long-term investments are estimated based on quoted market prices for those or similar investments. Additional information pertinent to the value of these investments is provided in Note 3.

Long-term debt: The Authority's long-term debt is stated at face value, net of unamortized discounts and premiums. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Authority's long-term debt is provided in Note 4.

J. Unamortized Debt Issue Costs

Previously, deferred debt issue costs incurred with the various bond issues of the Authority were being amortized over the life of the respective issues. With the implementation of GASB 65, prior debt issue costs have been expensed and all current and future debt issue costs are and will also be expensed in the year in which the debt is issued.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

K. Comparative Data

Comparative amounts for the prior year have been presented in order to provide an understanding of changes on the Authority's financial position and operations.

L. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recorded as an outflow of resources (expenditure/expense) until that time. The current financial statements report deferred outflows for pension related reporting, including amounts related to differences between expected and actual experience; changes in assumptions and changes in proportion. In addition, if applicable, a deferred charge on refunding results will be reported from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding bonds.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recorded as an inflow of resources (revenue) until that time. The financial statements report pension related deferred inflows relating to the difference in projected and actual earning along with changes in proportion.

M. Reporting of and Disclosures About Pension Liabilities

The financial statements include information relating to the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plan in which the Authority participates, including information presented in these notes to the financial statements and the accompanying required supplementary information.

N. Recent Accounting Standards

GASB issued Statement No. 72, "Fair Value Measurement and Application" in February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" in June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

N. Recent Accounting Standards (Cont'd)

GASB issued Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” in June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

GASB issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” in June 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB issued Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” in June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

GASB issued Statement No. 77, “Tax Abatement Disclosures” in August 2015. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time.

GASB issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans” in December 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

N. Recent Accounting Standards (Cont'd)

GASB issued Statement No. 79, “Certain External Investment Pools and Pool Participants” in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

GASB issued Statement No. 80, “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14” in January 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

GASB issued Statement No. 81 “Irrevocable Split-Interest Agreements” in March 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB issued Statement No. 82 “Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73” in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

GASB issued Statement No. 83 “Certain Asset Retirement Obligations” in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The Authority prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The Authority is required to adopt these new standards in connection with the organization’s financial statements.

### 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

State statutes set forth deposit requirements and investments that may be purchased by local units and the Authority deposits and invests its funds pursuant to statutory requirements, its policies and an adopted cash management plan.

#### Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (FDIC), New Jersey's Governmental Unit Deposit Protection Act, by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. The New Jersey Governmental Deposit Protection Act requires all banks doing business in the State of New Jersey and accepting deposits of local government public funds to maintain collateral as set forth by statute of the average public deposits.

Cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000.00 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:941, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums.

Based upon GASB criteria, the Authority considers cash and cash equivalents to include petty cash, change funds, demand deposits, money market accounts and short-term investments, including cash management money market mutual funds, and, depending upon length of investment maturity, any direct and general obligation of the United States of America or agency or certificates of deposit issued by any bank, savings and loan association or national banking association if qualified to serve as a depository for public funds under the provisions of the Governmental Unit Depository Protection Act.

At December 31, 2016 and 2015, the book value of the Authority's cash, cash equivalents and investments were \$84,786,613.96 and \$71,669,101.00. With respect to amounts on deposit at December 31, 2016, of the cash and cash equivalents, \$1,560,407.90 was covered by federal depository insurance, \$18,120,390.36 was covered under the provisions of NJGUDPA, \$7,661,910.93 was on deposit at U.S. Bank, a non-NJGUDPA institution, and remaining amounts were short-term investments categorized as cash and cash equivalents.

New Jersey Cash Management Fund – The Division of Investment, Department of the Treasury, State of New Jersey manages the State of New Jersey Cash Management Fund, as governed by the regulations of the N.J. State Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. The Cash Management Fund is considered to be an investment trust fund as defined in Governmental Accounting Standards Board (GASB) Statement No. 31. The N.J. Cash Management Fund is not a legally separate entity within the State of New Jersey. The net position managed by the Division is included in the financial statements of the State of New Jersey.

## 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Deposits (Cont'd)

The Authority has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Authority has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

- (a) Custodial Credit Risk – The Authority’s deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but no in the depositor-governments name. The deposit risk is that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Authority’s investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority and are held by either: the counterparty or the counterparty’s trust department or agent but not in the Authority’s name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of the investment or collateral securities that in possession of an outside party.
- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that Authority has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

In general, the Authority does not have an investment policy regarding Credit Risk except to the extent outlined under the Authority’s investment policy. The New Jersey Cash Management Fund is not rated.

- (d) Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

The Authority does not have a deposit policy for custodial risk. Based upon the existing deposit and investment practices, the Authority is generally not exposed to credit risks, custodial credit risks (FDIC and NJGUDPA coverage’s) for its deposits and investments; concentration of credit risks and interest rate risks for its investments; nor is it exposed to foreign currency risks for its deposits and investments.



3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Investments

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of the Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section of P.L. 1970, c. 236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Investments consist of certificates of deposit and direct obligations of the U.S. Government, U.S. Government agencies, U.S. Treasury Strips and repurchase agreements.

## 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Investments (Cont'd)

Of the Authority's investments classified as investments at December 31, 2016, the carrying amount is \$58,814,120.74 and the fair market value is \$58,515,779.61. These investments are held in trust, with offsetting reserve accounts for the benefit of program participants and it is the intent of the Authority to hold all investments until their maturity. Based upon this policy, investments recorded in the financial statements have been recorded at the carrying amount. The difference between the carrying amount and market value is not material to the financial statements.

<u>Investment Maturities (in Years)</u>	<u>Amount</u>
1 to 5	\$52,737,609.99
6 to 10	2,446,908.00
11 to 15	<u>3,629,602.75</u>
	<u>\$58,814,120.74</u>

Based upon existing investment policies, the Authority is generally not exposed to interest rate risk as investments mature within one year or less and are held to maturity. All investments or underlying investments are U.S. Treasury or Treasury Strips and U.S. Government agencies, thereby mitigating credit risk, concentration of credit risk and interest rate risks nor are its deposits and investments exposed to foreign currency risks. Of investments in repurchase agreements at December 31, 2016, the carrying amount is \$2,036,218.75 and the fair market value is also \$2,036,218.75. Per agreement, the purchased securities are segregated by appropriate identification on the books and records of the holder and all of the seller's interests are passed to the buyer in order to minimize associated custodial credit risk.

## 4. BONDS, NOTES AND LOANS PAYABLE

	<u>2016</u>	<u>2015</u>
The Authority's bonds payable at December 31, 2016 and 2015 are as follows:		
Senior Citizens Housing Project - North Brunswick Taxable Guaranteed Revenue Bonds \$8,300,000, Series 1994, guaranteed by North Brunswick, maturing serially through 2027, at interest rates from 8.00% to 9.125%; bonds maturing in 2014 and 2027 subject to mandatory redemption commencing in 2005 and 2015, respectively.	\$ 5,510,000.00	\$ 5,795,000
Utility System Revenue Bonds, Perth Amboy Franchise Acquisition Project, \$24,469,076.20, Series B Capital Appreciation Bonds, City- Guaranteed, maturing serially from 2015 through 2026, at interest rates from 5.030% to 5.18%	20,026,190	22,543,798
South Plainfield Senior Housing Project \$6,000,000, Series 2000, Borough of South Plainfield-Guaranteed except for interim bonds maturing 2002, maturing serially from 2003 to 2014, with term bonds maturing 2020 and 2030, at interest rates from 4.60% to 5.50%; bonds maturing in 2020 and 2030 subject to scheduled mandatory redemption commencing in 2015	2,035,000	2,105,000
Middlesex County Administration Building Residential Rental Housing Project, Series 2001 Revenue Bond, County-Guaranteed, maturing serially from 2005 through 2034, at interest rates from 3.40% to 5.35%	-	6,695,000
Perth Amboy Lease & Franchise Extension Project Revenue Bonds, Series 2004, City-Guaranteed, maturing serially through 2034, at interest rates from 5.14% to 6.67%	15,060,490	15,199,459
Heldrich Hotel/Conference Project Revenue Bonds, Series 2005, maturing serially through 2037, at interest rates from 4.95% to 8.75%	65,980,000	66,670,000
Capital Equipment Lease Revenue Bonds \$7,985,000, Series 2006, County-Guaranteed, maturing serially through 2016, at interest rates from 3.800% to 4.25%	-	185,000
Heldrich Center Hotel/Conference Project Senior Revenue Bonds, Series 2007, maturing serially through 2037, at an interest rate of 4.890 %	2,100,000	2,200,000
Open Space Trust Revenue Refunding Bonds \$29,545,000, Series 2008, County-Guaranteed, maturing serially through 2019, at interest rates from 3.00% to 3.95%	8,180,000	11,370,000
Middlesex County Educational Services Commission Revenue Refunding Bonds, \$40,000,000, Series 2008, County-Guaranteed, maturing serially through 2025, at interest rates from 3.00% to 5.125%	2,530,000	3,715,000

## 4. BONDS, NOTES AND LOANS PAYABLE

	<u>2016</u>	<u>2015</u>
Capital Equipment and Improvement Revenue Bonds \$13,100,000, Series 2008, County-Guaranteed, maturing serially through 2023, at interest rates from 3.500% to 4.80%	\$ 800,000	\$ 1,050,000
Capital Equipment and Improvement Revenue Bonds \$13,115,000, Series 2009, County-Guaranteed, maturing serially through 2024, at interest rates from 1.000% to 3.25%	1,695,000	1,945,000
Meadows at Middlesex Golf Course Refunding Bonds \$4,755,000, Series 2009, County-Guaranteed, maturing serially through 2024, at interest rates from 2.000% to 4.00%	3,110,000	3,435,000
Open Space Trust Fund Revenue Bonds, \$40,000,000, Series 2009, County-Guaranteed, maturing serially through 2029, at interest rates from 2.000% through 2029	9,615,000	31,055,000
Middlesex County Educational Services Commission Revenue Refunding Bonds, \$5,300,000. Series 2010, County-Guaranteed, maturing serially through 2019, at interest rates from 2.750% to 4.00%	1,855,000	2,430,000
Youth Detention Center Lease Refunding Revenue Bonds \$5,395,000, Series 2010, maturing serially through 2016, at interest rates from 2.00% to 4.00%	-	1,225,000
Capital Equipment and Improvement Revenue Bonds \$9,595,000, Series 2011, County-Guaranteed, maturing serially through 2016, at interest rates from 1.250% to 3.00%	-	2,020,000
Open Space Trust Fund Refunding Revenue Bonds, \$46,830,000, Series 2011, County-Guaranteed, maturing serially serially through 2023, at interest rates from 3.000% to 5.00%	35,055,000	39,160,000
Capital Equipment and Improvement Revenue Bonds \$11,815,000, Series 2012, County-Guaranteed, maturing serially through 2022, at interest rates from 1.250% to 3.00%	3,670,000	5,815,000
Middlesex County Golf Courses Revenue Refunding Bonds, Series 2013, County-Guaranteed, maturing serially through 2029, at interest rates from 2.000% to 4.716%	10,510,000	11,155,000
Capital Equipment and Improvement Revenue Bonds \$13,840,000, Series 2013, County-Guaranteed, maturing serially through 2023, at interest rates from 2.000% to 4.00%	6,375,000	8,920,000

## 4. BONDS, NOTES AND LOANS PAYABLE

	<u>2016</u>	<u>2015</u>
Middlesex County Educational Services Commission Revenue Refunding Bonds, \$9,385,000. Series 2014, County-Guaranteed, maturing serially through 2025, at interest rates from 2.000% to 5.000%	\$ 8,005,000	\$ 8,740,000
Capital Equipment and Improvement Revenue Bonds \$17,275,000, Series 2014, County-Guaranteed, maturing serially through 2019, at interest rates from 1.500% to 3.00%	10,585,000	13,945,000
Middlesex County Educational Services Commission Revenue Refunding Bonds, \$30,170,000. Series 2014A, County-Guaranteed, maturing serially through 2033, at interest rates from 2.000% to 3.125%	29,970,000	30,070,000
Capital Equipment and Improvement Revenue Bonds \$8,080,000, Series 2015, County-Guaranteed, maturing serially through 2025, at interest rates from 1.500% to 4.00%	6,595,000	8,080,000
Capital Equipment and Improvement Revenue Bonds \$7,075,000, Series 2016, County-Guaranteed, maturing serially through 2021, at interest rates from 2.000% to 4.00%	7,075,000	-
Open Space Trust Fund Refunding Revenue Bonds, \$19,160,000 Series 2016, County-Guaranteed, maturing serially through 2029, at interest rates from 2.125% to 5.00%	19,160,000	-
Subtotal - Bonds and Notes Payable	<u>\$ 275,496,680</u>	<u>\$ 305,523,257</u>
<u>Loans Payable:</u>		
Casino Reinvestment Development Authority Loans - 2005 payable serially 2011 through 2031 at 3.821% interest rate	<u>\$ 15,000,000</u> <u>5,000,000</u>	<u>\$ 15,000,000</u> <u>5,000,000</u>
Subtotal Loans Payable	<u>20,000,000</u>	<u>20,000,000</u>
Subtotal Bonds, Notes and Loans Payable	295,496,680	325,523,257
Unamortized Deferred Refunding Gains/Losses and Bond Discounts/Premiums - Net	<u>15,031,023</u>	<u>12,147,690</u>
Total Debt and Debt Related Liabilities	<u>\$ 310,527,703</u>	<u>\$ 337,670,947</u>

County Guaranteed Open Space Trust Fund Revenue Refunding Bonds - 2016:

The Authority issued \$19,160,000 in County-Guaranteed Open Space Trust Fund Revenue Refunding Bonds, Series 2016, dated May 10, 2016, with interest rates ranging between 2.125% and 4.000%, and with yields between 1.420% and 2.510%. The authority issued the bonds to refund \$19,735,000 aggregate principal of the Series 2009 BAB Callable Bonds. The Authority used the net proceeds to purchase U.S. government securities. These proceeds and securities were deposited in an irrevocable trust to provide for future debt service and to call the bonds on their respective call dates. As a result, the refunded bonds are considered defeased, and the liability associated with the refunded bonds are not reported within the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$2,153,966. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is charged to operations over the life of the refunding bonds. The Authority completed the advance refunding to reduce its total debt service payments to obtain an economic gain (difference between the present values of the old and new debt service payments) in the amount of \$1,202,664.44, or 6.094% of the refunded bonds.

## 4. BONDS, NOTES AND LOANS PAYABLE

The principal maturities and interest due on bonds, notes and loans payable at December 31, 2016 are as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 PRIOR	\$ 5,305,000	\$ 31,163,995	\$ 36,468,995
2017	29,561,638	17,816,141	47,377,779
2018	28,508,799	16,702,427	45,211,226
2019	24,884,175	15,519,822	40,403,997
2020	20,253,917	13,221,986	33,475,903
2021	19,343,878	12,701,217	32,045,095
<b>Subtotal</b>	<b>127,857,407</b>	<b>107,125,588</b>	<b>234,982,995</b>
2022	18,308,104	13,081,383	31,389,487
2023	18,850,317	11,427,490	30,277,807
2024	13,340,090	10,647,223	23,987,313
2025	13,026,456	8,498,606	21,525,062
2026	12,485,012	7,851,730	20,336,742
<b>Subtotal</b>	<b>76,009,979</b>	<b>51,506,432</b>	<b>127,516,411</b>
2027	11,502,528	4,018,452	15,520,980
2028	11,169,979	3,469,608	14,639,587
2029	11,741,420	3,009,759	14,751,179
2030	9,273,048	2,548,112	11,821,160
2031	8,882,908	2,111,599	10,994,507
<b>Subtotal</b>	<b>52,569,883</b>	<b>15,157,530</b>	<b>67,727,413</b>
2032	7,801,546	1,763,314	9,564,860
2033	8,113,629	1,417,368	9,530,997
2034	5,859,236	1,044,646	6,903,882
2035	5,270,000	729,944	5,999,944
2036	5,660,000	391,254	6,051,254
<b>Subtotal</b>	<b>32,704,411</b>	<b>5,346,526</b>	<b>38,050,937</b>
2037	6,355,000	2,445	6,357,445
<b>Grand Total</b>	<b>\$ 295,496,680</b>	<b>\$ 179,138,521</b>	<b>\$ 474,635,201</b>

## 5. NET INVESTMENT IN CAPITAL LEASE AND IMPROVEMENT PROGRAMS

Minimum payments from participants are equal to the annual debt service of the outstanding bonds. These programs are accounted for as direct financing leases and loans. The unearned income represents the corresponding cost to be incurred in connection with the purchase, acquisition and installation of equipment and improvements identified in the program. The net investment in the capital lease and improvement programs represents the cost of the capital equipment and improvements.

	<u>2016</u>	<u>2015</u>
Total minimum lease payment to be received unearned income	\$ 130,775,060 <u>2,961,679</u>	\$ 147,292,144 <u>1,162,805</u>
Net investment in capital lease and improvement programs	<u>\$ 133,736,739</u>	<u>\$ 148,454,949</u>
Future minimum lease payments receivable:		
<u>Year</u>	<u>Amount</u>	<u>Amount</u>
2017	\$ 21,168,230	\$ 23,497,608
2018	20,007,673	20,478,408
2019	15,475,000	19,056,126
2020	11,443,869	10,120,048
Thereafter	<u>65,641,967</u>	<u>75,302,759</u>
	<u>\$ 133,736,739</u>	<u>\$ 148,454,949</u>

6. MIDDLESEX COUNTY UTILITIES AUTHORITY OPERATING AGREEMENT

On July 1, 1994, the Middlesex County Improvement Authority (MCIA) entered into a one-year renewable agreement with the Middlesex County Utilities Authority (MCUA) allowing operation of an Interim Bulky Waste Recycling Program (BWRP) on a portion of the Middlesex County Landfill by the Improvement Authority. This agreement, in its original form, remained in place until 1997.

Under this agreement, MCUA was responsible for filing all required applications and submissions and obtaining all required permits for the operation of the landfill and the BWRP for applicable state, county and municipal agencies, for all billing and collection of tipping fees including applicable landfill taxes imposed by law for each ton of waste entering the landfill.

The Utilities Authority was then obligated to remit \$21.00 per ton of Bulky Waste (ID-13) to the Improvement Authority following the end of each month. Any revenue generated from the marketing of materials from the Bulky Waste Recycling Operation was the property of the MCIA.

The MCIA is responsible for providing adequate management personnel to operate and maintain the BWRP and to ensure all plans, licenses and regulations are followed.

Under the same agreement, the Improvement Authority had entered into an operating lease with the Utilities Authority for equipment, equipment maintenance and insurance in the amount of \$30,630 per month.

On January 1, 1998, entering into a one-year agreement with the option to be extended by both parties for three additional one-year periods amended the original agreement.

In addition to the amended operating agreement, on January 1, 1998, the MCUA and MCIA entered into a three-year agreement whereby MCUA will pay to the MCIA \$1.85 per ton for all waste deposited at the Middlesex County Landfill which it collects from municipalities and haulers. This requirement supersedes the payment of \$21.00 per ton of Bulky Waste stipulated in the previous agreement.

The operating agreement between the MCIA and the MCUA was renewed on January 1, 2005 for a period of five calendar years terminating in 2009. Under the terms of this Interlocal Service Agreement, the MCUA will pay to the MCIA a flat annual fee of \$2,000,000.00. In addition, the MCIA will receive a portion of the MCUA Solid Waste Services Fee in the amount of \$3.00 per ton collected on all waste entering the landfill and \$3.00 per ton for all waste transported out of Middlesex County as reported and paid by solid waste haulers. In exchange, MCIA has agreed to use the amounts received to provide for recycling activities and effectively manage, operate and maintain the recycling activities in an efficient and environmentally responsible manner.

Under the terms of the renewal agreement, the MCUA will continue to lease heavy equipment to the MCIA, at no cost, for landfill recycling activities.

On January 1, 2010, entering into a five-year agreement, the MCUA pays the MCIA \$5.00 per ton for all waste collected at the Middlesex County Landfill which it collects from municipalities and haulers. The MCUA will pay a sum of \$6.00 per ton in 2012 and 2013 for all waste



6. MIDDLESEX COUNTY UTILITIES AUTHORITY OPERATING AGREEMENT  
(CONT'D)

transported out of Middlesex County as reported and paid by solid waste haulers. In exchange, MCIA has agreed to use the fee from the MCUA for expenses it incurs with regard to the County Recycling Programs and shared services program in order to be able to reduce costs of the municipalities for the County Recycling Programs, to reduce the volume of material going to the Landfill, and for expenses incurred by the MCIA related to associated activities. On January 1, 2015, entering into a five-year agreement, the MCUA agrees to contribute funds annually to the MCIA to be used to assist the MCIA in funding the County Recycling Programs and other solid waste and recycling programs beneficial to both agencies.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, which includes equipment acquisition costs and cost of construction, engineering, administrative and financial expenses, interest on bonds and notes during construction and organization expenses. Based upon the transfer of Roosevelt Care Center's title, the Authority recorded as contributed capital at December 31, 1999, the historical cost of the Center in the amount of \$33,418,754 along with accumulated depreciation of \$24,630,388 for a net contribution to capital in the amount of \$8,788,367. Also, on April 21, 2005, the County transferred the title of the new 180-bed facility in the amount of \$25,152,288 along with accumulated depreciation of \$1,227,070 for a net contribution to capital in the amount of \$23,925,218. Subsequently, operations in the historic Roosevelt Care Center building were transferred to the new facilities. The County of Middlesex has chosen to undertake a project concerning this historic property and the historic building and adjoining buildings were transferred to the County of Middlesex, effective September 10, 2014. Additionally, the County of Middlesex determined to acquire the "The Meadows at Middlesex Golf Course," located in Plainsboro Authority, for the County's Open Space Program. As a result, the Meadows Golf Course was sold to the County of Middlesex for the sum of \$7,070,000.00, effective March 7, 2014. The funds inuring to the Authority as the result of the sale have been reserved to pay future years' debt service associated with the debt issued to purchase the Meadows golf course. The table below sets forth the capital asset activity for the year, including the transactions described above.

Invested in Capital Assets, Net of Related Debt – Included in the Net Position section of the Comparative Statement of Net Position, is the account category "Invested in Capital Assets, Net of Related Debt", which at December 31, 2016 is reported at (\$9,488,864.90). The negative position of this account is a result of the recording of depreciation on the Heldrich Center project coupled with the non-payment by the Heldrich Center project of maturing bond principal and interest of the Center's CRDA loans and various series of its revenues bonds that were issued with respect to the project (See Note 14).

## 7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type Activities:				
Furniture and Fixtures	\$6,404,252	\$146,143		\$6,550,395
Machinery and Equipment	1,688,779	482,966		2,171,745
Vehicles	312,914		\$(15,566)	297,348
Leasehold Improvements	3,572,513	279,247		3,851,760
Recreation Equipment	526,485	358,519	(200,382)	684,622
Golf Courses	4,676,560			4,676,560
Buildings	21,816,117	91,508		21,907,625
Heldrich Center	<u>93,189,683</u>	<u>50,000</u>	_____	<u>93,239,683</u>
Totals at Historical Cost	<u>\$132,187,303</u>	<u>\$1,408,383</u>	<u>\$(215,948)</u>	<u>\$133,379,738</u>
Less Accumulated Depreciation for:				
Furniture and Fixtures	\$(5,837,362)	\$(32,656)		\$(5,870,019)
Machinery and Equipment	(1,453,554)	(75,091)		(1,528,645)
Vehicles	(263,630)	(6,702)	\$15,566	(254,766)
Leasehold Improvements	(3,165,167)	(109,523)		(3,274,690)
Recreation Equipment	(496,487)	(54,760)	218,947	(332,300)
Heldrich Center	(20,298,056)	(2,330,992)		(22,629,048)
Buildings	<u>(10,020,788)</u>	<u>(810,175)</u>	_____	<u>(10,830,963)</u>
Total Accumulated Depreciation	<u>(41,535,043)</u>	<u>(3,419,899)</u>	<u>234,513</u>	<u>(44,720,431)</u>
Business-type Activities Capital Assets, Net	<u>\$90,652,260</u>	<u>\$(2,011,512)</u>	<u>\$ 18,565</u>	<u>\$88,659,307</u>

Depreciation and amortization is calculated on a straight-line basis for each of applicable fixed asset categories.

Furniture and Fixtures	5 years
Machinery and Equipment	7 years
Vehicles	5 years
Leasehold Improvements	5 years
Recreation Equipment	5 years

## 8. ROOSEVELT CARE CENTER FACILITIES

The Roosevelt Care Center, Edison facility, is a 530-bed long-term healthcare facility (“Roosevelt Care Center”, the “Facility” or the “Center”) owned by the County of Middlesex (the “County”). In June 1997, the County, through the Authority, implemented a public/private partnership undertaking for the effective and efficient operation of the Facility.

Pursuant to a lease and agreement dated June 14, 1997 between the County and the Authority (the “Lease Agreement”), the County leased to the Authority, for a nominal fee, the Facility’s real and personal property and other related records for a period of ten years, which may be extended to the maximum term permitted under the law. The Lease Agreement obligates the Authority to provide, either directly or by contract, for the long-term management, administration, operation and maintenance services (the “Management Services”) for the Roosevelt Care Center. The Lease Agreement also required the Authority to assume substantially all of the personnel employed by the County at the Roosevelt Care Center (the “Roosevelt employees”). Subsequently, on May 6, 1999, the Board of Chosen Freeholders adopted a resolution authorizing the transfer of ownership of the Center from the County to the Authority. On November 15, 1999, the Board of Chosen Freeholders adopted a resolution affirming the sale of the Roosevelt Care Center to the Authority. Agreements and contracts authorizing the transfer of lands and buildings were executed on January 19, 2000 and title of the property was transferred to the Authority.

Subsequent to the initial transfer of the Center to the Authority, the Center was managed via a series of management agreements with third-party vendors. Effective October 1, 2002, the MCIA is operating the Center utilizing Authority personnel.

Additionally, as per resolutions adopted by both the County of Middlesex and the Authority, an Interagency Agreement was made effective February 9, 2011 for the Authority to own and hold the license to operate a new 180-bed long-term care facility constructed by the County of Middlesex located in the Authority of Old Bridge. Roosevelt Care Center in Old Bridge began operations in the later part of 2011.

Roosevelt Care Center facilities reviews its accounts receivable with corresponding adjustments to revenue reported on a periodic basis. The facilities had patient’s receivable recorded at year-end in the amounts of \$4,855,325.18 and \$5,376,496.47 for the years 2016 and 2015, respectively. As a result of the transfer of the Center’s title for the Edison facility, the Authority recorded as contributed capital the historical cost of the Center in the amount of \$33,418,754 along with accumulated depreciation of \$24,630,388 for a net contribution to capital in the amount of \$8,788,367. Also, with the transfer of title of the 180-bed facility also on the Edison campus, the amount of \$25,152,288 is recorded as contributed capital. As indicated above, operations in the historic Roosevelt Care Center building were transferred to new facilities and the County of Middlesex desired to undertake a project concerning the historic property, resulting in the transfer of the historic building and adjoining buildings to the County of Middlesex, effective September 10, 2014. The Authority’s financial statements reflect the capital asset activity based upon this transfer.

## 9. PENSION PLANS

Description of Plans – The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan’s designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the public Employees Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) - The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

*Plan Membership and Contributing Employers* - Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction’s pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	171,422
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	<u>261,171</u>
Total	<u>433,296</u>

Contributing Employers – 1,713

*Significant Legislation* – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

## 9. PENSION PLANS (CONT'D)

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

*Payrolls and Covered Wages:*

For the year ended December 31, 2016 the Authority's total payroll for all employees was \$22,342,325. Total PERS covered payroll was \$17,266,026. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Authority to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Authority's cash basis contributions to the Plan for the years ended December 31, 2015 and 2016 were \$2,557,184 and \$2,518,947, respectively. Authority contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Authority payments to PERS for the years ending December 31, 2015 and 2016 consisted of the following:

	<u>2015</u>	<u>2016</u>
Normal Cost	\$ 425,714	\$ 426,447
Amortization of Accrued Liability	<u>1,969,259</u>	<u>1,964,487</u>
Total Pension	2,394,973	2,390,934
NCGI Premiums	<u>162,211</u>	<u>128,013</u>
Total Regular Billing	<u>2,557,184</u>	<u>2,518,947</u>
Total PERS Payment	<u>\$ 2,557,184</u>	<u>\$ 2,518,947</u>

Where applicable, Ch. 19, P.L. billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. The law set a fifteen-year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net assets of the plan on deferred principal balances. The Authority did not participate on the Ch. 19, P.L. 2009 program.

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

## 9. PENSION PLANS (CONT'D)

The following represents the membership tiers for PERS:

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

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more years of service credit before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is basis for the preparation of the Authority's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Authority does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Local (Non-State) Employer Member Group. The Authority's proportionate share of the net pension liability for the Local Employer Member Group that is attributable to the Authority was \$81,330,171 or 0.274605%. At June 30, 2015, the PERS reported a net pension liability of \$22,447,996,119 for its Local Employer Member Group. The Authority's proportionate share of the net pension liability for the Local Employer Member Group that was attributable to the Authority was \$65,770,874 or 0.292992%.

For the years ended December 31, 2016 and 2015, the pension system determined the Authority's pension expense to be \$7,213,163 and \$4,419,542, respectively, for PERS based on the actuarial valuation, as compared to the actual required contributions made by the Authority in the amounts of \$2,518,947 and \$2,557,184, respectively.

## 9. PENSION PLANS (CONT'D)

At December 31, 2016 and 2015, the Authority's deferred outflows of resources and deferred inflows of resources related to the PERS pension plan are as follows:

	<u>2016</u> Deferred Outflows of Resources	<u>2016</u> Deferred Inflows of Resources	<u>2015</u> Deferred Outflows of Resources	<u>2015</u> Deferred Inflows of Resources
Difference between expected and actual experience	\$1,512,495		\$1,569,062	
Changes of assumptions	16,847,267		7,063,267	
Net difference between projected and actual earnings on pension plan investments	3,101,193			\$1,057,469
Changes in proportion and differences between agency contributions and proportionate share of contributions	<u>2,349,310</u>	<u>5,149,816</u>	<u>3,032,249</u>	<u>2,732,204</u>
Totals	<u>\$23,810,265</u>	<u>\$5,149,816</u>	<u>\$11,664,578</u>	<u>\$3,789,673</u>

*Collective Deferred Outflows of Resources and Deferred Inflows of Resources* – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2017	\$4,269,102
2018	4,269,102
2019	5,134,364
2020	3,917,758
2021	<u>1,070,123</u>
Total	<u>\$18,660,449</u>

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

## 9. PENSION PLANS (CONT'D)

*Actuarial Assumptions* - The total pension liability in the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 that was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.08%
Salary Increases: Through 2026	1.65-4.15% Based on age
Thereafter	2.65-5.15 Based on age
Investment rate of return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale.

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:



## 9. PENSION PLANS (CONT'D)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

*Discount Rate* – The discount rate used to measure the pension liabilities of PERS was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year.

The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PERS participating employers as of June 30, 2016, calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u> <u>(2.98%)</u>	<u>At current discount</u> <u>rate</u> <u>(3.98%)</u>	<u>At 1% increase</u> <u>(4.98%)</u>
State	\$34,422,851,197	\$29,390,685,705	\$25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
PERS Plan Total	<u>\$70,715,189,252</u>	<u>\$59,007,817,464</u>	<u>\$49,352,744,647</u>

## 9. PENSION PLANS (CONT'D)

*Components of Net Pension Liability – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2016 is as follows:*

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$36,295,189,928	\$49,474,698,146	\$85,769,888,074
Plan Fiduciary Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
Net Pension Liability	<u>\$29,390,685,705</u>	<u>\$29,617,131,759</u>	<u>\$59,007,817,464</u>

**B: DEFINED CONTRIBUTION RETIREMENT PLAN**

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

*Plan Membership and Contributing Employers* - Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established “maximum compensation” limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016, the membership in the DCRP, based on the information within the Division’s database, was 46,557.

*Contribution Requirement and Benefit Provisions* - State and local government employers contribute 3% of the employee’s base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non forfeitable. A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

For the year ended December 31, 2016 the Authority’s total payroll for all employees was \$22,342,325. Total DCRP covered payroll was \$230,564. Covered payroll refers to all compensation paid by the Authority to active employees covered by the Plan. Authority and employee contributions to the DCRP for the year ended December 31, 2016 were \$6,917 and \$12,681, respectively.

10. POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS –  
HEALTH CARE BENEFITS

The Authority participates in the Middlesex County Joint Health Insurance Fund (MCJHIF), an agent multiple-employer current and post employment healthcare plan administered by MCJHIF. The MCJHIF consists of seven (7) County agencies within Middlesex County and covers both current and retired employees of the County and its participating agencies. The MCJHIF receives an annual report that includes its financial statements and required supplementary information for its benefits plan. Benefit provisions for the Authority are established and amended through negotiations between the Authority and the respective unions along with prior contracts negotiated between the respective unions and the County of Middlesex. As described in Note 2, under GAAP, the Authority is considered to be a component unit of the County of Middlesex, New Jersey. Based upon the requirements set forth by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, the Authority's reporting obligation is to issue stand alone financial statements, prepared on a GAAP basis. With respect to the Authority, GASB Statement No. 45 requires the reporting of annual post employment benefit (OPEB) cost (expense) on a full accrual basis, including the amortization of unfunded accrued liability, as opposed to the other comprehensive basis of accounting (OCBOA) reporting requirements imposed by the Division of Local Government Services for Counties and Municipalities, which requires note disclosure only for OPEB costs. As such, under OCBOA standards, the Authority's unrestricted net assets would be increased by the amount of OPEB costs accrued at each balance sheet date.

The contribution requirements of plan members and the participating agencies are established and may be amended by the MCJHIF Commissioners. The Authority's annual post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (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 over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, any amounts contributed to the plan and the Authority's net OPEB obligation. For 2016, the Authority's annual OPEB cost (expense) of \$10,228,000 was equal to the ARC.

	<u>MCIA</u>	<u>RCC</u>	<u>Total</u>
Net OPEB obligation-beginning of year	\$6,216,000	\$76,062,000	\$82,278,000
Annual required contribution	838,000	12,189,000	13,027,000
Less: Contributions	<u>194,000</u>	<u>2,605,000</u>	<u>2,799,000</u>
Net OPEB obligation – end of year	<u>\$6,860,000</u>	<u>\$85,646,000</u>	<u>\$92,506,000</u>

10. POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS –  
HEALTH CARE BENEFITS (CONT'D)

The funded status of the plan for the Authority as of January 1, 2015 (the most recent required bi-annual actuarial valuation date), is as follows:

	<u>MCIA</u>	<u>RCC</u>	<u>Total</u>
Actuarial accrued liability (AAL)	\$8,788,000	\$132,252,000	\$141,040,000
Actuarial value of plan assets	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$8,788,000</u>	<u>\$132,252,000</u>	<u>\$141,040,000</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%	0.00%
Covered payroll (active plan members)	\$4,173,720	\$19,818,452	\$23,992,172
UAAL as a percentage of covered payroll	210.56%	667.32%	587.86%

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health-care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the projected unit credit method was used. A rate of 4.50% was utilized as the discount rate and the amount of increase in the normal cost amount. The unfunded accrued liability is being amortized as a level dollar amount using an open period of thirty (30) years.

## 11. COMPENSATED ABSENCES

The Authority has adopted policies which set forth the terms under which an employee may accumulate earned, but unused vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vest with the employee. GASB Statement 16 provides the authoritative source of GAAP recognition and reporting of the accrued liability for compensated absences and provides alternatives for the purpose of calculating the accrued liability. The Authority maintains up-to-date records of each employee's status relating to earned and unused sick and vacation pay. At December 31, 2016, the Authority has accrued \$535,985 for accumulated sick and vacation pay earned and unused and management indicates the accrued liability approximates the value of the liability calculated in accordance with the provisions of GASB 16.

## 12. DEFERRED COMPENSATION PLANS

The Middlesex County Improvement Authority Deferred Compensation Plans were established pursuant to Section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C.39; and P.L. 1980, C. 78 of the Statutes of New Jersey. The Plans are an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The MCIA has engaged private contractors to administer the plans.

## 13. RISK MANAGEMENT

The Authority participates in a self-insurance risk management program maintained by the County of Middlesex for claims relating to general liability, public official liability and auto liability (Self-Insurance Liability Fund). The county insurance commissioners establish the amount of cash reserves deemed necessary to meet the payment of claims.

The county self-insurance commissioners authorized the following autonomous entities to participate in the Self-Insurance Fund: the Mosquito Commission, the County College, the County Improvement Authority, and the Board of Social Services.

The Commissioners assessed the following participants for 2016 and 2015, as follows:

	<u>2016</u>	<u>2015</u>
County College	\$396,115	\$380,283
Board of Social Services	41,737	49,452
County Improvement Authority	<u>31,714</u>	<u>76,007</u>
	<u>\$469,566</u>	<u>\$505,742</u>

## 13. RISK MANAGEMENT (CONT'D)

The respective agency assessments have been computed by an actuarial analysis. The Fund has purchased commercial public entity excess liability insurance for general liability and automobile liability coverage. The coverage in effect at December 31, 2016 and 2015, was as follows:

Limits of Insurance:	<u>2016</u>	<u>2015</u>
Each Accident or Occurrence Limit	\$10,000,000	\$10,000,000
Policy Aggregate Limit	20,000,000	20,000,000
Self-Insured Limit Retention	750,000	500,000

The activity as reported within the Self-Insurance Fund reserves (unaudited) for the year ended December 31, 2016 was as follows:

	Balance December 31, 2015	Increases to Reserves	Claim Payments	Balance December 31, 2016
Self-Insurance Fund	\$525,901	\$595,819	\$148	\$1,121,572

Increases to reserves represents amounts received from participant assessments, charges to the County Operating Budget, interest on investments and deposits, subrogations and third party reimbursements and refunds. Decreases to reserves represent the payment on adjudicated or settled claims, asserted costs and administrative fees and charges.

The Authority participates in the Middlesex County Joint Health Insurance Fund (MCJHIF). The MCJHIF consists of seven (7) County agencies within Middlesex County, representing a total of 4,653 and 4,471 retirees, cobra participants and active employees as of December 31, 2016 and 2015, respectively. The MCJHIF's purpose is to provide health care benefits to all eligible participants for medically necessary services covered under the health plan choices offered. The

Fund is regulated by the State of New Jersey Department of Insurance as provided by statute and regulations and is subject to reporting requirements mandated by the State.

The assessments of the participating members are determined and certified by the actuary and approved by a majority vote of the Fund Commissioners.

The Commissioners of the MCJHIF have the authority, by majority vote, to levy on participating local units an additional assessment to assure payment of the Fund's obligations.

## 13. RISK MANAGEMENT (CONT'D)

Changes in the MCJHIF's fund balance for each fund year at December 31, 2016 and 2015 are as follows:

Fund Fiscal Year	At December 31,	
	2016 Fund/Surplus (Deficit) <u>Balance</u>	2015 Fund/Surplus (Deficit) <u>Balance</u>
2016	\$(5,969,891)	
2015	3,615,954	\$3,676,724
2014		(4,611)

The Fund utilizes reinsurance agreements to reduce its exposure to large losses on certain types of insured events. Reinsurance may allow recovery of a portion of losses from reinsurers.

Accordingly, the financial statements of the Authority do not report or reflect its participatory share of fund claims expenditures of fund balance (deficit) at December 31, 2016.

In addition, there were no significant reductions in insurance coverage from the prior year and the amount of settlements did not exceed insurance coverage in each of the past three years.

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State.

Effective August 4, 2001, the Authority instituted a risk management program, which combines risk retention, and reinsurance coverage for claims relating to statutory worker's compensation. The Authority has engaged an outside claims service company to serve as administrator of the program. The administrator for estimated benefits and expenses for reported claims establish loss reserves. Established reserves are subject to change as facts and circumstances relating to claims dictate, and no provision is made for estimated losses relating to costs incurred but not reported (IBNR). At December 31, 2016, the administrator has established an estimated reserve requirement for reported claims in the amount of \$510,320.23. The Authority has provided reserves at December 31, 2016 for a portion of the estimated claims along with providing additional funding in the Authority's 2017 budget.

## 14. LOAN AGREEMENTS

In connection with the Heldrich Center Hotel Project, a loan agreement was executed between the County of Middlesex and the Heldrich Center Hotel Project for an original amount of \$3,000,000 with payments beginning in 2008 and final payment in 2037. With respect to the Heldrich Center Project, debt service requirements for Series A bonds have been satisfied as scheduled, however, based upon the lack of timely deposits to certain debt service reserves required of the trustee agreement, the trustee has issued the Heldrich Center Project notice of event of default. The Heldrich Center Project in the process of reviewing its requirements for compliance with the trustee agreement based upon the notification. No amount of Middlesex County's fund balance is impaired based upon the notification. As to the security for the Series A, B and C Bonds and the CRDA Loan issued for the Hotel Project, all Bond financing documentation expressly state that the Bonds and Loan are limited, non-recourse obligations payable solely from Project revenues, and that other than such pledge of Project revenues and assets, the Bonds and Loan are not a debt, liability or obligation of the MCIA nor of the County of Middlesex, nor is the County of Middlesex a guarantor of the Bonds and Loan.

## 15. UNRESTRICTED NET POSITION - BUDGETARY

The unrestricted net position as reported in the financial statements is comprised of the following components and is reconciled to the unrestricted net position utilized for budgetary purposes, as follows:

	<u>2016</u>	<u>2015</u>
Unrestricted Net Position	(\$145,152,874.78)	(\$129,651,648.10)
As Adjusted by:		
Net Pension Liability, Deferred Inflows/Outflows	62,669,722.00	57,895,969.00
OPEB Liability	92,506,000.00	82,278,000.00
Invested in Capital Assets, Net of Debt	<u>(9,488,864.90)</u>	<u>(9,191,273.37)</u>
Total Unrestricted Net Position - Budgetary	<u>\$533,982.32</u>	<u>\$1,331,047.53</u>

## 16. COMMITMENTS AND CONTINGENCIES

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, will not have a material effect on the financial statements.

As of December 31, 2016, the Authority has signed agreements with contractors to perform certain services related to the following projects:

	<u>Amount</u>
Yard Waste Program	\$1,138,500/Year
Recycling Curbside Program	Based on unit prices



The Authority leases office premises under a lease agreement that commenced August 25, 1994. The lease agreement was amended August 24, 1998, which amendment included the rental of additional office space and the extension of the lease period to July 31, 2018. Monthly base rents were \$11,330 for 2016 and \$11,094 for 2015.

The Authority participates or has participated in certain federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are subject to compliance and financial audits by the grantors or their representatives. In addition, Medicaid and Medicare amounts recorded as revenue by Roosevelt Care Center Facilities are also subject to audit and possible future adjustments. As of December 31, 2016, the Authority does not believe that any material liabilities will result from such audits.

#### 17. SUBSEQUENT EVENTS

As of the date of this report, the Authority has authorized the following bond financing project at their board meeting of June 14, 2017:

- Resolution Authorizing Issuance of \$15,000,000 County Guaranteed Capital Equipment and Improvement Revenue Bonds, Series 2017
- Resolution Authorizing and Directing the Issuance and Sale not to exceed \$34,000,000 County Guaranteed Revenue Bonds (New Brunswick Cultural Center Project), Series 2017
- Resolution Authorizing and Directing the Issuance and Sale not to exceed \$48,000,000 Revenue Bonds (New Brunswick Cultural Center Tower Project-Residential Tower), Series 2017

**MIDDLESEX COUNTY IMPROVEMENT AUTHORITY**  
**MIDDLESEX COUNTY, NEW JERSEY**



**PART III**  
**REQUIRED SUPPLEMENTARY INFORMATION**

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET  
 (BUDGETARY BASIS)  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	<u>2016 BUDGET</u>	<u>2016 ACTUAL</u>	<u>2015 ACTUAL</u>
Operating Revenues:			
Financing/Administrative Fees:			
Capital Lease Programs	\$ 112,000.00	\$ 316,163.35	\$ 355,685.36
Roosevelt Care Centers (Resident Fees)	36,608,000.00	36,493,909.00	37,420,378.18
Golf Course Operations	2,450,000.00	2,348,777.31	2,576,261.23
Recycling Operations	7,375,000.00	7,532,911.48	7,352,473.43
Marketing Revenues	-	-	118,185.00
Open Space Reimbursement	<u>1,241,000.00</u>	<u>877,932.01</u>	<u>1,197,530.72</u>
Total Operating Revenues	<u>47,786,000.00</u>	<u>47,569,693.15</u>	<u>49,020,513.92</u>
Non-Operating Revenues:			
Interest Income	-	35,194.05	18,692.89
Local Subsidy & Donations	11,016,175.00	12,203,641.82	12,169,686.61
Other Non-Operating Revenues	563,472.00	532,378.13	604,020.19
Operating Grants & Entitlements	<u>321,528.00</u>	<u>203,323.45</u>	<u>297,597.91</u>
Total Non-Operating Revenues	<u>11,901,175.00</u>	<u>12,974,537.45</u>	<u>13,089,997.60</u>
Total Revenues - Budgetary	<u>\$ 59,687,175.00</u>	<u>\$ 60,544,230.60</u>	<u>\$ 62,110,511.52</u>

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET  
 (BUDGETARY BASIS)  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	<u>2016</u> <u>BUDGET</u>	<u>2016</u> <u>ACTUAL</u>	<u>2015</u> <u>ACTUAL</u>
Operating Expenses:			
Administration:			
Salary and Wages:			
General Operations	\$ 681,600.00	\$ 657,116.79	\$ 845,858.34
Golf Course Operations	537,000.00	501,309.08	523,159.79
Roosevelt Care Centers	726,160.00	1,260,393.34	1,302,197.09
Fringe Benefits:			
General Operations	586,770.00	515,128.08	561,502.50
Golf Course Operations	173,000.00	151,522.25	160,236.83
Roosevelt Care Centers	3,786,010.00	3,788,383.29	3,463,671.43
Other Expenses:			
General Operations	1,202,882.00	320,621.31	330,597.45
Golf Course Operations	182,820.00	219,886.56	255,076.44
Roosevelt Care Centers	<u>2,754,304.00</u>	<u>2,869,207.07</u>	<u>2,668,977.57</u>
 Total Administration	 <u>10,630,546.00</u>	 <u>10,283,567.77</u>	 <u>10,111,277.44</u>
 Cost of Providing Services:			
Salary and Wages:			
General Operations	335,400.00	320,818.74	331,152.19
Golf Course Operations	700,000.00	688,395.24	654,675.30
Roosevelt Care Centers	17,427,840.00	17,888,764.29	19,107,919.14
Fringe Benefits:			
General Operations	156,230.00	134,795.73	128,501.70
Golf Course Operations	377,000.00	270,870.62	307,713.44
Roosevelt Care Centers	9,229,990.00	11,071,706.13	11,862,406.86
Other Expenses:			
General Operations	6,042,578.00	5,705,155.73	5,837,377.90
Golf Course Operations	806,917.00	711,536.05	685,027.69
Roosevelt Care Centers	<u>13,447,479.00</u>	<u>10,209,658.16</u>	<u>10,936,155.93</u>
Total Cost of Providing Services	<u>\$ 48,523,434.00</u>	<u>\$ 47,001,700.69</u>	<u>\$ 49,850,930.15</u>

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET  
 (BUDGETARY BASIS)  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	<u>2016</u> <u>BUDGET</u>	<u>2016</u> <u>ACTUAL</u>	<u>2015</u> <u>ACTUAL</u>
Principal Payments on Debt Service in Lieu of Depreciation -			
General Operations	\$ 44,307.00	\$ 44,307.00	\$ 44,032.00
Golf Course Operations	1,015,540.00	1,015,540.00	945,000.00
Roosevelt Care Centers	<u>254,178.00</u>	<u>254,178.00</u>	<u>250,442.00</u>
Total Principal Payments on Debt Service	<u>1,314,025.00</u>	<u>1,314,025.00</u>	<u>1,239,474.00</u>
Total Operating Expenses	<u>60,468,005.00</u>	<u>58,599,293.46</u>	<u>61,201,681.59</u>
Non-Operating Expenses:			
Interest Expense on Debt -			
General Operations	16,233.00	6,777.00	21,002.00
Golf Course Operations	543,222.00	543,221.51	570,989.52
Roosevelt Care Centers	<u>46,039.00</u>	<u>46,038.00</u>	<u>52,685.00</u>
Total Non-Operating Expenses:	<u>605,494.00</u>	<u>596,036.51</u>	<u>644,676.52</u>
Total Expenses - Budgetary	<u>\$ 61,073,499.00</u>	<u>\$ 59,195,329.97</u>	<u>\$ 61,846,358.11</u>

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET  
 (BUDGETARY BASIS)  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	<u>2016</u> <u>BUDGET</u>	<u>2016</u> <u>ACTUAL</u>	<u>2015</u> <u>ACTUAL</u>
<u>Reconciliation of Budgetary Basis to Net Income:</u>			
Budgetary Revenues over Expenses		\$ 1,348,900.63	\$ 264,153.41
Adjustments to Budgetary Basis:			
Lease Revenues		12,240,000.00	13,805,000.00
Interest Expense		(12,240,000.00)	(13,805,000.00)
Depreciation Expense		(1,088,905.71)	(1,098,868.69)
Depreciation Expense-Heldrich Hotel/Conference Ctr.		(2,330,992.08)	(2,329,742.08)
Bond Principal-Roosevelt Care Centers		254,178.00	250,442.00
Bond Principal-Golf Courses		1,015,540.00	945,000.00
Receivables-Cancelled		(10,011.50)	-
Reserves-Cancelled		-	164,578.59
Net Pension Liability		(4,773,753.00)	(1,899,789.00)
OPEB Liability		(10,228,000.00)	(10,092,000.00)
Sale of Assets		19,237.50	136,992.58
Reserve - Unemployment Insurance		<u>(2,683.92)</u>	<u>(355.79)</u>
Total Adjustments		<u>(17,145,390.71)</u>	<u>(13,923,742.39)</u>
Net Income/(Loss)		<u>\$ (15,796,490.08)</u>	<u>\$ (13,659,588.98)</u>

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

REQUIRED SUPPLEMENTARY INFORMATION  
 POSTEMPLOYMENT HEALTH BENEFITS  
SCHEDULE OF FUNDING PROGRESS - MCJHIF

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/15	\$ -	\$ 141,040,000	\$ 141,040,000	0.00%	\$ 23,992,172	587.86%
12/31/13	\$ -	\$ 108,946,000	\$ 108,946,000	0.00%	\$ 28,419,304	383.35%
12/31/11	\$ -	\$ 105,563,000	\$ 105,563,000	0.00%	\$ 25,117,744	420.27%
12/31/09	\$ -	\$ 112,353,000	\$ 112,353,000	0.00%	\$ 26,216,813	428.55%

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE AUTHORITY'S SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Authority's Proportion of the Net Pension Liability	0.310193%	0.292992%	0.274605%
Authority's Proportionate Share of the Net Pension Liability	\$ 58,076,560	\$ 65,770,874	\$ 81,330,171
Authority's Covered-Employee Payroll	\$ 18,285,992	\$ 18,659,176	\$ 17,266,026
Authority's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	317.60%	352.49%	471.04%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability**	48.72%	38.21%	31.20%

\* Amounts presented for each year were determined as of June 30.  
 Schedule will be completed through results of subsequent years' activity.

\*\*Plan-wide (State and Local) total percentage.



MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 2,163,845	\$ 2,557,184	\$ 2,518,947
Contribution in Relation to Contractually Required Contribution	<u>\$ (2,163,845)</u>	<u>\$ (2,557,184)</u>	<u>\$ (2,518,947)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's Proportionate Share of the Payroll	\$ 18,285,992	\$ 18,659,176	\$ 17,266,026
Contributions as a percentage of Covered Employee Payroll	11.83%	13.70%	14.59%

\* Amounts presented for each year were determined as of June 30.  
 Schedule will be completed through results of subsequent years' activity.

**MIDDLESEX COUNTY IMPROVEMENT AUTHORITY**  
**MIDDLESEX COUNTY, NEW JERSEY**

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**DECEMBER 31, 2016**

The following information is as abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2016, dated March 14, 2017. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

**PERS**

Changes in benefit terms: None

Changes in assumptions:

For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually, For 2014, the discount rate was 5.39%.

**MIDDLESEX COUNTY IMPROVEMENT AUTHORITY**

**MIDDLESEX COUNTY, NEW JERSEY**



**PART IV**

**OTHER SUPPLEMENTARY SCHEDULES AND DATA**

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

GOLF COURSE OPERATIONS  
 SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	YEAR ENDED DEC. 31, 2016	YEAR ENDED DEC. 31, 2015
Revenues:		
Green Fees	\$ 1,678,625.00	\$ 1,846,242.00
Registration Fees	145,320.00	150,995.00
Golf Gift Packages	1,550.00	300.00
Gift Certificates	180.00	60.00
Other Fees	60.00	90.00
Tee Time Reservations	46,002.00	53,975.00
Hand Cart Rental	8,489.60	10,242.40
Golf Cart Rental	401,353.92	435,630.16
Golf Club Rental	944.35	1,000.45
Merchandise	4,978.07	5,738.51
Range Balls	54,236.00	55,389.60
Locker Rental	336.48	280.40
Rent/Concessions	36,941.08	50,364.88
Contributed Capital	-	285,000.00
Interest Income	64.12	47.16
County Subsidy	1,599,641.82	456,575.04
Gain on Sale of Fixed Assets	18,827.38	44,352.58
Miscellaneous	264.99	384.86
	<u>3,997,814.81</u>	<u>3,396,668.04</u>
Total Revenues		
Expenditures:		
Salaries and Wages	1,189,704.32	1,177,835.09
Employee Benefits	422,392.87	479,950.27
Professional Services	27,009.40	71,129.40
Credit Card Sales Fees	30,504.18	34,147.17
Chemical and Fertilizers	231,917.60	213,309.47
Utilities	329,598.63	341,204.96
Amortization of Bond Issue Costs and Discount	81,238.94	77,187.10
Interest Expense	543,221.51	570,989.52
Depreciation	245,633.54	233,255.54
Reserves Cancelled	-	(164,578.59)
Miscellaneous	314,815.89	225,273.20
	<u>3,416,036.88</u>	<u>3,259,703.13</u>
Total Expenditures		
Excess of Revenues Over Expenditures	<u>\$ 581,777.93</u>	<u>\$ 136,964.91</u>

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE  
AT DECEMBER 31, 2016

ORIGINAL DATE	AMOUNT	INTEREST RATE	MATURITIES DATE	AMOUNT	BALANCE DEC. 31, 2015	ISSUED	PAID	BALANCE DEC. 31, 2016
11/01/94	\$ 8,300,000.00	9.125%	12/01/17	\$ 310,000.00	\$ 5,795,000.00	\$ -	\$ 285,000.00	\$ 5,510,000.00
		9.125%	12/01/18	340,000.00				
		9.125%	12/01/19	370,000.00				
		9.125%	12/01/20	405,000.00				
		9.125%	12/01/21	440,000.00				
		9.125%	12/01/22	485,000.00				
		9.125%	12/01/23	525,000.00				
		9.125%	12/01/24	575,000.00				
		9.125%	12/01/25	625,000.00				
		9.125%	12/01/26	685,000.00				
		9.125%	12/01/27	750,000.00				
01/01/99	24,469,076.20	5.120%	09/01/17	2,283,407.70	22,543,797.80	-	2,517,607.90	20,026,189.90
		5.120%	09/01/18	2,076,126.00				
		5.140%	09/01/19	2,669,175.30				
		5.160%	09/01/20	2,360,048.30				
		5.170%	09/01/21	2,304,172.00				
		5.170%	09/01/22	2,105,508.60				
		5.180%	09/01/23	2,058,476.80				
		5.180%	09/01/24	1,880,244.00				
		5.180%	09/01/25	1,202,545.80				
		5.180%	09/01/26	1,086,485.40				
11/15/00	6,000,000.00	5.530%	09/01/17	70,000.00	2,105,000.00	-	70,000.00	2,035,000.00
		5.530%	09/01/18	75,000.00				
		5.530%	09/01/19	80,000.00				
		5.530%	09/01/20	85,000.00				
		5.580%	09/01/21	90,000.00				
		5.580%	09/01/22	95,000.00				
		5.580%	09/01/23	100,000.00				
		5.580%	09/01/24	105,000.00				
		5.580%	09/01/25	110,000.00				
		5.580%	09/01/26	115,000.00				
		5.580%	09/01/27	125,000.00				
		5.580%	09/01/28	130,000.00				
		5.580%	09/01/29	135,000.00				
		5.580%	09/01/30	720,000.00				
11/30/01	8,800,000.00				6,695,000.00	-	6,695,000.00	-

Senior Citizen's Housing Project North  
Brunswick Taxable Guaranteed Revenue  
Bonds Series 1994

Perth Amboy Franchise Acq. Project Series 1999B

South Plainfield Senior Citizens' Housing Project-  
Borough of South Plainfield Guaranteed Bonds  
Series 2000

Middlesex County Administration Building Residential  
Rental Housing Project-Series 2001

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE  
AT DECEMBER 31, 2016

ORIGINAL DATE	AMOUNT	INTEREST RATE	MATURITIES DATE	AMOUNT	BALANCE DEC. 31, 2015	ISSUED	PAID	BALANCE DEC. 31, 2016
Perth Amboy Lease & Franchise Extension Project Series 2004	10/01/04 \$	15,933,833.75	6.340%	10/01/17 \$	133,230.10	\$	138,968.60	\$ 15,060,490.45
			6.430%	10/01/18	127,672.65			
			6.540%	10/01/20	573,868.65			
			6.580%	10/01/21	609,705.80			
			6.630%	10/01/22	742,595.40			
			6.650%	10/01/23	766,840.45			
			6.670%	10/01/24	909,845.60			
			6.670%	10/01/25	1,328,910.50			
			6.670%	10/01/26	1,498,526.20			
			6.670%	10/01/27	1,052,527.80			
			6.670%	10/01/28	944,978.80			
			6.670%	10/01/29	996,419.60			
			6.670%	10/01/30	1,248,047.90			
			6.670%	10/01/31	1,147,908.30			
			6.670%	10/01/32	1,051,545.60			
			6.670%	10/01/33	968,629.40			
			6.670%	10/01/34	959,237.70			
Heddrich Center Hotel/Conference Project, Series 2005A	01/01/05	30,000,000.00	5.000%	01/01/17	725,000.00	26,625,000.00	690,000.00	25,935,000.00
			5.000%	01/01/18	760,000.00			
			5.000%	01/01/19	800,000.00			
			5.000%	01/01/20	840,000.00			
			5.000%	01/01/21	880,000.00			
			5.000%	01/01/22	925,000.00			
			5.000%	01/01/23	975,000.00			
			5.000%	01/01/24	1,020,000.00			
			5.000%	01/01/25	1,070,000.00			
			5.000%	01/01/26	1,125,000.00			
			5.000%	01/01/27	1,180,000.00			
			5.000%	01/01/28	1,240,000.00			
			5.000%	01/01/29	1,305,000.00			
			5.000%	01/01/30	1,370,000.00			
			5.000%	01/01/31	1,435,000.00			
			5.000%	01/01/32	1,510,000.00			
			5.125%	01/01/33	1,585,000.00			
			5.125%	01/01/34	1,665,000.00			
			5.125%	01/01/35	1,750,000.00			
			5.125%	01/01/36	1,840,000.00			
			5.125%	01/01/37	1,935,000.00			

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE  
AT DECEMBER 31, 2016

ORIGINAL DATE	AMOUNT	INTEREST RATE	MATURITIES DATE	AMOUNT	BALANCE DEC. 31, 2015	ISSUED	PAID	BALANCE DEC. 31, 2016
Heldrich Center Hotel/Conference Project, Series 2005B	01/01/05 \$ 37,295,000.00	6.125%	01/01/11	\$ 45,000.00	\$ 37,295,000.00	\$ -	\$ -	\$ 37,295,000.00
		6.125%	01/01/12	100,000.00				
		6.125%	01/01/13	150,000.00				
		6.125%	01/01/14	210,000.00				
		6.125%	01/01/15	275,000.00				
		6.125%	01/01/16	340,000.00				
		6.125%	01/01/17	415,000.00				
		6.125%	01/01/18	495,000.00				
		6.125%	01/01/19	580,000.00				
		6.125%	01/01/20	670,000.00				
		6.125%	01/01/21	765,000.00				
		6.125%	01/01/22	870,000.00				
		6.125%	01/01/23	985,000.00				
		6.125%	01/01/24	1,105,000.00				
		6.125%	01/01/25	1,235,000.00				
		6.250%	01/01/26	1,370,000.00				
		6.250%	01/01/27	1,520,000.00				
		6.250%	01/01/28	1,680,000.00				
		6.250%	01/01/29	1,855,000.00				
		6.250%	01/01/30	2,035,000.00				
		6.250%	01/01/31	2,235,000.00				
		6.250%	01/01/32	2,445,000.00				
		6.250%	01/01/33	2,670,000.00				
		6.250%	01/01/34	2,910,000.00				
		6.250%	01/01/35	3,165,000.00				
		6.250%	01/01/36	3,440,000.00				
		6.250%	01/01/37	3,730,000.00				
Heldrich Center Hotel/Conference Project, Series 2005C	01/01/05 2,750,000.00	8.750%	01/01/17	5,000.00	2,750,000.00	-	-	2,750,000.00
		8.750%	01/01/18	10,000.00				
		8.750%	01/01/19	20,000.00				
		8.750%	01/01/20	25,000.00				
		8.750%	01/01/21	30,000.00				
		8.750%	01/01/22	40,000.00				
		8.750%	01/01/23	50,000.00				
		8.750%	01/01/24	60,000.00				
		8.750%	01/01/25	70,000.00				
		8.750%	01/01/26	80,000.00				
		8.750%	01/01/27	95,000.00				
		8.750%	01/01/28	110,000.00				
		8.750%	01/01/29	125,000.00				
		8.750%	01/01/30	140,000.00				
		8.750%	01/01/31	160,000.00				
		8.750%	01/01/32	180,000.00				
		8.750%	01/01/33	200,000.00				
		8.750%	01/01/34	225,000.00				
		8.750%	01/01/35	255,000.00				
		8.750%	01/01/36	280,000.00				
		8.750%	01/01/37	590,000.00				
County-Guaranteed Capital Equipment Lease Revenue Bonds Series 2006	07/15/06 \$ 7,985,000.00				\$ 185,000.00	\$ -	\$ 185,000.00	\$ -

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE  
AT DECEMBER 31, 2016

ORIGINAL DATE	AMOUNT	INTEREST RATE	MATURITIES DATE	AMOUNT	BALANCE DEC. 31, 2015	ISSUED	PAID	BALANCE DEC. 31, 2016
Heldrich Center Hotel/Conference Project Senior Revenue Bonds 2007	3,000,000.00	4.890%	01/01/17	100,000.00	2,200,000.00	-	100,000.00	2,100,000.00
		4.890%	01/01/18	100,000.00				
		4.890%	01/01/19	100,000.00				
		4.890%	01/01/20	100,000.00				
		4.890%	01/01/21	100,000.00				
		4.890%	01/01/22	100,000.00				
		4.890%	01/01/23	100,000.00				
		4.890%	01/01/24	100,000.00				
		4.890%	01/01/25	100,000.00				
		4.890%	01/01/26	100,000.00				
		4.890%	01/01/27	100,000.00				
		4.890%	01/01/28	100,000.00				
		4.890%	01/01/29	100,000.00				
		4.890%	01/01/30	100,000.00				
		4.890%	01/01/31	100,000.00				
		4.890%	01/01/32	100,000.00				
		4.890%	01/01/33	100,000.00				
		4.890%	01/01/34	100,000.00				
		4.890%	01/01/35	100,000.00				
		4.890%	01/01/36	100,000.00				
		4.890%	01/01/37	100,000.00				
County - Guaranteed Open Space Trust Fund Revenue Refunding Bonds Series 2008	29,545,000.00	5.000%	09/15/17	3,340,000.00	11,370,000.00	-	3,190,000.00	8,180,000.00
		4.000%	09/15/18	3,500,000.00				
		5.000%	09/15/19	1,340,000.00				
Middlesex Regional Educational Services Commission Projects Lease Revenue Bonds Series 2008	40,000,000.00	4.000%	12/15/17	1,240,000.00	3,715,000.00	-	1,185,000.00	2,530,000.00
		5.000%	12/15/18	1,290,000.00				
Capital Equipment and Improvement Revenue Bonds Series 2008	13,100,000.00	4.000%	09/15/17	255,000.00	1,050,000.00	-	250,000.00	800,000.00
		4.200%	09/15/18	265,000.00				
		4.300%	09/15/19	50,000.00				
		4.500%	09/15/20	55,000.00				
		4.625%	09/15/21	55,000.00				
		4.750%	09/15/22	60,000.00				
		4.800%	09/15/23	60,000.00				



MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE  
AT DECEMBER 31, 2016

ORIGINAL DATE	AMOUNT	INTEREST RATE	MAIURITIES DATE	AMOUNT	BALANCE DEC. 31, 2015	ISSUED	PAID	BALANCE DEC. 31, 2016
09/30/09	\$ 13,115,000.00	3.000%	09/15/17	\$ 260,000.00	\$ 1,945,000.00	\$ -	\$ 250,000.00	\$ 1,695,000.00
		3.000%	09/15/18	265,000.00				
		3.000%	09/15/19	275,000.00				
		3.000%	09/15/20	170,000.00				
		3.000%	09/15/21	175,000.00				
		3.125%	09/15/22	175,000.00				
		3.125%	09/15/23	185,000.00				
		3.250%	09/15/24	190,000.00				
12/18/09	4,755,000.00	3.000%	10/01/17	340,000.00	3,435,000.00	-	325,000.00	3,110,000.00
		5.000%	10/01/18	350,000.00				
		4.000%	10/01/19	370,000.00				
		3.125%	10/01/20	380,000.00				
		4.000%	10/01/21	395,000.00				
		4.000%	10/01/22	410,000.00				
		4.000%	10/01/23	425,000.00				
		4.000%	10/01/24	440,000.00				
12/23/09	40,000,000.00	4.000%	12/15/17	1,775,000.00	31,055,000.00	-	21,440,000.00	9,615,000.00
		4.000%	12/15/18	1,845,000.00				
		4.000%	12/15/19	1,920,000.00				
		4.000%	12/15/20	1,995,000.00				
		4.000%	12/15/21	2,080,000.00				
07/08/10	5,300,000.00	4.000%	09/15/17	600,000.00	2,430,000.00	-	575,000.00	1,855,000.00
		2.750%	09/15/18	620,000.00				
		4.000%	09/15/19	635,000.00				
08/06/10	5,395,000.00				1,225,000.00	-	1,225,000.00	-
09/29/11	9,595,000.00				2,020,000.00	-	2,020,000.00	-
09/21/11	46,830,000.00	5.000%	09/15/17	4,320,000.00	39,160,000.00	-	4,105,000.00	35,055,000.00
		5.000%	09/15/18	4,545,000.00				
		5.000%	09/15/19	4,765,000.00				
		5.000%	09/15/20	5,010,000.00				
		5.000%	09/15/21	5,260,000.00				
		5.000%	09/15/22	5,440,000.00				
		3.000%	09/15/23	5,715,000.00				

Capital Equipment and Improvement Revenue Bonds Series 2009

Meadows at Middlesex Golf Course Project Refunding Bonds Series 2009

County - Guaranteed Open Space Trust Refunding Bonds Series 2009

Middlesex Regional Educational Services Commission Refunding Bonds Series 2010

Youth Detention Center Lease Revenue Refunding Bonds Series 2010

Capital Equipment and Improvement Revenue Bonds Series 2011

Open Space Trust Fund Revenue Refunding Bonds Series 2011

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE  
AT DECEMBER 31, 2016

ORIGINAL DATE	AMOUNT	INTEREST RATE	MATURITIES DATE	AMOUNT	BALANCE DEC. 31, 2015	ISSUED	PAID	BALANCE DEC. 31, 2016
09/28/12	\$ 11,815,000.00	3.000%	09/15/17	\$ 2,200,000.00	\$ 5,815,000.00	\$ -	\$ 2,145,000.00	\$ 3,670,000.00
		4.000%	09/15/18	305,000.00				
		3.000%	09/15/19	320,000.00				
		3.000%	09/15/20	330,000.00				
		3.000%	09/15/21	270,000.00				
		3.000%	09/15/22	245,000.00				
06/01/13	11,875,000.00	2.000%	06/01/17	660,000.00	11,155,000.00	-	645,000.00	10,510,000.00
		2.178%	06/01/18	675,000.00				
		3.112%	06/01/19	690,000.00				
		2.776%	06/01/20	720,000.00				
		3.115%	06/01/21	740,000.00				
		3.425%	06/01/22	755,000.00				
		4.114%	06/01/23	790,000.00				
		4.299%	06/01/24	820,000.00				
		3.866%	06/01/25	860,000.00				
		4.031%	06/01/26	890,000.00				
		4.281%	06/01/27	925,000.00				
		4.716%	06/01/28	965,000.00				
		4.444%	06/01/29	1,020,000.00				
10/15/13	13,840,000.00	4.000%	10/15/17	2,620,000.00	8,920,000.00	-	2,545,000.00	6,375,000.00
		4.000%	10/15/18	2,725,000.00				
		4.000%	10/15/19	190,000.00				
		4.000%	10/15/20	200,000.00				
		4.000%	10/15/21	205,000.00				
		4.000%	10/15/22	215,000.00				
		4.000%	10/15/23	220,000.00				
05/07/14	9,385,000.00	4.000%	10/15/17	755,000.00	8,740,000.00	-	735,000.00	8,005,000.00
		4.000%	10/15/18	785,000.00				
		4.000%	10/15/19	815,000.00				
		4.000%	10/15/20	850,000.00				
		4.000%	10/15/21	880,000.00				
		5.000%	10/15/22	910,000.00				
		4.000%	10/15/23	965,000.00				
		5.000%	10/15/24	1,000,000.00				
		5.000%	10/15/25	1,045,000.00				
09/30/14	17,275,000.00	3.000%	09/15/17	3,425,000.00	13,945,000.00	-	3,360,000.00	10,585,000.00
		3.000%	09/15/18	3,530,000.00				
		3.000%	09/15/19	3,630,000.00				

Capital Equipment and Improvement Revenue Bonds Series 2012

Middlesex County Golf Courses Refunding Bonds Series 2013

Capital Equipment and Improvement Revenue Bonds Series 2013

Middlesex Regional Educational Services Commission Refunding Bonds Series 2014

Capital Equipment and Improvement Revenue Bonds Series 2014

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE  
AT DECEMBER 31, 2016

ORIGINAL DATE	AMOUNT	INTEREST RATE	MATURITIES DATE	AMOUNT	BALANCE DEC. 31, 2015	ISSUED	PAID	BALANCE DEC. 31, 2016
Middlesex Regional Educational Services Commission Refunding Bonds Series 2014A	12/30/14 \$ 30,170,000.00	3.000%	12/15/17	\$ 100,000.00	\$ 30,070,000.00	\$ -	\$ 100,000.00	\$ 29,970,000.00
		3.000%	12/15/18	100,000.00				
		4.000%	12/15/19	1,420,000.00				
		5.000%	12/15/20	1,480,000.00				
		5.000%	12/15/21	1,555,000.00				
		5.000%	12/15/22	1,635,000.00				
		5.000%	12/15/23	1,715,000.00				
		5.000%	12/15/24	1,800,000.00				
		5.000%	12/15/25	1,895,000.00				
		2.500%	12/15/26	1,960,000.00				
		5.000%	12/15/27	2,035,000.00				
		5.000%	12/15/28	2,135,000.00				
		5.000%	12/15/29	2,240,000.00				
		5.000%	12/15/30	2,350,000.00				
		3.000%	12/15/31	2,445,000.00				
		3.000%	12/15/32	2,515,000.00				
		3.125%	12/15/33	2,590,000.00				
Capital Equipment and Improvement Revenue Bonds Series 2015	09/30/15 8,080,000.00	3.000%	09/15/17	1,495,000.00	8,080,000.00	-	1,485,000.00	6,595,000.00
		3.000%	09/15/18	1,540,000.00				
		4.000%	09/15/19	1,585,000.00				
		4.000%	09/15/20	1,650,000.00				
		2.000%	09/15/21	65,000.00				
		2.000%	09/15/22	65,000.00				
		2.250%	09/15/23	65,000.00				
		2.500%	09/15/24	65,000.00				
		2.500%	09/15/25	65,000.00				
Capital Equipment and Improvement Revenue Bonds Series 2016	09/15/16 7,075,000.00	2.000%	09/15/17	1,345,000.00		7,075,000.00		7,075,000.00
		3.000%	09/15/18	1,360,000.00				
		4.000%	09/15/19	1,400,000.00				
		4.000%	09/15/20	1,460,000.00				
		4.000%	09/15/21	1,510,000.00				
Open Space Trust Fund Revenue Refunding Bonds Series 2016	12/15/16 19,160,000.00	4.000%	12/15/22	2,065,000.00	-	19,160,000.00		19,160,000.00
		4.000%	12/15/23	2,150,000.00				
		5.000%	12/15/24	2,230,000.00				
		5.000%	12/15/25	2,340,000.00				
		4.000%	12/15/26	2,455,000.00				
		4.000%	12/15/27	2,555,000.00				
		2.125%	12/15/28	2,655,000.00				
		2.125%	12/15/29	2,710,000.00				
<b>TOTAL</b>					<b>\$ 305,523,256.85</b>	<b>\$ 26,235,000.00</b>	<b>\$ 56,261,576.50</b>	<b>\$ 275,496,680.35</b>
<b>ANALYSIS OF BALANCE:</b>								
Current Bonds and Notes Payable								\$ 29,886,637.80
Long-Term Bonds Payable								245,610,042.55
Subtotal								\$ 275,496,680.35
Unamortized Refunding Gains / Losses and Bond Discounts / Premiums - Net								15,031,022.70
<b>TOTAL</b>								<b>\$ 290,527,703.05</b>

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SUPPLEMENTAL SCHEDULE OF LOANS PAYABLE  
AT DECEMBER 31, 2016

ORIGINAL DATE	AMOUNT	INTEREST RATE	MATURITIES DATE	AMOUNT	BALANCE DEC. 31, 2015	ISSUED	PAID	BALANCE DEC. 31, 2016
Heldrich Plaza/New Brunswick Project: Casino Reinvestment Development Authority Series K	4/4/05 \$ 15,000,000.00	3.821%	1/1/11	\$ 475,000.00	\$ 15,000,000.00	\$ -	\$ -	\$ 15,000,000.00
		3.821%	1/1/12	495,000.00				
		3.821%	1/1/13	515,000.00				
		3.821%	1/1/14	535,000.00				
		3.821%	1/1/15	555,000.00				
		3.821%	1/1/16	575,000.00				
		3.821%	1/1/17	595,000.00				
		3.821%	1/1/18	620,000.00				
		3.821%	1/1/19	645,000.00				
		3.821%	1/1/20	670,000.00				
		3.821%	1/1/21	700,000.00				
		3.821%	1/1/22	725,000.00				
		3.821%	1/1/23	750,000.00				
		3.821%	1/1/24	780,000.00				
		3.821%	1/1/25	810,000.00				
		3.821%	1/1/26	840,000.00				
		3.821%	1/1/27	875,000.00				
		3.821%	1/1/28	905,000.00				
		3.821%	1/1/29	940,000.00				
		3.821%	1/1/30	980,000.00				
		3.821%	1/1/31	1,015,000.00				
Casino Reinvestment Development Authority Series L	4/4/05 5,000,000.00	3.821%	1/1/11	155,000.00	5,000,000.00	-	-	5,000,000.00
		3.821%	1/1/12	165,000.00				
		3.821%	1/1/13	170,000.00				
		3.821%	1/1/14	175,000.00				
		3.821%	1/1/15	180,000.00				
		3.821%	1/1/16	190,000.00				
		3.821%	1/1/17	195,000.00				
		3.821%	1/1/18	205,000.00				
		3.821%	1/1/19	215,000.00				
		3.821%	1/1/20	225,000.00				
		3.821%	1/1/21	235,000.00				
		3.821%	1/1/22	245,000.00				
		3.821%	1/1/23	250,000.00				
		3.821%	1/1/24	260,000.00				
		3.821%	1/1/25	270,000.00				
		3.821%	1/1/26	280,000.00				
		3.821%	1/1/27	290,000.00				
		3.821%	1/1/28	305,000.00				
		3.821%	1/1/29	315,000.00				
		3.821%	1/1/30	330,000.00				
		3.821%	1/1/31	345,000.00				
					\$ 20,000,000.00	\$ -	\$ -	\$ 20,000,000.00

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

ROSTER OF OFFICIALS  
AS AT DECEMBER 31, 2016

<u>AUTHORITY MEMBERS</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>	<u>AMOUNT OF SURETY</u>
Leonard J. Roseman	Chairman	01/31/16	\$ 250,000
Robert J. Mantz	Vice Chairperson	01/31/17	\$ 250,000
Anthony Raczynski	Secretary-Treasurer	01/31/19	\$ 250,000
Richard Zangara	Member (appointed 9-14-16)	01/31/18	\$ 250,000
Paul Abbey	Member (appointed 9-14-16)	01/31/20	\$ 250,000

OTHER OFFICIALS

H. James Polos	Executive Director (appointed 10-17-16)	\$ 250,000
Lory L. Cattano	Chief Financial Officer	\$ 350,000

SURETY COMPANY

Western Surety Company

**MIDDLESEX COUNTY IMPROVEMENT AUTHORITY**  
**MIDDLESEX COUNTY, NEW JERSEY**



**PART V**  
**GENERAL COMMENTS AND RECOMMENDATIONS**

**MIDDLESEX COUNTY IMPROVEMENT AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY  
FOR THE YEAR ENDED DECEMBER 31, 2016**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Middlesex County Improvement Authority, County of Middlesex, New Jersey, for the year ended December 31, 2016, has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Finance Department of the Middlesex County Improvement Authority, County of Middlesex, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

CONTROL DEFICIENCIES

Segregation of Duties

Conditions exist in limited circumstances where the same individual may initiate investment transactions and may also reconcile detail investment records with the general ledger control accounts. In addition, also in limited circumstances, conditions exist where the same individual may receive, deposit and record check or cash receipt transactions.

This condition is the result of staffing limitations and multiple tasks that may be performed by the same individual within this office.

OTHER MATTERS

Contracts and Agreements Required to  
be Advertised for N.J.S.A. 40A:11-4 and Payment of Claims

N.J.S.A. 40A:11-4 states "every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost of the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate of \$17,500.00 under which a contract may be awarded without public advertising. Furthermore, if the Authority's Purchasing Agent is "Qualified", the Authority may increase the bid threshold to \$36,000.00.

## GENERAL COMMENTS

### OTHER MATTERS

#### Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 and Payment of Claims (Cont'd.)

On September 28, 2016, the Local Public Contracts Law was amended, effective on July 1, 2016. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$36,000.00 to \$40,000.00 under which a contract may be awarded without public advertising for those governmental entities that have appointed a Qualified Purchasing Agent.

The Authority Members and the Executive Director of the Middlesex County Improvement Authority have the responsibility of determining whether the expenditures in any category will exceed the thresholds cited above during the fiscal year. Where question arises as to whether any contract or agreement might result in violation of this statute, the Authority Counsel's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Examination of expenditures revealed that no individual payments in excess of the thresholds cited above "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement were made.

Upon inquiry of officials responsible for the purchases of materials, supplies, equipment, etc., for the Authority in relation to the Local Public Contracts Laws regarding the solicitation of quotations when the cost is 15% or more of the bid threshold, monitoring of change orders, quantities and unit prices of contracts, it was indicated procedures are presently in place for compliance with the applicable regulations.

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

#### Condition of Records - Finance Department

The Authority maintains a computerized general ledger accounting system for the processing of its financial transactions. The Department of Finance provided a general ledger trial balance and unaudited balance sheet and income and loss statements to be utilized as the basis for financial statement presentation and reporting. The information processing system provides the general ledger reporting capabilities within the finance office. This information is supported by electronic spreadsheets, which are also utilized to transition the general ledger into financial statement reporting.



## GENERAL COMMENTS

### OTHER MATTERS

#### Investments

The Authority's funds were invested in interest bearing investments or accounts during 2016. The Board adopted the 2016 cash management plan at its 2016 reorganization meeting.

#### Internal Control Documentation

An internal control document was formally adopted by action of the governing body, in order to meet requirements as set forth by Statement on Auditing Standards 112. The documentation utilizes the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. The document also provides for the internal controls over grant compliance.

#### Insurance Coverage

Insurance policies in force were provided for review and are on file at the Authority's main office. No attempt was made to determine the adequacy of coverage as part of this report.

RECOMMENDATIONS

None

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ACKNOWLEDGMENT

During the course of our engagement we received the complete cooperation of the various officials and employees of the Authority, and the courtesies extended to us were greatly appreciated.

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA  
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