

**MIDDLESEX COUNTY
IMPROVEMENT AUTHORITY**

**COUNTY OF MIDDLESEX
NEW JERSEY**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

HODULIK & MORRISON, P.A.

A division of PKF O'Connor Davies

CERTIFIED PUBLIC ACCOUNTANTS

REGISTERED MUNICIPAL ACCOUNTANTS

CRANFORD, N.J.

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY
For the years ended December 31, 2019 and 2018

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**MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY
For the years ended December 31, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Middlesex County Improvement Authority, County of Middlesex, New Jersey (the "Authority") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with the audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Middlesex County Improvement Authority, County of Middlesex, New Jersey, as of December 31, 2019 and 2018 and the respective 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 principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, 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 basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Middlesex County Improvement Authority's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements.

The accompanying other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting record used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

opinion, the other supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2020, 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 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.
A division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants

Andrew G. Hodulik
Andrew G. Hodulik
Registered Municipal Accountant
No. 406

December 29, 2020
Cranford, New Jersey

**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 Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Middlesex County Improvement Authority, County of Middlesex, State of New Jersey (the "Authority") as of December 31, 2019, and the related notes to the financial statements, which collectively comprise the Middlesex County Improvement Authority's basic financial statements and have issued our report thereon dated December 29, 2020.

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* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
A Division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants

December 29, 2020
Cranford, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
December 31, 2019**

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, 2019. Please read it in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Operating revenues on a budgetary basis were \$45,995,313 (Schedule IV) for the year ended December 31, 2020. This is a \$565,844, or a 1.25 % increase, from the previous year.
- Investments decreased \$16,120,551, or a 61% decrease over last year.
- Capital Assets – Net decreased to \$81,775,848 in 2019. This is a \$3,711,457 decrease over last year.
- Total Debt and Debt-Related Liabilities decreased \$18,852,196 or a 6% decrease from last year.
- Net Position decreased by \$10,519,471 or -4% 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. 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 **Statements of Net Position** includes all of the Authority's assets, deferred outflows, liabilities, and deferred inflows 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 **Statements 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 **Statements 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, deferred outflows and liabilities, deferred inflows – 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.

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.

Supplemental Schedule IV shows that, on a budgetary basis, the Authority realized an unfavorable variance of \$4,670,567 on budgeted expenses of \$54,569,000 for the period ended December 31, 2019. As shown by the reconciliation of the budgetary basis to GAAP on page 2 of the schedule, the most significant adjustments required to adjust to the budgetary basis are:

- Add Unrecorded Pension and OPEB Expenses
- Eliminate Maturing Bond Principal from Expenses
- Add Unrecorded Depreciation and Amortization Expenses.

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

NET POSITION

The Authority's total net position decreased from last year by 4% due to the operating loss. 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,			2019-2018 INCREASE(DECREASE)		2018-2017 INCREASE(DECREASE)	
	2019	2018	2017 Restated	\$	%	\$	%
Assets:							
Current and Other Assets	\$ 239,104,756	\$ 284,771,034	\$ 362,236,268	\$ (45,666,278)	-16%	\$ (77,465,234)	-21%
Capital Assets	81,775,848	85,487,305	87,657,377	(3,711,457)	-4%	(2,170,072)	-2%
Total Assets	320,880,604	370,258,339	449,893,645	(49,377,735)	-13%	(79,635,306)	-18%
Deferred Outflows of Resources	41,123,316	12,880,242	20,524,152	28,243,074	219%	(7,643,910)	-37%
Current Liabilities	40,086,138	40,992,999	38,539,556	(906,861)	-2%	2,453,443	6%
Long-term Debt/Other Liabilities	546,144,808	559,351,829	667,473,787	(13,207,021)	-2%	(108,121,958)	-16%
Total Liabilities	586,230,946	600,344,828	706,013,343	(14,113,882)	-2%	(105,668,515)	-15%
Deferred Inflows of Resources	46,437,843	42,939,150	41,503,723	3,498,693	8%	1,435,427	3%
Net Assets							
Invested in Capital Assets, Net of Debt	(16,713,246)	(10,849,322)	(8,995,046)	(5,863,924)	-54%	(1,854,276)	21%
Restricted	-	8,996	4,128	(8,996)	-100%	4,868	118%
Unrestricted	(253,951,623)	(249,305,072)	(268,108,350)	(4,646,551)	-2%	18,803,278	7%
Total Net Position	\$ (270,664,869)	\$ (260,145,398)	\$ (277,099,268)	\$ (10,519,471)	-4%	\$ 16,953,870	6%

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**

	DECEMBER 31,			2019-2018		2018-2017	
	2019	2018	2017 Restated	INCREASE(DECREASE) \$	%	INCREASE(DECREASE) \$	%
REVENUES							
Operating Revenues:							
Financing/Administrative Fees \$	273,060	\$ 282,077	\$ 217,387	\$ (9,017)	-3%	\$ 64,690	30%
Roosevelt Care Center Facilities	34,955,503	34,853,923	35,961,577	101,580	0%	(1,107,654)	-3%
Recycling Operations	8,306,131	8,140,298	7,781,422	165,833	2%	358,876	5%
Golf Course Operations	2,460,619	2,153,171	2,228,135	307,448	14%	(74,964)	-3%
Open Space Reimbursement	-	-	399,196	-	-	(399,196)	-100%
Total Operating Revenues	45,995,313	45,429,469	46,587,717	565,844	1%	(1,158,248)	-2%
Operating Expenses:							
Administrative	8,623,706	9,540,624	9,840,323	(916,918)	-10%	(299,699)	-3%
Cost of Providing Services	48,604,101	45,833,285	45,894,435	2,770,816	6%	(61,150)	0%
Depreciation	1,739,944	1,628,254	1,288,300	111,690	7%	339,954	26%
Total Operating Expenses	58,967,751	57,002,163	57,023,058	1,965,588	3%	(20,895)	0%
Net Non-Operating Revenues (Expenses)	2,452,967	28,526,563	(909,036)	(26,073,596)	-91%	29,435,599	-3238%
Increase (Decrease) in Net Position	\$ (10,519,471)	\$ 16,953,870	\$ (11,344,377)	\$ (27,473,341)	-162%	\$ 28,298,247	-249%

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 \$2,452,967 relative to the change in net position in the previous year was reported for fiscal year ended December 31, 2019.

REVENUES:

Table A-2 shows "Total Revenues" increased by \$565,844 or 1% to \$45,995,313 for fiscal year ended December 31, 2019 up from \$45,429,469 for fiscal year ended December 31, 2018.

EXPENSES:

A further review of Table A-2 reveals that "Total Operating Expenses" increased by \$1,965,588 for the fiscal year ended December 31, 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2019, The Authority had \$81,775,848 net invested in a capital assets, which consist of leasehold improvements, vehicles and equipment. Accumulated depreciation amounted to \$54,692,304 as of December 31, 2019.

The following table summarizes the Authority's capital assets and changes therein for the years ended December 31, 2019, 2018, and 2017. 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,			2019-2018 INCREASE(DECREASE)		2018-2017 INCREASE(DECREASE)	
	2019	2018	2017	\$	%	\$	%
Furniture and Fixtures	\$ 6,377,708	\$ 6,366,782	\$ 6,599,249	\$ 10,926	0%	\$ (232,467)	-4%
Machinery & Equipment	2,865,111	2,869,698	3,041,239	(4,587)	0%	(171,541)	-6%
Vehicles	397,384	352,615	304,327	44,769	13%	48,288	16%
Leasehold Improvements	4,167,009	4,117,183	3,728,620	49,826	1%	388,563	10%
Recreation Equipment	822,364	833,720	956,880	(11,356)	-1%	(123,160)	-13%
Golf Courses	6,292,903	6,213,589	5,837,380	79,314	1%	376,209	6%
Buildings	22,155,990	22,120,032	22,061,519	35,958	0%	58,513	0%
Heldrich Center	93,389,683	93,339,683	93,289,683	50,000	0%	50,000	0%
	<u>\$ 136,468,152</u>	<u>\$ 136,213,302</u>	<u>\$ 135,818,897</u>	<u>\$ 254,850</u>	<u>0%</u>	<u>\$ 394,405</u>	<u>0%</u>

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.

BASIC FINANCIAL STATEMENTS

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY

STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	<u>BALANCE DEC. 31, 2019</u>	<u>BALANCE DEC. 31, 2018</u>	<u>LIABILITIES</u>	<u>BALANCE DEC. 31, 2019</u>	<u>BALANCE DEC. 31, 2018</u>
Current Assets:			Current Liabilities		
Cash and Cash Equivalents	\$ 8,829,431	\$ 8,804,048	Accounts Payable	\$ 4,367,025	\$ 1,216,357
Accounts Receivable	1,621,137	833,323	Accrued Expenses	223,854	174,661
Due from Municipalities and Participants	974,432	1,000,414	Total Current Liabilities	<u>4,590,879</u>	<u>1,391,018</u>
Interest Receivable	-	1,090	Non-Current Liabilities		
Prepaid Expenses	-	3,417	Reserve for COBRA/Workers Comp Insurance	505,511	459,757
Total Current Assets	<u>11,425,000</u>	<u>10,642,292</u>	Total Non-Current Liabilities	<u>505,511</u>	<u>459,757</u>
Noncurrent Assets:			Current Liabilities Payable from Restricted Assets		
Restricted Assets			Revenue Bonds Payable	30,153,917	31,779,175
Cash and Cash Equivalents	21,994,546	31,015,246	Accrued Expenses	1,155,608	2,403,629
Investments	10,437,544	26,558,095	Reserve for Special RCC Funds	606,822	561,137
Accounts Receivable	3,724,022	5,107,712	Prepaid Lease Payments	429,525	446,725
Patient Fees Receivable	4,085,436	4,351,854	Deferred Revenue	-	1,640
Interest Receivable	571,320	734,490	Accrued Interest on Bonds	571,320	734,490
Loans Receivable	81,750,000	85,130,000	Accounts Payable	2,578,067	3,675,185
Inventory	147,458	161,084	Total Current Liabilities Payable from Restricted Assets	<u>35,495,259</u>	<u>39,601,981</u>
Net Investment in Perth Amboy Utility Franchise Lease	14,799,588	14,794,588	Noncurrent Liabilities:		
Net Investment in Capital Lease and Improvement Programs (Unearned Income of \$(1,669,339) and \$1,666,967, respectively)	90,169,842	106,275,673	Revenue Bonds Payable	246,650,022	263,876,960
Total Restricted Assets	<u>227,679,756</u>	<u>274,128,742</u>	Loan Payable-CRDA	20,000,000	20,000,000
Capital Assets (Net)	<u>81,775,848</u>	<u>85,487,305</u>	Due to County-CIP Participation	1,292,977	1,330,405
Total Noncurrent Assets	<u>309,455,604</u>	<u>359,616,047</u>	Accrued Post-Employment Health Benefits Liability	220,611,288	184,394,168
			Net Pension Liability	40,783,711	46,522,243
			Reserve for Proceeds, Acq. Funds and Refunding Escrows	265,803	20,667,633
			Reserve for Unearned Revenue - Bond Funds	-	3,326
			Funds Held in Trust:		
			Heldrich Hotel/Conference Ctr. Project	11,423,444	9,441,622
			South Plainfield Housing Project	265,353	233,574
			North Brunswick Senior Citizen Housing Project	1,711,290	1,556,245
			New Brunswick Cultural Center Project	267,577	3,597,415
			Middlesex County Educational Services Commission	48,047	5,053,426
			Perth Amboy Lease & Franchise Ext. Project	2,319,785	2,215,055
			Total Noncurrent Liabilities	<u>545,639,297</u>	<u>558,892,072</u>
			Total Liabilities	<u>586,230,946</u>	<u>600,344,828</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Amount on Net Pension Liability	6,205,739	9,536,713	Deferred Amount on Net Pension Liability	22,912,627	24,430,344
Deferred Amount on OPEB Liability	34,917,577	3,343,528	Deferred Amount on OPEB Liability	23,525,216	18,508,806
Total Deferred Outflows of Resources	<u>41,123,316</u>	<u>12,880,241</u>	Total Deferred Inflows of Resources	<u>46,437,843</u>	<u>42,939,150</u>
			<u>NET POSITION</u>		
			Invested in Capital Assets, Net of Related Debt	(16,713,246)	(10,849,322)
			Restricted for:		
			Unemployment Insurance	-	8,995
			Unrestricted	(253,951,623)	(249,305,071)
			Total Net Position	<u>(270,664,869)</u>	<u>(260,145,398)</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 362,003,920</u>	<u>\$ 383,138,580</u>	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>362,003,920</u>	<u>\$ 383,138,580</u>

Note: See Notes to Financial Statements

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>YEAR ENDED</u> <u>DEC. 31, 2019</u>	<u>YEAR ENDED</u> <u>DEC. 31, 2018</u>
Operating Revenues:		
Financing/Administrative Fees	\$ 273,060	\$ 282,077
Roosevelt Care Center Facilities	34,955,503	34,853,923
Curbside/Yardwaste Pick Up	4,183,789	4,265,370
Recycling Operations	4,122,342	3,874,928
Golf Course Operations	<u>2,460,619</u>	<u>2,153,171</u>
Total Operating Revenues	<u>45,995,313</u>	<u>45,429,469</u>
Operating Expenses:		
Administrative	8,623,706	9,540,624
Cost of Providing Services	48,604,101	45,833,285
Depreciation	<u>1,739,944</u>	<u>1,628,254</u>
Total Operating Expenses	<u>58,967,751</u>	<u>57,002,163</u>
Operating Income (Loss)	<u>(12,972,438)</u>	<u>(11,572,694)</u>
Non-Operating Revenues (Expenses):		
Interest Income	119,013	55,365
Lease Revenues	9,345,000	11,830,000
Local Subsidy & Donations	11,638,475	13,291,908
Reserve for SUI	-	8,996
Receivables/Reserves/Payables-Cancelled	1,117,176	(440,249)
Interest on Bonds	(9,950,818)	(12,366,632)
Sale of Assets	52,871	(1,245)
Depreciation-Heldrich Hotel/Conference Ctr. Proj.	(2,334,742)	(2,333,492)
OPEB Expense and Inflow/Outflow Amortization	(9,659,481)	16,318,342
Net Pension Liability Adjustment	622,788	1,852,868
Miscellaneous	<u>1,502,685</u>	<u>310,703</u>
Net Non-Operating Revenues (Expenses)	<u>2,452,967</u>	<u>28,526,564</u>
Income (Loss) Before Contributions and Transfers	(10,519,471)	16,953,870
Total Net Position - Beginning	<u>(260,145,398)</u>	<u>(277,099,268)</u>
Total Net Position - Ending	<u>\$ (270,664,869)</u>	<u>\$ (260,145,398)</u>

Note: See Notes to Financial Statements

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY
 STATEMENTS OF CASH FLOWS
FOR THE CALENDAR YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>YEAR ENDED</u> <u>DEC. 31, 2019</u>	<u>YEAR ENDED</u> <u>DEC. 31, 2018</u>
Cash Flows from Operating Activities:		
Cash Received from:		
Cash Received from Customers	\$ 46,883,589	\$ 45,784,579
Cash Payments for Operating Services	<u>(58,497,239)</u>	<u>(51,921,692)</u>
Net Cash Flows from Operating Activities	<u>(11,613,650)</u>	<u>(6,137,113)</u>
Cash Flows from Non-Capital Financing Activities:		
Receivables/Reserves/Payables-Cancelled	-	(440,249)
Other Non-Operating Income	1,502,685	310,703
County Subsidy and Sale Proceeds	11,638,475	13,291,908
SUI Reserve	<u>-</u>	<u>8,996</u>
Net Cash Provided by Non-Capital Financing Activities	<u>13,141,160</u>	<u>13,171,358</u>
Cash Flows from Capital and Related Financing Activities:		
Activities:		
Principal Paid on Revenue Bond Maturities/ Long Term Debt Maturities	(26,889,175)	(29,108,799)
Interest Paid on Bonds/Other	(768,988)	(690,870)
Proceeds Bond Sale (Net)	9,530,000	8,650,000
Loan Payments Received	3,380,000	3,300,000
Bond Issue Costs (Net)	(1,493,021)	648,691
Net Investment in Bond Projects	<u>(10,375,109)</u>	<u>(43,748,675)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(26,616,293)</u>	<u>(60,949,653)</u>

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY
 STATEMENTS OF CASH FLOWS
FOR THE CALENDAR YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>YEAR ENDED</u> <u>DEC. 31, 2019</u>	<u>YEAR ENDED</u> <u>DEC. 31, 2018</u>
Cash Flows from Investing Activities:		
Acquisition and Constr. Of Capital Assets	(310,358)	(1,792,918)
Purchase/Redemption of Investments (Net)	16,120,551	30,748,779
Interest on Investments and Deposits	<u>283,273</u>	<u>208,979</u>
Net Cash Flows from Investing Activities	<u>16,093,466</u>	<u>29,164,840</u>
Change in Cash and Cash Equivalents	(8,995,317)	(24,750,568)
Cash and Cash Equivalents, Beginning of Year	<u>39,819,294</u>	<u>64,569,862</u>
Cash and Cash Equivalents, End of Year	<u>\$ 30,823,977</u>	<u>\$ 39,819,294</u>
Reconciliation to Statements of Net Position:		
Current Cash and Cash Equivalents	\$ 8,829,431	\$ 8,804,048
Noncurrent Restricted Cash and Cash Equivalents	<u>21,994,546</u>	<u>31,015,246</u>
Cash and Cash Equivalents, End of Year	<u>\$ 30,823,977</u>	<u>\$ 39,819,294</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating Income	\$ (12,972,438)	\$ (11,572,693)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Income:		
Depreciation and Amortization	1,739,944	1,628,254
Non-operating portion of change in pension accrual	(3,302,487)	-
Cancellation of County Payable	1,117,176	-
Change in Operating Assets and Liabilities:		
Receivables/Deposits	888,276	2,112,551
Prepaid Expenses	3,417	
Inventory	13,626	(23,140)
Accounts Payable/Other Liabilities	<u>898,836</u>	<u>1,717,915</u>
Total Adjustments	<u>1,358,788</u>	<u>5,435,580</u>
Net Cash Flows from Operating Activities	<u>\$ (11,613,650)</u>	<u>\$ (6,137,113)</u>

Note: See Notes to Financial Statements

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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 –
2008 Series through 2019 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.

1. GENERAL (CONT'D)

Middlesex County Educational Services Commission Project – Series 2010, 2014 and 2017

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.

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 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.

1. GENERAL (CONT'D)

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.

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

The Authority issued bonds in the amount of \$6,000,000 in connection with the project. Total sources of funds, net of the \$3,275,000 of interim financing included in the \$6,000,000 are expected to be \$12,114,650. The Bonds matured on September 1, 2003 and thereafter, excluding the interim financing of \$3,275,000 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.

New Brunswick Cultural Center Project –
Series 2017

The proceeds of the sale of the Series 2017 Bonds were loaned to the Cultural Center Redevelopment Associates Urban Renewal LLC (“Borrower”), in accordance with a Loan/Grant Agreement, dated as of September 7, 2017, by and between the Authority and the Borrower, to be used by the Borrower, together with other available funds, to: (i) finance a portion of the costs of the development and construction by the Borrower and it assigns of a multi-story building (“Tower”) to be built on the current site of the George Street Playhouse and Crossroads Theater in the City of New Brunswick, New Jersey, which Tower will be comprised of (I) two state-of-the art theaters and rehearsal space in the lower portion of the Tower, (II) approximately 200 rental apartments, including an affordable component, in the upper portion of the Tower, and (III) approximately 30,000 square feet of office space for use by the County; (ii) fund capitalized interest on the Series 2017 Bonds; and (iii) pay the costs and expenses incurred by the Authority, the Borrower and the County in connection with the issuance of the Series 2017 Bonds.

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.

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.

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

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

Implementation of Statement No. 75 of the Government Accounting Standards Board ("GASB 75")

The Authority adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, ("OPEB Benefits") during the fiscal year ended December 31, 2018. The objective of this Statement is to improve the accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for postemployment benefits other than pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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.

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

C. Net Position (Cont'd)

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.

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.

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

I. Disclosures about Fair Value of Financial Instruments (Cont'd)

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.

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 other postemployment health benefit 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 and other postemployment health benefit 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.

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

N. Reporting of and Disclosures About OPEB Liabilities

The financial statements include information relating to the OPEB liabilities of the employer defined benefit retiree welfare plan (health benefits for retirees) in which the Authority participates, including information presented in these notes to the financial statements and the accompanying required supplementary information.

O. Recent Accounting Standards

In June 2017, the GASB issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority has not yet completed the process of evaluating the impact of GASB 87 on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2020. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Authority has determined that GASB 91 will not impact its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics and the majority of topics are effective for fiscal years beginning after June 15, 2020. The Authority has not yet completed the process of evaluating the impact of GASB 92 on its financial statements.

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.

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 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, 2019 and 2018, the bank value of the Authority's cash and cash equivalents were \$30,205,269 and \$67,893,107, respectively. With respect to amounts on deposit at December 31, 2019, of the cash and cash equivalents, \$1,103,706 was covered by federal depository insurance, \$19,476,306 was covered under the provisions of NJGUDPA, and \$9,625,257 was on deposit at U.S. Bank, a non-NJGUDPA institution.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The types of securities which are permitted investments for Authority funds are established by New Jersey Statutes and the Authority's approved investment policy. All funds of the Authority may be invested in obligations of, or guaranteed by, the United States Government. In addition, certain funds of the Authority may be invested in: obligations of agencies of the U.S. government; obligations of, or guaranteed by, the State of New Jersey; collateralized certificates of deposit and repurchase agreements;

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

commercial paper; and other securities which shall be authorized for the investment of funds in the custody of the Treasurer of the State of New Jersey.

The following is a description of the valuation methodologies used for instruments measured at fair value:

- U.S. treasuries and agencies are valued at quoted price reported on the active market
- Repurchase agreements are valued using prices based on bid evaluations or quoted prices in an inactive market.
- Certificates of deposit are valued at amortized cost, which approximates fair value.

As of December 31, 2019 and 2018, the Authority had the following recurring fair value measurements using current sale prices (Level 1) or sale prices of comparable securities (Level 2 inputs) and using net asset value (NAV) per share valuation for Money Market Mutual Funds for investments and cash equivalents, and maturities:

	Level 1	Level 2	Level 3	Total
<u>December 31, 2019</u>				
U.S. Government Securities	\$ -	\$ 446,770	\$ -	\$ 446,770
U.S. Treasury Notes	-	4,040,292	-	4,040,292
Repurchase Agreement	-	2,036,219	-	2,036,219
Certificates of Deposit	-	3,914,263	-	3,914,263
Total Investments	<u>\$ -</u>	<u>\$ 10,437,544</u>	<u>\$ -</u>	<u>\$ 10,437,544</u>
	Level 1	Level 2	Level 3	Total
<u>December 31, 2018</u>				
U.S. Treasury Notes	\$ -	\$ 4,040,292	\$ -	\$ 4,040,292
Repurchase Agreement	-	2,036,219	-	2,036,219
Certificates of Deposit	-	20,481,585	-	20,481,584
Total Investments	<u>\$ -</u>	<u>\$ 26,558,096</u>	<u>\$ -</u>	<u>\$ 26,558,095</u>

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

In accordance with Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40), the Authority has assessed the Custodial Credit Risk, the Concentration of Credit Risk, 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, 2019 and 2018, the carrying amount is \$10,437,544 and \$26,558,095, respectively, and the fair market value is \$10,517,291 and \$26,015,091, respectively. 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	\$6,397,252
6 to 10	2,446,908
11 to 15	<u>1,593,384</u>
	<u>\$10,437,544</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, 2019, the carrying amount is \$2,036,219 and the fair market value is also \$2,043,154. 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

	2019	2018
The Authority's bonds payable at December 31, 2019 and 2018 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.	\$ 4,490,000	\$ 4,860,000
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%	12,997,481	15,666,656
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	1,810,000	1,890,000
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%	14,799,588	14,799,588
Heldrich Hotel/Conference Project Revenue Bonds, Series 2005, maturing serially through 2037, at interest rates from 4.95% to 8.75%	63,695,000	64,495,000
Heldrich Center Hotel/Conference Project Senior Revenue Bonds, Series 2007, maturing serially through 2037, at an interest rate of 4.890 %	1,800,000	1,900,000
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%	-	1,340,000
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%	230,000	280,000
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%	895,000	1,170,000
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%	2,050,000	2,420,000
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	4,075,000	5,995,000

4. BONDS, NOTES AND LOANS PAYABLE	2019	2018
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%	\$ -	\$ 635,000
Open Space Trust Fund Refunding Revenue Bonds, \$46,830,000, Series 2011, County-Guaranteed, maturing serially through 2023, at interest rates from 3.000% to 5.00%	21,425,000	26,190,000
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%	845,000	1,165,000
Middlesex County Golf Courses Revenue Refunding Bonds, Series 2013, County-Guaranteed, maturing serially through 2029, at interest rates from 2.000% to 4.716%	8,485,000	9,175,000
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%	840,000	1,030,000
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%	5,650,000	6,465,000
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%	-	3,630,000
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%	28,350,000	29,770,000
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%	1,975,000	3,560,000
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%	2,970,000	4,370,000
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	19,160,000
Capital Equipment and Improvement Revenue Bonds \$10,915,000, Series 2017, County-Guaranteed, maturing serially through 2027, at interest rates from 3.000% to 4.00%	7,180,000	9,075,000
Educational Services Commission of New Jersey Revenue Refunding Bonds, \$13,170,000. Series 2017, County-Guaranteed, maturing serially through 2037, at interest rates from 3.000% to 5.000%	13,020,000	13,080,000

4. BONDS, NOTES AND LOANS PAYABLE	2019	2018
New Brunswick Cultural Center Project County-Guaranteed, Series 2017, maturing serially through 2029, at an interest rate of 5.000%	\$ 28,430,000	\$ 28,430,000
Capital Equipment and Improvement Revenue Bonds \$8,650,000, Series 2018, County-Guaranteed, maturing serially through 2025, at interest rate of 4.000%	7,140,000	8,650,000
Capital Equipment and Improvement Revenue Bonds \$9,530,000, Series 2019, County-Guaranteed, maturing serially through 2029, at interest rate of 4.000%	<u>9,530,000</u>	<u>-</u>
Subtotal - Bonds and Notes Payable	<u>\$ 261,842,069</u>	<u>\$ 279,201,244</u>
<u>Loans Payable:</u>		
Casino Reinvestment Development Authority Loans - 2005 payable serially 2011 through 2031 at 3.821% interest rate	\$ 15,000,000 <u>5,000,000</u>	\$ 15,000,000 <u>5,000,000</u>
Subtotal Loans Payable	<u>20,000,000</u>	<u>20,000,000</u>
Subtotal Bonds, Notes and Loans Payable	281,842,069	299,201,244
Unamortized Deferred Refunding Gains/Losses and Bond Discounts/Premiums - N	<u>14,961,870</u>	<u>16,454,891</u>
Total Debt and Debt Related Liabilities	<u>\$ 296,803,939</u>	<u>\$ 315,656,135</u>

4. BONDS, NOTES AND LOANS PAYABLE

The principal maturities and interest due on bonds, notes and loans payable at December 31, 2019 are as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019 and prior	\$ 9,305,000	\$ -	\$ 9,305,000
2020	28,403,917	16,075,111	44,479,028
2021	27,783,878	15,264,942	43,048,820
2022	27,098,104	15,295,458	42,393,562
2023	26,075,317	13,277,165	39,352,482
2024	19,315,090	12,172,298	31,487,388
Subtotal	<u>137,981,306</u>	<u>72,084,974</u>	<u>210,066,280</u>
2025	17,436,456	9,747,531	27,183,987
2026	16,405,012	8,896,255	25,301,267
2027	15,617,528	4,869,977	20,487,505
2028	15,239,979	4,118,608	19,358,587
2029	16,036,420	3,456,009	19,492,429
Subtotal	<u>80,735,395</u>	<u>31,088,380</u>	<u>111,823,775</u>
2030	9,903,048	2,780,362	12,683,410
2031	9,542,908	2,311,599	11,854,507
2032	8,496,546	1,929,439	10,425,985
2033	8,838,629	1,547,993	10,386,622
2034	6,624,237	1,145,671	7,769,908
Subtotal	<u>43,405,368</u>	<u>9,715,064</u>	<u>53,120,432</u>
2035	6,055,000	807,719	6,862,719
2036	6,470,000	441,054	6,911,054
2037	7,195,000	19,245	7,214,245
Subtotal	<u>19,720,000</u>	<u>1,268,018</u>	<u>20,988,018</u>
Grand Total	<u>\$ 281,842,069</u>	<u>\$ 114,156,436</u>	<u>\$ 395,998,505</u>

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>2019</u>	<u>2018</u>
Total minimum lease payment to be received	\$ 91,839,181	\$ 104,608,706
unearned income	<u>(1,669,339)</u>	<u>1,666,967</u>
Net investment in capital lease and improvement programs	<u>\$ 90,169,842</u>	<u>\$ 106,275,673</u>
Future minimum lease payments receivable:		
<u>Year</u>	<u>Amount</u>	
2020	\$ 20,550,892	
2021	18,378,821	
2022	16,317,318	
2023	14,608,064	
2024	5,498,000	
Thereafter	<u>14,816,747</u>	
	<u>\$ 90,169,842</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. 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.

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

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 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, 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 at Middlesex 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, 2018 is reported at (\$16,713,246).

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

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).

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital Assets That Are Being Depreciated:				
Furniture and Fixtures	\$ 6,366,782	\$ 48,284	\$ (37,358)	\$ 6,377,708
Machinery and Equipment	2,869,698	38,613	(43,200)	2,865,111
Vehicles	352,615	61,234	(16,465)	397,384
Leasehold Improvements	4,117,183	49,826	-	4,167,009
Recreation Equipment	833,720	-	(11,356)	822,364
Golf Courses	6,213,589	79,314	-	6,292,903
Buildings	22,120,032	35,958	-	22,155,990
Heldrich Center	93,339,683	50,000	-	93,389,683
Totals at Historical Cost	<u>136,213,302</u>	<u>363,229</u>	<u>(108,379)</u>	<u>136,468,152</u>
Less Accumulated Depreciation for:				
Furniture and Fixtures	(5,565,173)	(20,264)	37,358	(5,548,079)
Machinery and Equipment	(1,077,644)	(302,061)	43,200	(1,336,505)
Vehicles	(218,239)	(20,926)	16,465	(222,700)
Leasehold Improvements	(3,179,526)	(164,906)	-	(3,344,432)
Recreation Equipment	(379,897)	(151,700)	11,356	(520,241)
Golf Courses	(557,111)	(269,509)	-	(826,620)
Buildings	(12,453,625)	(810,578)	-	(13,264,203)
Heldrich Center	(27,294,782)	(2,334,742)	-	(29,629,524)
Total Accumulated Depreciation	<u>(50,725,997)</u>	<u>(4,074,686)</u>	<u>108,379</u>	<u>(54,692,304)</u>
Total Capital Assets being Depreciated (Net of Accumulated Depreciation)	<u>\$ 85,487,305</u>	<u>\$ (3,711,457)</u>	<u>\$ -</u>	<u>\$ 81,775,848</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
Golf Courses	5 years
Buildings	10-25 years
Heldrich Center	40 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 MCI 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 \$4,085,436 and \$4,351,854 for the years 2019 and 2018, 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), 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, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Public Employee Retirement System

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 other jurisdiction's pension fund.

9. PENSION PLANS (CONT'D)

Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefits	178,748	174,904
Inactive plan members entitled to but not yet receiving benefits	609	589
Active plan members	<u>252,598</u>	<u>254,780</u>
Total	<u>431,955</u>	<u>430,273</u>
Contributing Employers –	1,697	1,708

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

For the year ended December 31, 2019 and 2018 the Authority's total and covered payroll for all employees was \$15,614,831 and \$15,870,604. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Commission to active employees covered by the Plan.

Specific Contribution Requirements and Benefit Provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contributions are based on an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. 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.

9. PENSION PLANS (CONT'D)

It is assumed that the Local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution while the State will contribute 70% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 70% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2019 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2019 for all State administered retirement systems.

In accordance with Chapter 98, P.L. 2017, PERS receives 21.02% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

The Authority's contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. The Authority's payments to PERS during the years ending December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Total Regular Billing	\$2,358,601	\$2,391,421

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007;
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008;
3	Members who were eligible 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, to tier 3 and 4 members 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.

9. PENSION PLANS (CONT'D)

Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the PERS reported a net pension liability of \$18,143,832,135 for its Non-State Employer Member Group. The Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$40,783,711 or 0.226344%, which was a decrease of 0.009936% from its proportion measured as of June 30, 2019.

At June 30, 2018, the PERS reported a net pension liability of \$19,689,501,539 for its Non-State Employer Member Group. The Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$46,522,243 or 0.236279%.

The following presents a summary of the proportionate share of the Authority changes in the collective deferred outflows of resources and deferred inflows of resources attributable to the Authority for the year ended June 30, 2019 and 2018:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expensed and actual experience	\$ 732,014	\$ 180,164
Changes of assumptions	4,072,403	14,155,897
Net difference between projected and actual investment earnings on pension plan investments		643,787
Changes in proportion	300,493	7,932,779
Authority contributions subsequent to the measurement date	1,100,829	-
	<u>\$ 6,205,739</u>	<u>\$ 22,912,627</u>
	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expensed and actual experience	\$ 887,186	\$ 239,884
Changes of assumptions	7,666,095	14,875,339
Net difference between projected and actual investment earnings on pension plan investments		436,381
Changes in proportion	983,432	8,878,740
Authority contributions subsequent to the measurement date	-	
	<u>\$ 9,536,713</u>	<u>\$ 24,430,344</u>

9. PENSION PLANS (CONT'D)

\$1,100,829 is reflected above as deferred outflows of resources related to PERS resulting from Authority contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS will be recognized as a reduction of the net pension liability as follows:

Year ended December 31,	Amount
2020	\$ (2,972,116)
2021	(6,685,013)
2022	(5,335,115)
2023	(2,586,454)
2024	(229,019)
Total	<u>\$ (17,807,717)</u>

Actuarial Assumptions- The total pension liability in the June 30, 2019 and June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>June 30, 2019</u>	
Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 - 6.00%
	based on years of service
Thereafter	3.00 - 7.00%
	based on years of service
Investment rate of return	7.00%
 <u>June 30, 2018</u>	
Inflation	2.25%
Salary Increases (2012 - 2021)	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and a 101.4% adjustment for females, with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 97.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

9. PENSION PLANS (CONT'D)

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions, 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 rate of return (expected returns, net of pension plans 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 and 2018 are summarized in the following tables:

2019		
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

9. PENSION PLANS (CONT'D)

2018		
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
Absolute Return/Risk Mitigation	5.00%	5.51%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%

Discount Rate – The discount rate used to measure the total pension liability as of June 30, 2018 was 5.66% and as of June 30, 2019 was 6.28%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 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 based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 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 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:

9. PENSION PLANS (CONT'D)

June 30, 2019

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
PERS	\$51,516,454	\$ 40,783,711	\$31,739,854

June 30, 2018

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
PERS	\$58,496,359	\$ 46,522,243	\$36,476,724

Plan Fiduciary Net Position – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2019 and 2018 were \$29,847,977,666 and \$29,472,374,536, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2019 and 2018 was \$23,347,631,751 and \$22,742,071,972, respectively.

Additional information

Collective Local Group balances at June 30, 2019 are as follows:

Collective deferred outflows of resources	\$ 3,149,522,616
Collective deferred inflows of resources	7,645,087,574
Collective net pension liability	18,143,832,135
Authority's Proportion	0.226344%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2019 and 2018 was \$974,471,686 and \$1,099,708,157, respectively. The average of the expected remaining service lives of all plan members is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

State Contribution Payable Dates

Prior to July 1, 2018 valuation, it is assumed the State will make pension contributions the June 30th following the valuation date. Effective with the July 1, 2018 valuation Chapter 83 P.L. 2017 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30.

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

The Authority provides health benefits through the Middlesex County Joint Health Insurance Fund to certain retirees and their dependents, as follows:

Retired employees pay the full cost of coverage under the Plan, in most cases. However, the former employer may assume that cost if the retired employee meets certain requirements. If the retired employee is paying the full cost of coverage, the monthly premiums will be billed to such retired employee on a monthly basis or as otherwise established by the Middlesex County Joint Health Insurance Fund. The Plan Sponsor has agreed to pay retiree coverage if:

1. the retiree receives retirement benefits from a State of New Jersey administered retirement system; and,
2. he or she has 25 or more years of service credited in that retirement system or was a participant in a State of New Jersey Early Retirement Incentive Program; or
3. he or she retired on an approved disability retirement (regardless of years of service) in that retirement system;
4. the employer has agreed to pay for coverage of a surviving spouse of a retiree who qualified under the provision listed above until the retiree's death.

At December 31, 2019, approximately 173 retirees, representing the Authority and Roosevelt Care Center, were receiving non-contributory health coverage benefits at an estimated annual cost to the County of approximately \$3,899,302.

At December 31, 2018, approximately 150 retirees, representing the Authority and Roosevelt Care Center, were receiving non-contributory health coverage benefits at an estimated annual cost to the County of approximately \$3,659,813.

The Authority participates in the Middlesex County Joint Health Insurance Fund (MCJHIF), an agent multiple-employer current and postemployment 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 Authority.

The contribution requirements of plan members and the participating agencies are established and may be amended by the MCJHIF Commissioners. The Authority's annual postemployment benefit (OPEB) cost (expense) is calculated based on amounts actuarially determined in accordance with the parameters of GASB Statement 75.

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

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.

Benefits projections for financial reporting purposes are based on the substantive plan and includes 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.

On June 2, 2015, the Governmental Accounting Standards Board (GASB) approved a new accounting and financial reporting Statement related to other postemployment benefits (OPEB) for state and local governments. Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, applies to state and local government employers that sponsor OPEB plans. It replaces Statement No. 45 and requires governments to report a liability on the face of their financial statements for the OPEB provided. For defined benefit OPEB, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Employees covered by benefit terms:

At December 31, 2018, the following employees were covered by the benefit terms:

Active employees	332
Retirees	<u>173</u>
	<u>505</u>

Summary of Postretirement Welfare (Health) Benefits:

A. Eligibility

Premium Free -

Post-retirement medical benefits are provided to employees who:

Retire with 25 years of service in the New Jersey State Retirement System;

Retire under a disability retirement;

Were members in the retirement system as of August 29, 1985 and were forced to retire by

mandatory retirement at age 55 with less than 25 years of service.

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

Direct Bill –

Employees who do not meet the above requirements and retire after age 60 may purchase coverage for themselves and their dependents through direct billing.

Dependents –

Dependents of Premium Free and Direct Bill retirees are covered until the death of the retiree.

Dependent spouses may continue coverage through direct billing upon the death of the retiree.

B. Medical Benefits

Medical benefits are provide through plans offered by the Middlesex County Joint Health Insurance Fund. Summaries of these plans are included in Appendix 4. Retirees can change plans at Open Enrollment. Members who become Medicare eligible must enroll in Medicare Part A and Part B in order to maintain eligibility for coverage. The Authority reimburses Part B premiums for retirees with 25 years of service.

C. Death

No death benefits are provided for retirees.

D. Dental

Dental benefits are available until age 65 or for 18 months, whichever comes first, for retirees to purchase. Retirees pay 100% of the premium.

E. Contributions

Current retirees and dependents are not required to contribute toward the cost of the postretirement medical and prescription drug coverage. All costs are paid 100% by the Authority. Any employee who retirees after satisfying the eligibility requirements who had less than 15 years of service in PERS as of June 28, 2011, shall be required to contribute toward the cost of postretirement healthcare benefits. The retiree contributions are based on a percentage of the postretirement healthcare cost. The contribution percentages vary based on healthcare coverage tier and amount of PERS or PFRS pension amounts.

F. Medicare

The Authority reimburses retirees with 25 years of service for Medicare Part B premium charges. The Authority receives a subsidy from Medicare for providing prescription drug coverage to retirees.

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

Changes in the Total OPEB Liability	<u>2019</u>	<u>2018</u>
Total OPEB liability at beginning of year	\$ 184,394,138	\$198,751,142
Changes for the year:		
Service cost	4,027,273	4,730,104
Interest cost	7,645,343	7,057,797
Benefits payments	(3,899,302)	(3,659,813)
Actuarial assumption changes	38,905,643	(22,210,568)
Actuarial demographic (gain) of loss	<u>(10,461,807)</u>	<u>(274,524)</u>
Net Changes	<u>204,710,366</u>	<u>(224,171,951)</u>
Total OPEB liability at end of year	<u>\$ 220,611,288</u>	<u>\$ 184,394,138</u>
Changes in plan fiduciary net position during year	<u>2019</u>	<u>2018</u>
Fair value of plan assets at beginning of year	\$ -	\$ -
Changes for the year:		
Employer contributions	3,899,302	3,659,813
Benefit payments	<u>(3,899,302)</u>	<u>(3,659,813)</u>
Net Changes	<u>-</u>	<u>-</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability at end of year	<u>\$ 220,611,288</u>	<u>\$ 184,394,138</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%
Covered-employee payroll	\$19,732,360	\$16,147,781
Total OPEB liability as a percentage of covered-employee payroll	1118.02%	1141.92%

Total employer contributions for the retiree plan were for benefit payments and there were no fiduciary plan assets at the beginning or end of the year.

Benefit assumptions are based upon blended plan rates to produce annual composite rates. The per capita cost for Medicare Part B premium for 2019 and 2018 is \$1,735 and \$1,626, respectively. Salary increases are scheduled at 3% per year. Retiree contributions assumes the cost for current Premium Free retirees and their dependents is 100% paid by the Authority prior to the application of Chapter 78. Direct Bill retirees and their dependents pay 100% of the costs to continue medical coverage.

In accordance with local Finance Notice 2007-15 issued by the New Jersey Department of Community Affairs, the County demographic and health care assumptions utilized are consistent with the assumptions used by the New Jersey Division of Pensions and Benefits and the State Health Benefits Plan as reported in their July 1, 2016 Actuarial Valuation to value the GASB obligations.

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

Changes since prior valuation – The mortality assumption was revised from the RP-2014 (headcount-weighted) with Scale MP-2018 to the PUB-2010 (headcount-weighted) with Scale MP-2019 to reflect the latest mortality study published by the Society of Actuaries and the discount rate was decreased from 4.10% to 2.75% to reflect current market rates.

The assumption for the plan used the “20-Bond GO Index” to establish a discount rate of 3.50% at December 31, 2017, 4.10% at December 31, 2018 and 2.75% at December 31, 2019. Inflation is assumed at 2.5% per year.

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the Authority, as well as what the Authority’s total OPEB liability would be if it were calculated using a discount rate that is 1-percent-point lower or 1-percent-point higher than the current discount rate:

	December 31, 2019		
	1% Decrease (1.75%)	At Discount Rate (2.75%)	1% Increase (3.75%)
Total Net OPEB Liability	\$ 264,326,477	\$ 220,611,288	\$ 186,106,311

	December 31, 2018		
	1% Decrease (3.10%)	At Discount Rate (4.10%)	1% Increase (5.10%)
Total Net OPEB Liability	\$ 218,740,752	\$ 184,394,168	\$ 157,077,817

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:

The following presents the total OPEB liability of the Authority, as well as what the Authority’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percent-point lower or 1-percent-point higher than the current healthcare cost trend rates:

	December 31, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	\$ 181,548,150	\$ 220,611,288	\$ 271,774,074

	December 31, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	\$ 151,814,287	\$ 184,394,168	\$ 226,554,990

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB

At December 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2019	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes of assumptions	\$ 35,100,593	\$ 14,807,044
Difference between expected and actual experience	<u>(183,016)</u>	<u>8,718,172</u>
	<u>\$ 34,917,577</u>	<u>\$ 23,525,216</u>
	December 31, 2018	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes of assumptions	\$ 3,572,298	\$ 18,508,806
Difference between expected and actual experience	<u>(228,770)</u>	<u>-</u>
	<u>\$ 3,343,528</u>	<u>\$ 18,508,806</u>

Deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:

Year ending	Amount
2019	\$ 1,886,197
2020	1,886,197
2021	1,886,199
2022	993,127
2023	4,740,641
Thereafter	<u>-</u>
Total	<u>\$ 11,392,361</u>

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

The actuarial cost method used to determine the plan's cost is the Entry Age Normal Cost Method. Under the entry age normal cost method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The Service Cost is the portion of this actuarial present value allocated to a valuation year. The Total Pension Liability is the portion of this actuarial present value not provided for at the valuation date by the actuarial present value of future service costs. The plan is currently unfunded.

Actuarial Assumptions and Other Inputs:

The total OPEB liability as of June 30, 2019 and 2018 was determined by an actuarial valuation as of June 30, 2018 and 2017, which was rolled forward to June 30, 2019 and 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary Increase	3.00% per year

Mortality:

Pre-Retirement: U.S. Public Pension Plan Mortality (2010) Headcount-Weighted Healthy Employee Male/Female Mortality Projected with Scale MP-2019

Post-Retirement: U.S. Public Pension Plan Mortality (2010) Headcount-Weighted Healthy Employee Male/Female Mortality Projected with Scale MP-2019

Disabled: U.S. Public Pension Plan Mortality (2010) Headcount-Weighted Healthy Employee Male/Female Mortality Projected with Scale MP-2019

The valuation results are based on a valuation date of January 1, 2019, a reporting date of December 31, 2019 and a measurement date of December 31, 2019.

100% of active members are considered to participate in the Plan upon retirement.

Healthcare Trend Assumptions:

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

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

Discount Rate:

The discount rate for December 31, 2019 and 2018 was 2.75% and 4.10%, respectively. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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, 2019 and 2018, the Authority has accrued \$456,462 and \$554,962, respectively, 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.

13. RISK MANAGEMENT (CONT'D)

The Commissioners assessed the following participants for 2019 and 2018, as follows:

	<u>2019</u>	<u>2018</u>
County College	\$372,899	\$371,334
Board of Social Services	61,723	60,259
County Improvement Authority	<u>128,055</u>	<u>121,826</u>
	<u>\$562,677</u>	<u>\$553,419</u>

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, 2019 and 2018, was as follows:

Limits of Insurance:	<u>2019</u>	<u>2018</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	1,000,000	750,000

The activity as reported within the Self-Insurance Fund reserves (unaudited) for the year ended December 31, 2019 was as follows:

	Balance December 31, 2018	Increases to Reserves	Decreases to Reserves	Balance December 31, 2019
Self-Insurance Fund	\$1,946,134	\$4,613,030	\$4,819,352	\$1,739,812

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 3,472 and 4,517 retirees, cobra participants and active employees as of December 31, 2019 and 2018, 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.

13. RISK MANAGEMENT (CONT'D)

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.

Changes in the MCJHIF's fund balance for each fund year at December 31, 2019 and 2018 are as follows:

Fund Fiscal <u>Year</u>	<u>At December 31,</u>	
	2019 Fund/Surplus (Deficit) <u>Balance</u>	2018 Fund/Surplus (Deficit) <u>Balance</u>
2019	\$12,517,750	
2018	17,589,540	\$16,959,195
2017		3,750,701

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, 2019 and 2018.

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, 2019, the administrator has established an estimated reserve requirement

13. RISK MANAGEMENT (CONT'D)

for reported claims in the amount of \$505,511. The Authority has provided reserves at December 31, 2019 for a portion of the estimated claims along with providing additional funding in the Authority's 2020 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 is 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>2019</u>	<u>2018</u>
Total Unrestricted Net Position	(\$253,951,623)	(\$249,305,071)
As Adjusted by:		
Net Pension Liability, Deferred Inflows/Outflows	57,490,599	61,415,874
OPEB Liability, Deferred Inflows/Outflows	<u>209,218,927</u>	<u>199,559,446</u>
Total Unrestricted Net Position - Budgetary	<u>\$12,757,903</u>	<u>\$11,670,249</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, 2019, the Authority has signed agreements with contractors to perform certain services related to the following projects:

	<u>Amount</u>
Yard Waste Program	\$1,242,500/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, 2023. Monthly base rents were \$10,386 for the period January 1, 2019 through July 31, 2019, \$10,622 for the period of August 1, 2019 through December 31, 2019, for a total rent expense of \$125,810 for 2019. Monthly base rents were \$11,566 for the period January 1, 2018 through July 31, 2018, \$10,386 for the period of August 1, 2018 through December 31, 2018, for a total rent expense of \$132,887 for 2018.

Upcoming lease payments for the remainder of the lease term are as follows:

<u>Year Ended</u> <u>December 31,</u>	
2020	\$ 128,643
2021	131,475
2022	134,308
2023	79,310
	<u>\$ 473,736</u>

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, 2019, the Authority does not believe that any material liabilities will result from such audits.

17. SUBSEQUENT EVENTS

Subsequent to year end, the COVID-19 (coronavirus) pandemic has resulted in substantial economic volatility on a global scale. As a result, the Authority's economically sensitive revenues (i.e. financing/administrative fees, recycling operations, golf course operations, county subsidies) might be negatively impacted. Collection rates accounts receivables might be slowed as unemployment rates are expected to spike. Meanwhile, the Authority's expenditures for safety and health service functions and pension benefits (due to stock market declines) would all be expected to increase sharply. None of these

17. SUBSEQUENT EVENTS (CONT'D)

factors were taken into consideration in the development of the fiscal year 2020 adopted budget. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the Authority's financial position at this time.

Additionally, effective January 1, 2020, the Authority executed an agreement transition the operations and management of the golf courses to the County Of Middlesex. As part of this agreement, the golf course revenues and expenditures will be retained by the County and no longer included in the Authority's financial statements. The debt associated with the golf courses will remain with the responsibility of the Authority.

Finally, during the January 14, 2020 meeting, the Authority approved an agreement between the, Middlesex County Improvement Authority, The County of Middlesex, And Barnabas Health Inc. D/B/A RWJBH Corporate Services, Inc. for the operations and management Services at The Roosevelt Care Centers in Old Bridge and Edison, N.J.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE 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>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Authority's Proportion of the Net Pension Liability	0.310193%	0.292992%	0.274605%	0.255240%	0.236279%	0.226344%
Authority's Proportionate Share of the Net Pension Liability	\$ 58,076,560	\$ 65,770,874	\$ 81,330,171	\$ 59,415,817	\$ 46,522,243	\$ 40,783,711
Authority's Covered-Employee Payroll	\$ 18,285,992	\$ 18,659,176	\$ 17,266,026	\$ 16,442,695	\$ 15,870,604	\$ 15,614,831
Authority's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	317.60%	352.49%	471.04%	361.35%	293.13%	261.19%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability**	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019.

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY

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

Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually Required Contribution	\$ 2,163,845	\$ 2,557,184	\$ 2,518,947	\$ 2,453,206	\$ 2,391,421	\$ 2,358,601
Contribution in Relation to Contractually Required Contribution	\$ (2,163,845)	\$ (2,557,184)	\$ (2,518,947)	\$ (2,453,206)	\$ (2,391,421)	\$ (2,358,601)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Proportionate Share of the Payroll	\$ 18,285,992	\$ 18,659,176	\$ 17,266,026	\$ 16,442,695	\$ 15,870,604	\$ 15,614,831
Contributions as a percentage of Covered Employee Payroll	11.83%	13.70%	14.59%	14.92%	15.07%	15.10%

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE AUTHORITY'S
NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years*

	2019	2018
Total OPEB Liability		
Service cost	\$ 4,027,273	\$ 4,730,104
Interest cost	7,645,343	7,057,797
Benefit payments	(3,899,302)	(3,659,813)
Actuarial assumption changes	38,905,643	(22,210,568)
Actuarial demographic (gain) or loss	(10,461,807)	(274,524)
Net change in total OPEB liability	36,217,150	(14,357,004)
Total OPEB liability - beginning	184,394,138	198,751,142
Total OPEB liability - ending (a)	\$ 220,611,288	\$ 184,394,138
Plan fiduciary net position	\$ -	\$ -
Contributions - employer	\$ 3,899,302	\$ 3,659,813
Benefit payments	(3,899,302)	(3,659,813)
Net change in fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -
Authority's net OPEB liability - ending (a) - (b)	\$ 220,611,288	\$ 184,394,138
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%
Covered-employee payroll	19,732,360	16,147,781
Total OPEB liability as a percentage of covered-employee payroll	1118.02%	1141.92%

* Schedule will be completed through results of subsequent years' activity

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.10% as of December 31, 2018 to 2.75% as of December 31, 2019.

OTHER SUPPLEMENTARY INFORMATION

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY

SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
(BUDGETARY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Operating Revenues:				
Financing/Administrative Fees:				
Capital Lease Programs	\$ 88,263	\$ 273,060	\$ 80,642	\$ 282,077
Roosevelt Care Centers (Resident Fees)	32,259,746	34,955,503	33,642,101	34,853,923
Golf Course Operations	2,447,525	2,460,619	2,148,025	2,153,171
Recycling Operations	8,425,000	8,306,131	7,721,358	8,140,298
Total Operating Revenues	43,220,534	45,995,313	43,592,126	45,429,469
Non-Operating Revenues:				
Interest Income	61,348	119,013	-	55,365
Local Subsidy & Donations	9,963,475	11,638,475	11,136,975	13,291,908
Other Non-Operating Revenues	1,323,643	1,502,685	340,799	310,703
Total Non-Operating Revenues	11,348,466	13,260,173	11,477,774	13,657,976
Total Revenues - Budgetary	\$ 54,569,000	\$ 59,255,486	\$ 55,069,900	\$ 59,087,445
Operating Expenses:				
Administration:				
Salary and Wages:				
General Operations	\$ 627,396	\$ 654,661	\$ 437,400	\$ 492,254
Golf Course Operations	150,468	85,054	602,000	626,463
Roosevelt Care Centers	1,243,439	1,244,017	713,432	1,306,687
Fringe Benefits:				
General Operations	700,529	672,664	546,822	504,654
Golf Course Operations	84,456	83,705	177,895	170,572
Roosevelt Care Centers	4,022,089	4,008,160	3,965,668	4,008,596
Other Expenses:				
General Operations	64,876	9,483	1,010,973	16,717
Golf Course Operations	87,081	86,795	477,605	689,523
Roosevelt Care Centers	1,763,701	1,779,167	1,977,296	1,725,158
Total Administration	8,744,035	8,623,706	9,909,091	9,540,624
Cost of Providing Services:				
Salary and Wages:				
General Operations	205,975	216,777	192,600	187,299
Golf Course Operations	139,786	142,087	942,500	944,339
Roosevelt Care Centers	17,701,957	17,691,087	17,122,378	17,316,294
Fringe Benefits:				
General Operations	88,295	83,904	88,440	85,753
Golf Course Operations	108,152	112,941	322,848	310,316
Roosevelt Care Centers	10,973,230	10,854,774	10,689,323	11,059,968
Other Expenses:				
General Operations	6,783,788	6,414,741	5,491,736	5,837,135
Golf Course Operations	775,342	3,066,684	1,147,511	833,468
Roosevelt Care Centers	7,096,693	10,021,106	10,296,658	9,258,713
Total Cost of Providing Services	43,873,218	\$ 48,604,101	\$ 46,293,994	\$ 45,833,285

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY

SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
(BUDGETARY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
Principal Payments on Debt Service in Lieu of Depreciation -				
General Operations	37,073	37,073	30,399	30,399
Golf Course Operations	1,112,322	1,071,697	1,074,091	1,074,091
Roosevelt Care Centers	297,172	297,172	286,693	286,693
Total Principal Payments on Debt Service	<u>1,446,567</u>	<u>1,405,942</u>	<u>1,391,183</u>	<u>1,391,183</u>
Total Operating Expenses	<u>54,063,820</u>	<u>58,633,749</u>	<u>57,594,268</u>	<u>56,765,092</u>
Non-Operating Expenses:				
Interest Expense on Debt -				
General Operations	6,068	6,068	3,630	3,630
Golf Course Operations	453,393	554,031	488,550	488,550
Roosevelt Care Centers	45,719	45,719	44,452	44,452
Total Non-Operating Expenses:	<u>505,180</u>	<u>605,818</u>	<u>536,632</u>	<u>536,632</u>
Total Expenses - Budgetary	<u>54,569,000</u>	<u>\$ 59,239,567</u>	<u>\$ 58,130,900</u>	<u>\$ 57,301,724</u>

Reconciliation of Budgetary Basis to Change in Net Position:

Budgetary Revenues over Expenses	\$ 15,919	\$ 1,785,721
Adjustments to Budgetary Basis:		
Lease Revenues	9,345,000	11,830,000
Interest Expense	(9,345,000)	(11,830,000)
Depreciation Expense	(1,739,944)	(1,628,254)
Depreciation Expense-Heldrich Hotel/Conference Ctr.	(2,334,742)	(2,333,492)
Bond Principal-Roosevelt Care Centers	37,073	286,693
Bond Principal-Golf Courses	1,071,697	1,074,091
Bond Principal-General Operations	297,172	30,399
Receivables/Reserves/Payable-Cancelled	1,117,176	(440,249)
Net Pension Liability	622,788	1,852,868
OPEB Liability	(9,659,481)	16,318,342
Gain/(Loss) on Sale of Assets	52,871	(1,245)
Reserve - Unemployment Insurance	-	8,996
Total Adjustments	<u>(10,535,390)</u>	<u>15,168,149</u>
Change in Net Position	<u>\$ (10,519,471)</u>	<u>\$ 16,953,870</u>

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2019

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2018</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2019</u>							
Senior Citizen's Housing Project North Brunswick Taxable Guaranteed Revenue Bonds Series 1994	11/01/94	\$ 8,300,000	9.125%	12/01/20	405,000	\$ 4,860,000	\$ -	\$ 370,000	\$ 4,490,000							
			9.125%	12/01/21	440,000											
			9.125%	12/01/22	485,000											
			9.125%	12/01/23	525,000											
			9.125%	12/01/24	575,000											
			9.125%	12/01/25	625,000											
			9.125%	12/01/26	685,000											
			9.125%	12/01/27	750,000											
Perth Amboy Franchise Acq. Project Series 1999B	01/01/99	24,469,075	5.160%	09/01/20	2,360,048	15,666,656	-	2,669,175	12,997,481							
			5.170%	09/01/21	2,304,172											
			5.170%	09/01/22	2,105,509											
			5.180%	09/01/23	2,058,477											
			5.180%	09/01/24	1,880,244											
			5.180%	09/01/25	1,202,546											
			5.180%	09/01/26	1,086,485											
South Plainfield Senior Citizens' Housing Project- Borough of South Plainfield Guaranteed Bonds Series 2000	11/15/00	6,000,000	5.530%	09/01/20	85,000	1,890,000	-	80,000	1,810,000							
			5.580%	09/01/21	90,000											
			5.580%	09/01/22	95,000											
			5.580%	09/01/23	100,000											
			5.580%	09/01/24	105,000											
			5.580%	09/01/25	110,000											
			5.580%	09/01/26	115,000											
			5.580%	09/01/27	125,000											
			5.580%	09/01/28	130,000											
			5.580%	09/01/29	135,000											
			5.580%	09/01/30	720,000											
			Perth Amboy Lease & Franchise Extension Project Series 2004	10/01/04	15,933,834					6.540%	10/01/20	573,869	14,799,588	-	-	14,799,588
										6.580%	10/01/21	609,706				
6.630%	10/01/22	742,595														
6.650%	10/01/23	766,840														
6.670%	10/01/24	909,846														
6.670%	10/01/25	1,328,911														
6.670%	10/01/26	1,498,526														
6.670%	10/01/27	1,052,528														
6.670%	10/01/28	944,979														
6.670%	10/01/29	996,420														
6.670%	10/01/30	1,248,048														
6.670%	10/01/31	1,147,908														
6.670%	10/01/32	1,051,546														
6.670%	10/01/33	968,629														
6.670%	10/01/34	959,237														

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2019

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2018</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2019</u>
Heldrich Center Hotel/Conference Project, Series 2005A	01/01/05	\$ 30,000,000	5.000%	01/01/20	840,000	\$ 24,450,000	\$ -	\$ 800,000	\$ 23,650,000
			5.000%	01/01/21	880,000				
			5.000%	01/01/22	925,000				
			5.000%	01/01/23	975,000				
			5.000%	01/01/24	1,020,000				
			5.000%	01/01/25	1,070,000				
			5.000%	01/01/26	1,125,000				
			5.000%	01/01/27	1,180,000				
			5.000%	01/01/28	1,240,000				
			5.000%	01/01/29	1,305,000				
			5.000%	01/01/30	1,370,000				
			5.000%	01/01/31	1,435,000				
			5.000%	01/01/32	1,510,000				
			5.125%	01/01/33	1,585,000				
			5.125%	01/01/34	1,665,000				
			5.125%	01/01/35	1,750,000				
			5.125%	01/01/36	1,840,000				
			5.125%	01/01/37	1,935,000				
Heldrich Center Hotel/Conference Project, Series 2005B	01/01/05	37,295,000	6.125%	01/01/11	45,000	37,295,000	-	-	37,295,000
			6.125%	01/01/12	100,000				
			6.125%	01/01/13	150,000				
			6.125%	01/01/14	210,000				
			6.125%	01/01/15	275,000				
			6.125%	01/01/16	340,000				
			6.125%	01/01/17	415,000				
			6.125%	01/01/18	495,000				
			6.125%	01/01/19	580,000				
			6.125%	01/01/20	670,000				
			6.125%	01/01/21	765,000				
			6.125%	01/01/22	870,000				
			6.125%	01/01/23	985,000				
			6.125%	01/01/24	1,105,000				
			6.125%	01/01/25	1,235,000				
			6.250%	01/01/26	1,370,000				
			6.250%	01/01/27	1,520,000				
			6.250%	01/01/28	1,680,000				
			6.250%	01/01/29	1,855,000				
			6.250%	01/01/30	2,035,000				
			6.250%	01/01/31	2,235,000				
			6.250%	01/01/32	2,445,000				
			6.250%	01/01/33	2,670,000				
			6.250%	01/01/34	2,910,000				
			6.250%	01/01/35	3,165,000				
			6.250%	01/01/36	3,440,000				
			6.250%	01/01/37	3,730,000				

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

Schedule V

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2019

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2018</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2019</u>
Heldrich Center Hotel/Conference Project, Series 2005C	01/01/05	\$ 2,750,000	8.750%	01/01/17	\$ 5,000	\$ 2,750,000	\$ -	\$ -	\$ 2,750,000
			8.750%	01/01/18	10,000				
			8.750%	01/01/19	20,000				
			8.750%	01/01/20	25,000				
			8.750%	01/01/21	30,000				
			8.750%	01/01/22	40,000				
			8.750%	01/01/23	50,000				
			8.750%	01/01/24	60,000				
			8.750%	01/01/25	70,000				
			8.750%	01/01/26	80,000				
			8.750%	01/01/27	95,000				
			8.750%	01/01/28	110,000				
			8.750%	01/01/29	125,000				
			8.750%	01/01/30	140,000				
			8.750%	01/01/31	160,000				
			8.750%	01/01/32	180,000				
			8.750%	01/01/33	200,000				
			8.750%	01/01/34	225,000				
			8.750%	01/01/35	255,000				
		8.750%	01/01/36	280,000					
		8.750%	01/01/37	590,000					
Heldrich Center Hotel/Conference Project Senior Revenue Bonds 2007	05/11/07	3,000,000	4.890%	01/01/20	100,000	1,900,000	-	100,000	1,800,000
			4.890%	01/01/21	100,000				
			4.890%	01/01/22	100,000				
			4.890%	01/01/23	100,000				
			4.890%	01/01/24	100,000				
			4.890%	01/01/25	100,000				
			4.890%	01/01/26	100,000				
			4.890%	01/01/27	100,000				
			4.890%	01/01/28	100,000				
			4.890%	01/01/29	100,000				
			4.890%	01/01/30	100,000				
			4.890%	01/01/31	100,000				
			4.890%	01/01/32	100,000				
			4.890%	01/01/33	100,000				
			4.890%	01/01/34	100,000				
			4.890%	01/01/35	100,000				
			4.890%	01/01/36	100,000				
		4.890%	01/01/37	100,000					
County - Guaranteed Open Space Trust Fund Revenue Refunding Bonds Series 2008	09/15/08	29,545,000				1,340,000	-	1,340,000	-
Capital Equipment and Improvement Revenue Bonds Series 2008	12/12/08	13,100,000	4.500%	09/15/20	55,000	280,000	-	50,000	230,000
			4.625%	09/15/21	55,000				
			4.750%	09/15/22	60,000				
			4.800%	09/15/23	60,000				

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2019

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2018</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2019</u>
Capital Equipment and Improvement Revenue Bonds Series 2009	09/30/09	\$ 13,115,000	3.000%	09/15/20	170,000	\$ 1,170,000	\$ -	\$ 275,000	\$ 895,000
			3.000%	09/15/21	175,000				
			3.125%	09/15/22	175,000				
			3.125%	09/15/23	185,000				
			3.250%	09/15/24	190,000				
Meadows at Middlesex Golf Course Project Refunding Bonds Series 2009	12/18/09	4,755,000	3.125%	10/01/20	380,000	2,420,000	-	370,000	2,050,000
			4.000%	10/01/21	395,000				
			4.000%	10/01/22	410,000				
			4.000%	10/01/23	425,000				
			4.000%	10/01/24	440,000				
County - Guaranteed Open Space Trust Refunding Bonds Series 2009	12/23/09	40,000,000	4.000%	12/15/20	1,995,000	5,995,000	-	1,920,000	4,075,000
			4.000%	12/15/21	2,080,000				
Middlesex Regional Educational Services Commission Refunding Bonds Series 2010	07/08/10	5,300,000				635,000	-	635,000	-
Open Space Trust Fund Revenue Refunding Bonds Series 2011	09/21/11	46,830,000	5.000%	09/15/20	5,010,000	26,190,000	-	4,765,000	21,425,000
			5.000%	09/15/21	5,260,000				
			5.000%	09/15/22	5,440,000				
			3.000%	09/15/23	5,715,000				
Capital Equipment and Improvement Revenue Bonds Series 2012	09/28/12	11,815,000	3.000%	09/15/20	330,000	1,165,000	-	320,000	845,000
			3.000%	09/15/21	270,000				
			3.000%	09/15/22	245,000				
Middlesex County Golf Courses Refunding Bonds Series 2013	06/01/13	11,875,000	2.776%	06/01/20	720,000	9,175,000	-	690,000	8,485,000
			3.115%	06/01/21	740,000				
			3.425%	06/01/22	755,000				
			4.114%	06/01/23	790,000				
			4.299%	06/01/24	820,000				
			3.866%	06/01/25	860,000				
			4.031%	06/01/26	890,000				
			4.281%	06/01/27	925,000				
			4.716%	06/01/28	965,000				
			4.444%	06/01/29	1,020,000				
Capital Equipment and Improvement Revenue Bonds Series 2013	10/15/13	13,840,000	4.000%	10/15/20	200,000	1,030,000	-	190,000	840,000
			4.000%	10/15/21	205,000				
			4.000%	10/15/22	215,000				
			4.000%	10/15/23	220,000				

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

Schedule V

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2019

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2018</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2019</u>
Middlesex Regional Educational Services Commission Refunding Bonds Series 2014	05/07/14	\$ 9,385,000	4.000%	10/15/20	850,000	\$ 6,465,000	\$ -	\$ 815,000	\$ 5,650,000
			4.000%	10/15/21	880,000				
			5.000%	10/15/22	910,000				
			4.000%	10/15/23	965,000				
			5.000%	10/15/24	1,000,000				
			5.000%	10/15/25	1,045,000				
Capital Equipment and Improvement Revenue Bonds Series 2014	09/30/14	17,275,000				3,630,000	-	3,630,000	-
Middlesex Regional Educational Services Commission Refunding Bonds Series 2014A	12/30/14	30,170,000	5.000%	12/15/20	1,480,000	29,770,000	-	1,420,000	28,350,000
			5.000%	12/15/21	1,555,000				
			5.000%	12/15/22	1,635,000				
			5.000%	12/15/23	1,715,000				
			5.000%	12/15/24	1,800,000				
			5.000%	12/15/25	1,895,000				
			2.500%	12/15/26	1,960,000				
			5.000%	12/15/27	2,035,000				
			5.000%	12/15/28	2,135,000				
			5.000%	12/15/29	2,240,000				
			5.000%	12/15/30	2,350,000				
			3.000%	12/15/31	2,445,000				
			3.000%	12/15/32	2,515,000				
			3.125%	12/15/33	2,590,000				
Capital Equipment and Improvement Revenue Bonds Series 2015	09/30/15	8,080,000	4.000%	09/15/20	1,650,000	3,560,000	-	1,585,000	1,975,000
			2.000%	09/15/21	65,000				
			2.000%	09/15/22	65,000				
			2.250%	09/15/23	65,000				
			2.500%	09/15/24	65,000				
			2.500%	09/15/25	65,000				
Capital Equipment and Improvement Revenue Bonds Series 2016	09/15/16	7,075,000	4.000%	09/15/20	1,460,000	4,370,000	-	1,400,000	2,970,000
			4.000%	09/15/21	1,510,000				
Open Space Trust Fund Revenue Refunding Bonds Series 2016	12/15/16	19,160,000	4.000%	12/15/22	2,065,000	19,160,000	-	-	19,160,000
			4.000%	12/15/23	2,150,000				
			5.000%	12/15/24	2,230,000				
			5.000%	12/15/25	2,340,000				
			4.000%	12/15/26	2,455,000				
			4.000%	12/15/27	2,555,000				
			2.125%	12/15/28	2,655,000				
			2.125%	12/15/29	2,710,000				

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

Schedule V

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2019

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2018</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2019</u>
Capital Equipment and Improvement Revenue Bonds Series 2017	09/01/17	\$ 10,915,000	3.000%	09/01/20	1,955,000	\$ 9,075,000	\$ -	\$ 1,895,000	\$ 7,180,000
			3.000%	09/01/21	2,010,000				
			3.000%	09/01/22	2,070,000				
			4.000%	09/01/23	210,000				
			4.000%	09/01/24	220,000				
			4.000%	09/01/25	230,000				
			4.000%	09/01/26	240,000				
			4.000%	09/01/27	245,000				
Educational Services Commission of New Jersey Refunding Bonds Series 2017	05/15/17	13,170,000	5.000%	05/15/20	715,000	13,080,000	-	60,000	13,020,000
			5.000%	05/15/21	755,000				
			5.000%	05/15/22	795,000				
			5.000%	05/15/23	825,000				
			5.000%	05/15/24	875,000				
			5.000%	05/15/25	915,000				
			5.000%	05/15/26	915,000				
			5.000%	05/15/27	915,000				
			5.000%	05/15/28	915,000				
			5.000%	05/15/29	915,000				
			5.000%	05/15/30	915,000				
			5.000%	05/15/31	915,000				
			5.000%	05/15/32	915,000				
			5.000%	05/15/33	915,000				
			3.000%	05/15/34	765,000				
			3.000%	05/15/35	785,000				
			4.000%	05/15/35	810,000				
4.000%	05/15/37	840,000							
New Brunswick Cultural Center Project Series 2017	07/01/17	28,430,000	5.000%	07/01/20	2,245,000	28,430,000	-	-	28,430,000
			5.000%	07/01/21	2,360,000				
			5.000%	07/01/22	2,480,000				
			5.000%	07/01/23	2,610,000				
			5.000%	07/01/24	2,740,000				
			5.000%	07/01/25	2,885,000				
			5.000%	07/01/26	3,030,000				
			5.000%	07/01/27	3,185,000				
			5.000%	07/01/28	3,350,000				
			5.000%	07/01/29	3,545,000				
			Capital Equipment and Improvement Revenue Bonds Series 2018	09/15/18	8,650,000				
4.000%	09/15/21	1,630,000							
4.000%	09/15/22	1,690,000							
4.000%	09/15/23	1,760,000							
4.000%	09/15/24	245,000							
4.000%	09/15/25	250,000							

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

Schedule V

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2019

	<u>ORIGINAL</u>		<u>INTEREST</u>	<u>MATURITIES</u>		<u>BALANCE</u>		<u>ISSUED</u>		<u>BALANCE</u>
	<u>DATE</u>	<u>AMOUNT</u>	<u>RATE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DEC. 31, 2018</u>			<u>PAID</u>	<u>DEC. 31, 2019</u>
Capital Equipment and Improvement Revenue Bonds Series 2019	09/15/18	9,530,000	4.000%	07/15/20	1,670,000.00	\$ -	\$	9,530,000	\$ -	\$ 9,530,000
			4.000%	07/15/21	1,685,000.00					
			4.000%	07/15/22	1,755,000.00					
			4.000%	07/15/23	1,820,000.00					
			4.000%	07/15/24	1,895,000.00					
			4.000%	07/15/25	130,000.00					
			4.000%	07/15/26	135,000.00					
			4.000%	07/15/27	140,000.00					
			4.000%	07/15/28	150,000.00					
			4.000%	07/15/29	150,000.00					
TOTAL						<u>\$ 279,201,244</u>		<u>\$ 9,530,000</u>	<u>\$ 26,889,175</u>	<u>\$ 261,842,069</u>
ANALYSIS OF BALANCE:										
Current Bonds and Notes Payable										\$ 30,153,917
Long-Term Bonds Payable										<u>231,688,152.00</u>
Subtotal										<u>\$ 261,842,069</u>
Unamortized Refunding Gains/Losses and Bond Discounts/Premiums - Net										<u>14,961,870</u>
TOTAL										<u>\$ 276,803,939</u>

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2018

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2017</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2018</u>
Senior Citizen's Housing Project North Brunswick Taxable Guaranteed Revenue Bonds Series 1994	11/01/94	\$ 8,300,000.00	9.125%	12/01/19	\$ 370,000	\$ 5,200,000	\$ -	\$ 340,000	\$ 4,860,000
			9.125%	12/01/20	405,000				
			9.125%	12/01/21	440,000				
			9.125%	12/01/22	485,000				
			9.125%	12/01/23	525,000				
			9.125%	12/01/24	575,000				
			9.125%	12/01/25	625,000				
			9.125%	12/01/26	685,000				
			9.125%	12/01/27	750,000				
Perth Amboy Franchise Acq. Project Series 1999B	01/01/99	24,469,076.20	5.140%	09/01/19	2,669,175	17,742,782	-	2,076,126	15,666,656
			5.160%	09/01/20	2,360,048				
			5.170%	09/01/21	2,304,172				
			5.170%	09/01/22	2,105,509				
			5.180%	09/01/23	2,058,477				
			5.180%	09/01/24	1,880,244				
			5.180%	09/01/25	1,202,546				
			5.180%	09/01/26	1,086,485				
South Plainfield Senior Citizens' Housing Project- Borough of South Plainfield Guaranteed Bonds Series 2000	11/15/00	6,000,000.00	5.530%	09/01/19	80,000	1,965,000	-	75,000	1,890,000
			5.530%	09/01/20	85,000				
			5.580%	09/01/21	90,000				
			5.580%	09/01/22	95,000				
			5.580%	09/01/23	100,000				
			5.580%	09/01/24	105,000				
			5.580%	09/01/25	110,000				
			5.580%	09/01/26	115,000				
			5.580%	09/01/27	125,000				
			5.580%	09/01/28	130,000				
			5.580%	09/01/29	135,000				
			5.580%	09/01/30	720,000				
	Perth Amboy Lease & Franchise Extension Project Series 2004	10/01/04	15,933,833.75	6.540%	10/01/20	573,869	14,927,260	-	127,672
			6.580%	10/01/21	609,706				
			6.630%	10/01/22	742,595				
			6.650%	10/01/23	766,840				
			6.670%	10/01/24	909,846				
			6.670%	10/01/25	1,328,911				
			6.670%	10/01/26	1,498,526				
			6.670%	10/01/27	1,052,528				
			6.670%	10/01/28	944,979				
			6.670%	10/01/29	996,420				
			6.670%	10/01/30	1,248,048				
			6.670%	10/01/31	1,147,908				
			6.670%	10/01/32	1,051,546				
			6.670%	10/01/33	968,629				
			6.670%	10/01/34	959,238				

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

Schedule VI

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2018

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2017</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2018</u>
Heldrich Center Hotel/Conference Project, Series 2005A	01/01/05	\$ 30,000,000.00	5.000%	01/01/19	\$ 800,000	\$ 25,210,000	\$ -	\$ 760,000	\$ 24,450,000
			5.000%	01/01/20	840,000				
			5.000%	01/01/21	880,000				
			5.000%	01/01/22	925,000				
			5.000%	01/01/23	975,000				
			5.000%	01/01/24	1,020,000				
			5.000%	01/01/25	1,070,000				
			5.000%	01/01/26	1,125,000				
			5.000%	01/01/27	1,180,000				
			5.000%	01/01/28	1,240,000				
			5.000%	01/01/29	1,305,000				
			5.000%	01/01/30	1,370,000				
			5.000%	01/01/31	1,435,000				
			5.000%	01/01/32	1,510,000				
			5.125%	01/01/33	1,585,000				
			5.125%	01/01/34	1,665,000				
			5.125%	01/01/35	1,750,000				
			5.125%	01/01/36	1,840,000				
			5.125%	01/01/37	1,935,000				
Heldrich Center Hotel/Conference Project, Series 2005B	01/01/05	37,295,000.00	6.125%	01/01/11	45,000	37,295,000	-	-	37,295,000
			6.125%	01/01/12	100,000				
			6.125%	01/01/13	150,000				
			6.125%	01/01/14	210,000				
			6.125%	01/01/15	275,000				
			6.125%	01/01/16	340,000				
			6.125%	01/01/17	415,000				
			6.125%	01/01/18	495,000				
			6.125%	01/01/19	580,000				
			6.125%	01/01/20	670,000				
			6.125%	01/01/21	765,000				
			6.125%	01/01/22	870,000				
			6.125%	01/01/23	985,000				
			6.125%	01/01/24	1,105,000				
			6.125%	01/01/25	1,235,000				
			6.250%	01/01/26	1,370,000				
			6.250%	01/01/27	1,520,000				
			6.250%	01/01/28	1,680,000				
			6.250%	01/01/29	1,855,000				
			6.250%	01/01/30	2,035,000				
			6.250%	01/01/31	2,235,000				
			6.250%	01/01/32	2,445,000				
			6.250%	01/01/33	2,670,000				
			6.250%	01/01/34	2,910,000				
			6.250%	01/01/35	3,165,000				
			6.250%	01/01/36	3,440,000				
			6.250%	01/01/37	3,730,000				

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2018

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2017</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2018</u>
Heldrich Center Hotel/Conference Project, Series 2005C	01/01/05	\$ 2,750,000.00	8.750%	01/01/17	\$ 5,000	\$ 2,750,000	\$ -	\$ -	\$ 2,750,000
				01/01/18	10,000				
				01/01/19	20,000				
				01/01/20	25,000				
				01/01/21	30,000				
				01/01/22	40,000				
				01/01/23	50,000				
				01/01/24	60,000				
				01/01/25	70,000				
				01/01/26	80,000				
				01/01/27	95,000				
				01/01/28	110,000				
				01/01/29	125,000				
				01/01/30	140,000				
				01/01/31	160,000				
				01/01/32	180,000				
				01/01/33	200,000				
				01/01/34	225,000				
				01/01/35	255,000				
01/01/36	280,000								
01/01/37	590,000								
Heldrich Center Hotel/Conference Project Senior Revenue Bonds 2007	05/11/07	3,000,000.00	4.890%	01/01/19	100,000	2,000,000	-	100,000	1,900,000
				01/01/20	100,000				
				01/01/21	100,000				
				01/01/22	100,000				
				01/01/23	100,000				
				01/01/24	100,000				
				01/01/25	100,000				
				01/01/26	100,000				
				01/01/27	100,000				
				01/01/28	100,000				
				01/01/29	100,000				
				01/01/30	100,000				
				01/01/31	100,000				
				01/01/32	100,000				
				01/01/33	100,000				
				01/01/34	100,000				
				01/01/35	100,000				
				01/01/36	100,000				
				01/01/37	100,000				
County - Guaranteed Open Space Trust Fund Revenue Refunding Bonds Series 2008	09/15/08	29,545,000.00	5.000%	09/15/19	1,340,000	4,840,000	-	3,500,000	1,340,000
Middlesex Regional Educational Services Commission Projects Lease Revenue Bonds Series 2008	12/15/08	40,000,000.00				1,290,000	-	1,290,000	-
Capital Equipment and Improvement Revenue Bonds Series 2008	12/12/08	13,100,000.00	4.300%	09/15/19	50,000	545,000	-	265,000	280,000
				09/15/20	55,000				
				09/15/21	55,000				
				09/15/22	60,000				
				09/15/23	60,000				

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2018

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2017</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2018</u>
Capital Equipment and Improvement Revenue Bonds Series 2009	09/30/09	\$ 13,115,000.00	3.000%	09/15/19	\$ 275,000	\$ 1,435,000	\$ -	\$ 265,000	\$ 1,170,000
			3.000%	09/15/20	170,000				
			3.000%	09/15/21	175,000				
			3.125%	09/15/22	175,000				
			3.125%	09/15/23	185,000				
			3.250%	09/15/24	190,000				
Meadows at Middlesex Golf Course Project Refunding Bonds Series 2009	12/18/09	4,755,000.00	4.000%	10/01/19	370,000	2,770,000	-	350,000	2,420,000
			3.125%	10/01/20	380,000				
			4.000%	10/01/21	395,000				
			4.000%	10/01/22	410,000				
			4.000%	10/01/23	425,000				
			4.000%	10/01/24	440,000				
County - Guaranteed Open Space Trust Refunding Bonds Series 2009	12/23/09	40,000,000.00	4.000%	12/15/19	1,920,000	7,840,000	-	1,845,000	5,995,000
			4.000%	12/15/20	1,995,000				
			4.000%	12/15/21	2,080,000				
Middlesex Regional Educational Services Commission Refunding Bonds Series 2010	07/08/10	5,300,000.00	4.000%	09/15/19	635,000	1,255,000	-	620,000	635,000
Open Space Trust Fund Revenue Refunding Bonds Series 2011	09/21/11	46,830,000.00	5.000%	09/15/19	4,765,000	30,735,000	-	4,545,000	26,190,000
			5.000%	09/15/20	5,010,000				
			5.000%	09/15/21	5,260,000				
			5.000%	09/15/22	5,440,000				
			3.000%	09/15/23	5,715,000				
Capital Equipment and Improvement Revenue Bonds Series 2012	09/28/12	11,815,000.00	3.000%	09/15/19	320,000	1,470,000	-	305,000	1,165,000
			3.000%	09/15/20	330,000				
			3.000%	09/15/21	270,000				
			3.000%	09/15/22	245,000				
Middlesex County Golf Courses Refunding Bonds Series 2013	06/01/13	11,875,000.00	3.112%	06/01/19	690,000	9,850,000	-	675,000	9,175,000
			2.776%	06/01/20	720,000				
			3.115%	06/01/21	740,000				
			3.425%	06/01/22	755,000				
			4.114%	06/01/23	790,000				
			4.299%	06/01/24	820,000				
			3.866%	06/01/25	860,000				
			4.031%	06/01/26	890,000				
			4.281%	06/01/27	925,000				
			4.716%	06/01/28	965,000				
			4.444%	06/01/29	1,020,000				
Capital Equipment and Improvement Revenue Bonds Series 2013	10/15/13	13,840,000.00	4.000%	10/15/19	190,000	3,755,000	-	2,725,000	1,030,000
			4.000%	10/15/20	200,000				
			4.000%	10/15/21	205,000				
			4.000%	10/15/22	215,000				
			4.000%	10/15/23	220,000				

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2018

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2017</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2018</u>
Middlesex Regional Educational Services Commission Refunding Bonds Series 2014	05/07/14	\$ 9,385,000.00	4.000%	10/15/19	\$ 815,000	\$ 7,250,000	\$ -	\$ 785,000	\$ 6,465,000
			4.000%	10/15/20	850,000				
			4.000%	10/15/21	880,000				
			5.000%	10/15/22	910,000				
			4.000%	10/15/23	965,000				
			5.000%	10/15/24	1,000,000				
			5.000%	10/15/25	1,045,000				
Capital Equipment and Improvement Revenue Bonds Series 2014	09/30/14	17,275,000.00	3.000%	09/15/19	3,630,000	7,160,000	-	3,530,000	3,630,000
Middlesex Regional Educational Services Commission Refunding Bonds Series 2014A	12/30/14	30,170,000.00	4.000%	12/15/19	1,420,000	29,870,000	-	100,000	29,770,000
			5.000%	12/15/20	1,480,000				
			5.000%	12/15/21	1,555,000				
			5.000%	12/15/22	1,635,000				
			5.000%	12/15/23	1,715,000				
			5.000%	12/15/24	1,800,000				
			5.000%	12/15/25	1,895,000				
			2.500%	12/15/26	1,960,000				
			5.000%	12/15/27	2,035,000				
			5.000%	12/15/28	2,135,000				
			5.000%	12/15/29	2,240,000				
			5.000%	12/15/30	2,350,000				
			3.000%	12/15/31	2,445,000				
			3.000%	12/15/32	2,515,000				
			3.125%	12/15/33	2,590,000				
Capital Equipment and Improvement Revenue Bonds Series 2015	09/30/15	8,080,000.00	4.000%	09/15/19	1,585,000	5,100,000	-	1,540,000	3,560,000
			4.000%	09/15/20	1,650,000				
			2.000%	09/15/21	65,000				
			2.000%	09/15/22	65,000				
			2.250%	09/15/23	65,000				
			2.500%	09/15/24	65,000				
			2.500%	09/15/25	65,000				
Capital Equipment and Improvement Revenue Bonds Series 2016	09/15/16	7,075,000.00	4.000%	09/15/19	1,400,000	5,730,000	-	1,360,000	4,370,000
			4.000%	09/15/20	1,460,000				
			4.000%	09/15/21	1,510,000				
Open Space Trust Fund Revenue Refunding Bonds Series 2016	12/15/16	19,160,000.00	4.000%	12/15/22	2,065,000	19,160,000	-	-	19,160,000
			4.000%	12/15/23	2,150,000				
			5.000%	12/15/24	2,230,000				
			5.000%	12/15/25	2,340,000				
			4.000%	12/15/26	2,455,000				
			4.000%	12/15/27	2,555,000				
			2.125%	12/15/28	2,655,000				
			2.125%	12/15/29	2,710,000				

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUE BONDS AND NOTES PAYABLE
AT DECEMBER 31, 2018

	ORIGINAL DATE	AMOUNT	INTEREST RATE	MATURITIES DATE	AMOUNT	BALANCE DEC. 31, 2017	ISSUED	PAID	BALANCE DEC. 31, 2018
Capital Equipment and Improvement Revenue Bonds Series 2017	09/01/17	\$ 10,915,000.00	3.000%	09/01/19	\$ 1,895,000	\$ 10,915,000	\$ -	\$ 1,840,000	\$ 9,075,000
			3.000%	09/01/20	1,955,000				
			3.000%	09/01/21	2,010,000				
			3.000%	09/01/22	2,070,000				
			4.000%	09/01/23	210,000				
			4.000%	09/01/24	220,000				
			4.000%	09/01/25	230,000				
			4.000%	09/01/26	240,000				
			4.000%	09/01/27	245,000				
			Educational Services Commission of New Jersey Refunding Bonds Series 2017	05/15/17	13,170,000.00	3.000%	05/15/19	60,000	13,170,000
5.000%	05/15/20	715,000							
5.000%	05/15/21	755,000							
5.000%	05/15/22	795,000							
5.000%	05/15/23	825,000							
5.000%	05/15/24	875,000							
5.000%	05/15/25	915,000							
5.000%	05/15/26	915,000							
5.000%	05/15/27	915,000							
5.000%	05/15/28	915,000							
5.000%	05/15/29	915,000							
5.000%	05/15/30	915,000							
5.000%	05/15/31	915,000							
5.000%	05/15/32	915,000							
5.000%	05/15/33	915,000							
3.000%	05/15/34	765,000							
3.000%	05/15/35	785,000							
New Brunswick Cultural Center Project Series 2017	07/01/17	28,430,000.00				5.000%	07/01/20	2,245,000	28,430,000
			5.000%	07/01/21	2,360,000				
			5.000%	07/01/22	2,480,000				
			5.000%	07/01/23	2,610,000				
			5.000%	07/01/24	2,740,000				
			5.000%	07/01/25	2,885,000				
			5.000%	07/01/26	3,030,000				
			5.000%	07/01/27	3,185,000				
			5.000%	07/01/28	3,350,000				
			5.000%	07/01/29	3,545,000				
Capital Equipment and Improvement Revenue Bonds Series 2018	09/15/18	8,650,000.00	4.000%	09/15/19	1,510,000	-	8,650,000	-	8,650,000
			4.000%	09/15/20	1,565,000				
			4.000%	09/15/21	1,630,000				
			4.000%	09/15/22	1,690,000				
			4.000%	09/15/23	1,760,000				
			4.000%	09/15/24	245,000				
			4.000%	09/15/25	250,000				
TOTAL					<u>\$ 299,660,042</u>	<u>\$ 8,650,000</u>	<u>\$ 29,108,798</u>	<u>\$ 279,201,244</u>	
ANALYSIS OF BALANCE:									
Current Bonds and Notes Payable								\$ 31,779,175	
Long-Term Bonds Payable								247,422,069	
Subtotal								<u>\$ 279,201,244</u>	
Unamortized Refunding Gains/Losses and Bond Discounts/Premiums - Net								16,454,891	
TOTAL								<u>\$ 295,656,135</u>	

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY

Schedule VII

SUPPLEMENTAL SCHEDULE OF LOANS PAYABLE
AT DECEMBER 31, 2019

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2018</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2019</u>
Heldrich Plaza/New Brunswick Project: Casino Reinvestment Development Authority Series K	4/4/2005	\$ 15,000,000	3.821%	1/1/2011	\$ 475,000	\$ 15,000,000	\$ -	\$ -	\$ 15,000,000
			3.821%	1/1/2012	495,000				
			3.821%	1/1/2013	515,000				
			3.821%	1/1/2014	535,000				
			3.821%	1/1/2015	555,000				
			3.821%	1/1/2016	575,000				
			3.821%	1/1/2017	595,000				
			3.821%	1/1/2018	620,000				
			3.821%	1/1/2019	645,000				
			3.821%	1/1/2020	670,000				
			3.821%	1/1/2021	700,000				
			3.821%	1/1/2022	725,000				
			3.821%	1/1/2023	750,000				
			3.821%	1/1/2024	780,000				
			3.821%	1/1/2025	810,000				
			3.821%	1/1/2026	840,000				
			3.821%	1/1/2027	875,000				
			3.821%	1/1/2028	905,000				
			3.821%	1/1/2029	940,000				
			3.821%	1/1/2030	980,000				
		3.821%	1/1/2031	1,015,000					
Casino Reinvestment Development Authority Series L	4/4/2005	5,000,000	3.821%	1/1/2011	155,000	5,000,000	-	-	5,000,000
			3.821%	1/1/2012	165,000				
			3.821%	1/1/2013	170,000				
			3.821%	1/1/2014	175,000				
			3.821%	1/1/2015	180,000				
			3.821%	1/1/2016	190,000				
			3.821%	1/1/2017	195,000				
			3.821%	1/1/2018	205,000				
			3.821%	1/1/2019	215,000				
			3.821%	1/1/2020	225,000				
			3.821%	1/1/2021	235,000				
			3.821%	1/1/2022	245,000				
			3.821%	1/1/2023	250,000				
			3.821%	1/1/2024	260,000				
			3.821%	1/1/2025	270,000				
			3.821%	1/1/2026	280,000				
			3.821%	1/1/2027	290,000				
			3.821%	1/1/2028	305,000				
			3.821%	1/1/2029	315,000				
			3.821%	1/1/2030	330,000				
		3.821%	1/1/2031	345,000					
						<u>\$ 20,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000,000</u>

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY

Schedule VIII

SUPPLEMENTAL SCHEDULE OF LOANS PAYABLE
AT DECEMBER 31, 2018

	<u>ORIGINAL DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>BALANCE DEC. 31, 2017</u>	<u>ISSUED</u>	<u>PAID</u>	<u>BALANCE DEC. 31, 2018</u>
Heldrich Plaza/New Brunswick Project: Casino Reinvestment Development Authority Series K	4/4/2005	\$ 15,000,000	3.821%	1/1/2011	\$ 475,000	\$ 15,000,000	\$ -	\$ -	\$ 15,000,000
			3.821%	1/1/2012	495,000				
			3.821%	1/1/2013	515,000				
			3.821%	1/1/2014	535,000				
			3.821%	1/1/2015	555,000				
			3.821%	1/1/2016	575,000				
			3.821%	1/1/2017	595,000				
			3.821%	1/1/2018	620,000				
			3.821%	1/1/2019	645,000				
			3.821%	1/1/2020	670,000				
			3.821%	1/1/2021	700,000				
			3.821%	1/1/2022	725,000				
			3.821%	1/1/2023	750,000				
			3.821%	1/1/2024	780,000				
			3.821%	1/1/2025	810,000				
			3.821%	1/1/2026	840,000				
			3.821%	1/1/2027	875,000				
			3.821%	1/1/2028	905,000				
			3.821%	1/1/2029	940,000				
			3.821%	1/1/2030	980,000				
			3.821%	1/1/2031	1,015,000				
Casino Reinvestment Development Authority Series L	4/4/2005	5,000,000	3.821%	1/1/2011	155,000	5,000,000	-	-	5,000,000
			3.821%	1/1/2012	165,000				
			3.821%	1/1/2013	170,000				
			3.821%	1/1/2014	175,000				
			3.821%	1/1/2015	180,000				
			3.821%	1/1/2016	190,000				
			3.821%	1/1/2017	195,000				
			3.821%	1/1/2018	205,000				
			3.821%	1/1/2019	215,000				
			3.821%	1/1/2020	225,000				
			3.821%	1/1/2021	235,000				
			3.821%	1/1/2022	245,000				
			3.821%	1/1/2023	250,000				
			3.821%	1/1/2024	260,000				
			3.821%	1/1/2025	270,000				
			3.821%	1/1/2026	280,000				
			3.821%	1/1/2027	290,000				
			3.821%	1/1/2028	305,000				
			3.821%	1/1/2029	315,000				
			3.821%	1/1/2030	330,000				
			3.821%	1/1/2031	345,000				
						\$ 20,000,000	\$ -	\$ -	\$ 20,000,000

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
MIDDLESEX COUNTY, NEW JERSEY

ROSTER OF OFFICIALS

<u>AUTHORITY MEMBERS</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>	<u>AMOUNT OF SURETY</u>
James P. Nolan	Chairman	01/31/23	\$ 250,000
Anthony Raczynski	Vice Chairman	01/31/19 Hold Over	\$ 250,000
Paul Abbey	Secretary-Treasurer	01/31/20 Hold Over	\$ 250,000
Christine D'Agostino	Member	01/31/22	\$ 250,000

OTHER OFFICIALS

H. James Polos	Executive Director		\$ 250,000
Lory Cattano	Chief Financial Officer		\$ 300,000

SURETY COMPANY

Western Surety Company

GENERAL COMMENTS AND RECOMMENDATIONS

**MIDDLESEX COUNTY IMPROVEMENT AUTHORITY
COUNTY OF MIDDLESEX, NEW JERSEY
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019, 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 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 \$40,000.

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, 2015, the Local Public Contracts Law was amended, effective on July 1, 2015. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$36,000 to \$40,000 under which a contract may be awarded without public advertising for those governmental entities that have appointed a Qualified Purchasing Agent.

The Authority has 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, it was indicated procedures are presently in place for compliance with the applicable regulations. We suggest the Authority continue to review certain purchasing related matters for continued compliance with applicable statutes and regulations.

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

Any interpretation as to possible violation of N.J.S.A. 40A: 11-4 and N.J.A.C. would be in the province of the Authority's solicitor.

GENERAL COMMENTS

OTHER MATTERS

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. Adjustments were required in order to allow the system to be utilized as the basis for financial statement preparation.

Investments

The Authority's funds were invested in interest bearing investments or accounts during 2019. The Board adopted the 2019 cash management plan at its 2019 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.

Codification of Guides

The Authority utilizes guides for levels of pay scales. We suggest these guides be updated to reflect recent activity with respect to applicable salary and wage agreements.

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

* * * * *

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./PKF O'Connor Davies

Andrew G. Hodulik

Andrew G. Hodulik, CPA, RMA
No. 406