

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the County ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Notes (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under section 57 of the Code for purposes of calculating the Federal alternative minimum tax; however, the interest received by a corporate owner of the Notes will be taken into account in the calculation of such owner's alternative minimum tax liability. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein

**COUNTY OF MIDDLESEX
STATE OF NEW JERSEY**

\$39,000,000 BOND ANTICIPATION NOTES

**Dated Date: June 12, 2018
Maturity Date: June 11, 2019**

**Coupon: 3.00%
Yield: 1.70%
Cusip: 59656NZF2***

The \$39,000,000 aggregate principal amount of Bond Anticipation Notes, dated June 12, 2018 (the "Notes") are general obligations of the County of Middlesex, State of New Jersey (the "County"), payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid or if not paid from other sources, pledge the full faith and credit of the County to levy *ad valorem* taxes on all taxable property within the County without limitation as to rate or amount for the payment of the Notes and the interest thereon.

The Notes will be in fully registered book-entry only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Notes. Individual purchases of the Notes may be made in the principal amount of \$5,000 or any integral multiple thereof through book entries made on the books and records of DTC and its participants.

Principal of and interest on the Notes will be payable by the County or a duly designated paying agent on the maturity date. As long as DTC is acting as securities depository for the Notes, principal and interest will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such payments to the Beneficial Owners of the Notes. See "THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION" herein.

The Notes are authorized by and are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), various bond ordinances of the County duly adopted on the dates set forth herein and published as required by law and by a resolution duly adopted by the Board of Chosen Freeholders of the County on June 7, 2018 (the "Resolution").

The Notes are being issued to provide for (i) the current refunding of prior Bond Anticipation Notes of the County issued in the aggregate principal amount of \$34,000,000 on June 14, 2017 and maturing on June 13, 2018 (the "Prior Notes"), which Prior Notes were originally issued on June 16, 2016 in the amount of \$34,000,000 to temporarily finance the cost of various capital improvements in and for the County, (ii) the temporary financing of various capital improvements in and for the County in the amount of \$5,000,000, and (iii) the payment of the costs of issuance of the Notes.

The Notes are not subject to redemption prior to maturity.

The Notes are not a debt or obligation, legal, moral or otherwise of the State of New Jersey, or any county, municipality or political subdivision thereof other than the County.

The Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the County in connection with the issuance of the Notes. It is anticipated that the Notes will be available for delivery through DTC on or about June 12, 2018.

* A registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. The CUSIP number listed above is being provided solely for the convenience of Noteholders only at the time of issuance of the Notes and the County does not make any representation with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Notes as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Notes.

Jefferies

**COUNTY OF MIDDLESEX
STATE OF NEW JERSEY**

THE BOARD OF CHOSEN FREEHOLDERS

Ronald G. Rios, Freeholder Director
Charles E. Tomaro, Deputy Freeholder Director
Kenneth Armwood, Freeholder
Charles Kenny, Freeholder
Leslie Koppel, Freeholder
Shanti Narra, Freeholder
Blanquita B. Valenti, Freeholder

COUNTY OFFICIALS

John Pulomena,
County Administrator

Giuseppe Pruiti,
Chief Financial Officer/County Treasurer

Amy R. Petrocelli,
Clerk of the Board of Chosen Freeholders

COUNTY COUNSEL

Kelso & Burgess
New Brunswick, New Jersey

AUDITOR

Hodulik & Morrison, P.A.
Highland Park, New Jersey

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.
Woodbridge, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

No dealer, broker, salesperson or other person has been authorized by the County to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the County.

The information contained herein has been provided by the County, The Depository Trust Company, New York, New York ("DTC") and other sources deemed reliable by the County; however, no representation or warranty is made as to its accuracy or completeness, and as to the information from sources other than the County, such information is not to be construed as a representation or warranty by the County.

This Official Statement is not to be construed as a contract or an agreement between the County and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information, estimates and expressions of opinion herein are subject to change without notice. The delivery of this Official Statement or any sale of the Notes made hereunder shall not, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier. The County has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

All quotations from and summaries and explanations of provisions of laws herein do not purport to be complete, and reference is made to such laws for full and complete statements of their provisions. References in this Official Statement to laws, rules, regulations, resolutions, ordinances, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein and may not be reproduced or used in whole or part, for any other purpose. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The presentation of information in this Official Statement is intended to show recent historical information and except as expressly stated otherwise, it is not intended to indicate future or continuing trends in the financial condition or other affairs of the County. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

In order to facilitate the distribution of the Notes, the Underwriter may engage in transactions intended to stabilize the price of the Notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The prices at which the Notes are offered to the public by the Underwriter and the yields resulting therefrom may vary from the initial public offering prices or yields on the inside front cover page hereof. In addition, the Underwriter may allow concessions or discounts from such initial public offering prices to dealers and others.

Wilentz, Goldman & Spitzer, P.A. has not participated in the preparation of financial statements or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof and accordingly, expresses no opinion with respect thereto.

The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the Federal Securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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OFFICIAL STATEMENT
OF THE
COUNTY OF MIDDLESEX
STATE OF NEW JERSEY
RELATING TO
\$39,000,000 BOND ANTICIPATION NOTES

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the County of Middlesex (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$39,000,000 aggregate principal amount of Bond Anticipation Notes of the County (the "Notes"). This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared on behalf of the County by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the County ("Bond Counsel") and the Chief Financial Officer/Treasurer of the County and has been authorized by the County to be distributed in connection with the sale and issuance of the Notes.

This Official Statement contains specific information relating to the Notes, including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts and disbursements, is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the County.

DESCRIPTION OF THE NOTES

The Notes comprise an issue of general obligation bond anticipation notes of the County in the aggregate principal amount of \$39,000,000, which Notes are being issued in anticipation of the issuance of bonds. The Notes shall be dated and shall bear interest from and shall mature as shown on the cover of this Official Statement. The Notes shall bear interest at the rate shown on the cover of this Official Statement, which interest is payable upon the maturity date as shown on the cover of this Official Statement. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. The Notes are not subject to redemption prior to maturity.

The Notes will be issued as fully registered notes in book-entry only form, and when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the County or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an

initial transaction statement stating the details of the Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the County or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Notes. See "THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION" herein.

AUTHORIZATION FOR THE ISSUANCE OF THE NOTES

The Notes have been authorized and are issued pursuant to: (i) Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), (ii) the bond ordinances duly adopted by the Board of Chosen Freeholders of the County on the dates set forth in the chart below, and (iii) a resolution duly adopted by the Board of Chosen Freeholders of the County on June 7, 2018. The bond ordinances authorizing the Notes were published in full or in summary, as applicable, after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the County.

PURPOSE OF NOTE ISSUE AND USE OF NOTE PROCEEDS

The Notes are being issued to provide for (i) the current refunding of prior Bond Anticipation Notes of the County issued in the aggregate principal amount of \$34,000,000 on June 14, 2017 and maturing on June 13, 2018 (the "Prior Notes"), which Prior Notes were originally issued on June 16, 2016 in the amount of \$34,000,000 to temporarily finance the cost of various capital improvements in and for the County, (ii) the temporary financing of various capital improvements in and for the County in the amount of \$5,000,000, and (iii) the payment of the costs of issuance of the Notes. The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the Board of Chosen Freeholders of the County on the dates set forth in the following table and published as required by law:

Ordinance Number	General Purpose and Date of Final Adoption	Amount of Prior Notes Being Refunded	Amount of New Money
357, as amended by 357(a), as amended by 357(b), as amended by 372, as amended by 357(c), as amended by 436	Various 2005 capital improvements by and in the County, finally adopted March 17, 2005 (357), as amended on March 2, 2006 (357(a)), December 7, 2006 (357(b)), May 1, 2008 (372), June 24, 2010 (357(c)) and May 18, 2017 (436)	\$1,217,456	\$600
361	Improvements and upgrades to the 800mhz system in and for the County, finally adopted December 1, 2005 (361)	\$1,253	\$0

Ordinance Number	General Purpose and Date of Final Adoption	Amount of Prior Notes Being Refunded	Amount of New Money
362 as amended by 362(a), as amended by 372, as amended by 362(b), as amended by 386, as amended by 436	Various capital improvements in and for the County, finally adopted March 2, 2006 (362), as amended on August 17, 2006 (362(a)), May 1, 2008 (372), November 24, 2008 (362(b)), March 4, 2010 (386) and May 18, 2017 (436)	\$588,704	\$0
366 as amended by 366(a), as amended by 366(b), as amended by 343(e), as amended by 436	Various capital improvements in and for the County, finally adopted March 1, 2007 (366), as amended on July 12, 2007 (366(a)), November 24, 2008 (366(b)), May 17, 2012 (343(e)) and May 18, 2017 (436)	\$3,842,432	\$0
372 as amended by 372(a), as amended by 372(b), as amended by 343(e), as amended by 353(c), as amended by 436	Various capital improvements in and for the County, finally adopted May 1, 2008 (372), as amended on December 18, 2008 (372(a)), June 24, 2010 (372(b)), May 17, 2012 (343(e)), June 6, 2013 (353(c)) and May 18, 2017 (436)	\$4,749,313	\$0
375, as amended by 17-004	Reconstruction and remediation of Medwick Park in and for the County, finally adopted August 21, 2008 (375), as amended on December 21, 2017 (17-004)	\$3,311,926	\$0
383, as amended by 383(a), as amended by 436, as amended by 17-004	Various capital improvements in and for the County, finally adopted June 25, 2009 (383), as amended on June 6, 2013 (383(a)), May 18, 2017 (436) and December 21, 2017 (17-004)	\$4,824,539	\$0
390, as amended by 436, as amended by 17-004	Various capital improvements in and for the County, finally adopted May 20, 2010 (390), as amended on May 18, 2017 (436) and December 21, 2017 (17-004)	\$15,464,377	\$4,999,400
SUBTOTALS		<u>\$34,000,000</u>	<u>\$5,000,000</u>
TOTAL		<u>\$39,000,000</u>	

SECURITY FOR THE NOTES

The Notes are valid and legally binding general obligations of the County for which the full faith and credit of the County are irrevocably pledged for the punctual payment of principal of and interest on the Notes. The Notes are payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Notes were issued, but if not so paid or if not paid from other sources, the County has the power, and is obligated by law to levy *ad valorem* taxes upon all taxable property in the County for the payment of the Notes and the interest thereon without limitation as to rate or amount.

The County is required by law to include the total amount of principal of and interest on all of its general obligation indebtedness, such as the Notes, for the current year in each annual budget, unless provision has been made for payment from other sources. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "MUNICIPAL BANKRUPTCY" herein.

The Notes are not a debt or obligation, legal, moral or otherwise, of the State or any political subdivision thereof, other than the County.

MARKET PROTECTION FOR THE NOTES

In addition to the issuance of the Notes, on or about June 28, 2018, the County anticipates issuing \$8,800,000 General Obligation Bonds, Series 2018, consisting of \$3,100,000 County Vocational-Technical Schools Bonds, Series 2018 (New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended), \$2,000,000 County College Bonds, Series 2018 and \$3,700,000 aggregate principal amount of County College Bonds, Series 2018 (County College Bond Act, 1971 N.J. Laws c. 12, as Amended) (collectively, the "Series 2018 Bonds"). Such Series 2018 Bonds are expected to be sold via a competitive sale on or about June 14, 2018. The County also anticipates issuing bonds through, and guaranteeing one or more issues of bonds to be undertaken by, the Middlesex County Improvement Authority for various capital projects during calendar year 2018. The County may issue obligations to refund certain existing obligations during calendar year 2018, subject to market conditions.

THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION

The Depository Trust Company ("DTC"), New York, New York will act as Securities Depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes, in the aggregate principal amount of the issue of Notes, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or

indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "Omnibus Proxy") to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County or the Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered by the County.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

THE AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OF THE NOTES (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

The County has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of County debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The County is not required to submit the proposed incurrence of indebtedness to a public referendum.

The County, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally approved by the recorded affirmative vote of at least two-thirds of the full membership of the Board of Chosen Freeholders of the County. The Local Bond Law requires publication and posting of the ordinance or a summary thereof. If the ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the County.

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Notes are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in either serial or sinking fund installments and that, unlike school debt, and with some exceptions, including self-liquidating obligations and those improvements involving certain State grants, a five percent (5%) cash down payment of the amount of bonds and notes authorized must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the County are general "full faith and credit" obligations.

Short-Term Financing

Local governmental units, including counties, may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended

and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter unless an amount of such notes, at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

Tax anticipation notes are limited in amount by law and, in the case of the County, may be renewed from time to time, but all such notes and renewals thereof must mature not later than June 30 of the succeeding fiscal year.

Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)

Refunding bonds may be issued by a local unit pursuant to the Local Bond Law for the purpose of paying, funding or refunding its outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. Refunding bonds may be issued in accordance with N.J.A.C. 5:30-2.5 and, therefore, no approval is required by the Local Finance Board, in the Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board"); however, the details of the sale, issuance and delivery of the refunding bonds will be delivered to the Local Finance Board within ten (10) days of the delivery of the refunding bonds.

Statutory Debt Limitation

There are statutory requirements which limit the amount of debt which the County is permitted to authorize. The authorized bonded indebtedness of a county is limited by the Local Bond Law and other laws to an amount equal to two percent (2.00%) of its stated average equalized valuation basis, subject to certain exceptions noted below. N.J.S.A. 40A:2-6. The stated equalized valuation basis is set by statute as the average of the aggregate equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of Class II railroad property within the boundaries of the County for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuations by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). N.J.S.A. 40A:2-2. Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. N.J.S.A. 40A:2-43, -44. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation - Extensions of Credit" below.

Exceptions to Debt Limitation - Extensions of Credit (N.J.S.A. 40A:2-7)

The debt limit of the County may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the County must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the County and that the proposed debt authorization would not materially impair the credit of the County or substantially reduce the ability of the County to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of

the current fiscal year by the local unit for the payment of bonds or notes of any school district. The County has not exceeded its debt limit.

Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

The Local Fiscal Affairs Law regulates the non-budgetary financial activities of local governments, including counties. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", which must be completed within six (6) months (by June 30) after the close of the County's fiscal year (December 31), includes recommendations for improvement of the local unit's financial procedures. The audit report must also be filed with the Clerk of the Board of Chosen Freeholders and is available for review during regular business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the County's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principles.

Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. Such Annual Financial Statement reflects the results of operations for the year of the current and utility funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget.

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

The accounting policies of the County conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the County's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the County which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the County does not record obligations for accumulated unused vacation and sick pay.

Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including counties, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget must be certified as approved by the Director prior to final adoption of the budget by a county Board of Chosen Freeholders. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and, in the case of a county, the Director is required to review the adequacy of such appropriations. Among other restrictions, the Director must examine the budget with reference to all

estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and nondisbursement items. The Director is empowered to permit a higher level of anticipation, however, should there be sufficient statutory or other evidence to substantiate that such anticipation is reasonable.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of all local units. Local budgets, by law and regulation, must be in balance on a "cash basis", i.e., the total of anticipated revenues must equal the total of appropriations. N.J.S.A. 40A:4-22. If in any year the County's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of more than 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population of less than 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. The capital program, when adopted, does not constitute the appropriation of funds, but sets forth a plan of capital expenditures which the local unit may contemplate over the next six (6) years or the next three (3) years, as applicable. Expenditures for capital purposes may be made either by ordinances adopted by the governing body which set forth the items and the methods of financing, or from the annual operating budget. See "CAPITAL IMPROVEMENT PROGRAM" herein.

Limitation on Expenditures ("CAP Law")

N.J.S.A. 40A:4-45.4 places limits on county tax levies and expenditures, this law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the County shall limit any increase in its budget to 2.5% or the Cost-of-Living Adjustment, whichever is less, of the previous year's County tax levy, subject to certain exceptions. The Cost-of-Living Adjustment is defined as the annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-of-Living Adjustment is equal to or less than 2.5%, the County may, by resolution approved by a majority vote of the full membership of the governing body, provide that the tax levy of the County for such year be increased by a percentage rate that is greater than the Cost-of-Living Adjustment, but not more than the 3.5% over the previous year's county tax levy. See N.J.S.A. 40A:4-45.14. In addition, pursuant to Chapter 100 of the Laws of New Jersey of 1994 (N.J.S.A. 40A:4-45.15a, -45.15b) and Chapter 74 of the Laws of New Jersey of 2004, counties may "CAP Bank" under the Local Budget Law. A county is permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations if its actual appropriations in a fiscal year are below the allowable Cost-of-Living-Adjustment. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP". Major exceptions to the "CAP" limit include:

- (a) The amount of revenue generated by the increase in valuations within the county, based solely on applying the preceding year's county tax rate to the apportionment valuation of new construction or improvements within the county and such increase shall be levied in direct proportion to such valuation;
- (b) Capital expenditures, including appropriations for current capital expenditures whether in the capital improvement fund, or as a component of a line item elsewhere in the budget, provided that any such current capital expenditure would otherwise be bondable under the Local Bond Law;
- (c) An increase based upon emergency temporary appropriations made pursuant to N.J.S.A. 40A:4-20 to meet an urgent situation or event which immediately endangers the health, safety or property of the residents of the county, and over which the governing body had no control and for which it could not plan any emergency appropriations pursuant to N.J.S.A. 40A:4-46. Emergency temporary appropriations and emergency appropriations shall be approved by the Director and by at least two-thirds of the members of the governing body and shall not exceed in the aggregate three percent (3%) of the previous year's final current operating appropriations;

- (d) All debt service;
- (e) Amounts required to be paid pursuant to (i) any contract with respect to use, service or provision of any project, facility or public improvement for water, sewerage, parking, senior citizen housing or similar purpose, or payments on account of debt service therefor, between a county and any other county, municipality, school or other district, agency, authority, commission, instrumentality, public corporation, body corporate and politic or political subdivision of the State; and (ii) any lease of a facility owned by a county improvement authority when such lease payment represents the proportionate amount necessary to amortize debt incurred by the authority in providing the facility which is leased, in whole or in part;
- (f) That portion of the county tax levy which represents funding to participate in any Federal or State aid program and amounts received or to be received from Federal, State or other funds in reimbursement for local expenditures. If a county provides matching funds in order to receive the Federal or State or other funds, only the amount of the match which is required by law or agreement to be provided by the county shall be excepted;
- (g) Extraordinary expenses, approved by the Local Finance Board, required for the implementation of an interlocal services agreement;
- (h) Any expenditure mandated as a result of a natural disaster, civil disturbance or other emergency that is specifically authorized pursuant to a declaration of an emergency by the President of the United States or by the Governor of the State;
- (i) Expenditures for the cost of services mandated by any order of court, by any Federal or State statute or administrative rule, directive, order or other legally binding device issued by a State agency which has identified such cost as mandated expenditures on certification to the Local Finance Board by the State agency;
- (j) That portion of the county tax levy which represents funding to a county college in excess of the county tax levy required to fund the county college in local budget year 1992;
- (k) Expenditures for the administration of general public assistance pursuant to 1995 N.J. Laws c. 259;
- (l) Amounts in a separate line item of a county budget that are expended on tick-borne disease vector management activities;
- (m) Amounts expended by a county under an interlocal services agreement entered into pursuant to 1973 N.J. Laws c. 208 and entered into after the effective date of 2000 N.J. Laws c. 126 or amounts expended under a joint contract pursuant to 1952 N.J. Laws c. 72 and entered into after the effective date of 2000 N.J. Laws c. 126;
- (n) Amounts appropriated in the first three years after the effective date of 2003 N.J. Laws c. 92 for liability insurance, workers compensation insurance and employee group insurance;
- (o) Amounts appropriated in the first three years after the effective date of 2003 N.J. Laws c. 92 for costs of domestic security preparedness and responses to incidents and threats to domestic security; and
- (p) Appropriations that represent expenditures made by a county for the purpose of funding normal and accrued liability contributions to the Public Employees' Retirement System of New Jersey due in the State fiscal years 2004-2005, 2005-2006, 2006-2007, 2007-2008 and 2008-2009, or to the Police and Firemen's Retirement System due in the State fiscal years 2003-2004, 2004-2005, 2005-2006, 2006-2007 and 2007-2008, shall be exempt from the limits on increases to the county tax levy in county budgets for the local budget year in which those contributions are due.

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of two percent (2%), certain increases in health care costs in excess of two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above two percent (2%) not otherwise permitted by law by an affirmative vote of fifty percent (50%).

The Division of Local Government Services has advised that counties and municipalities must comply with both the budget “cap” and the tax levy limitation. Neither the tax levy limitation nor the “Cap Law”, however, limits the obligation of the County to levy *ad valorem* taxes upon all taxable property within the boundaries of the County to pay debt service on bonds and notes, including the Notes.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the County, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in a provision of the Local Budget Law, N.J.S.A. 40A:4-48, -49, and approved by at least two-thirds of full membership of the governing body. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1, -55.2, -55.3. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism for local units, including counties. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, contingent expenses, capital improvement fund or from other sources as provided in the statute.

Anticipation of Real Estate Taxes

N.J.S.A. 40A:4-29 provides limits for the anticipation of delinquent tax collections: “[t]he maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year.”

In regard to current taxes, N.J.S.A. 40A:4-41(b) provides that: “[r]eceipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year.”

This provision requires that an additional amount (the “reserve for uncollected taxes”) be added to the tax levy required to balance the budget so that when the percentage of the prior year’s tax collection is applied to the combined total, the product will at least equal the tax levy required to balance the budget. The County receives 100% of its tax levy.

Collection of County Taxes

County taxes are collected by the municipalities located within a particular county, and paid to its County Treasurer. The municipal levy includes all county, school and municipal taxes.

Each municipality is required to pay to its County Treasurer its share of the purpose taxes by no later than the 15th day of February, May, August and November of each year. Every county is required by law to receive its share of the taxes collected from the first taxes collected by each municipality. Consequently, counties in the State experience a 100% tax collection rate.

Anticipation of Miscellaneous Revenues

N.J.S.A. 40A:4-26 provides that: “[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit.”

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality’s calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

Debt Statements

The County must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before January 31 of each fiscal year, the County must file with the Division an Annual Debt Statement which is dated as of the last day of the preceding fiscal year. This report is made under oath and states the authorized, issued and unissued debt of the County as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the County’s authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

CAPITAL IMPROVEMENT PROGRAM

N.J.A.C. 5:30-4 provides that the Capital Budget and Capital Improvement Program of a local unit must be adopted as part of the annual budget. It does not by itself confer any authorization to raise or expend funds. Rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

TAX MATTERS

Federal Income Taxation

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Notes in order for the interest on the Notes to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Notes. The County will represent in its tax certificates relating to the Notes that it expects and intends to comply and will comply, to the extent permitted by law, with such requirements.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the County ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the County with the requirements of the Code described above, interest on the Notes is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of calculating the Federal alternative minimum tax imposed on individuals.

Original Issue Premium

The Notes (collectively, the "Premium Notes") were purchased at a premium ("original issue premium") over the stated principal amounts of the Notes. For federal income tax purposes, original issue premium generally must be amortized over the term of the Premium Notes. Amortizable bond premium is accounted for as reducing the tax-exempt interest on the Premium Notes rather than creating a deductible expense or loss. Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the purchaser's basis in the Premium Notes to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code. Holders of the Premium Notes should consult their tax advisors for an explanation of the bond premium amortization rules.

Additional Federal Income Tax Consequences

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Notes, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Notes should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is further of the opinion that, under existing laws of the State, interest on the Notes and any gain realized on the sale of the Notes are not includable in gross income under the New Jersey Gross Income Tax Act, N.J.S.A. 54A:1-1 et seq., as amended.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Notes, gain from the sale or other disposition of the Notes, the market value of the Notes or the marketability of the Notes. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Notes should consult their own tax advisers regarding such matters.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Notes. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of delivery of the Notes and assumes no obligation to update its opinion after such date to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest paid or to be paid on the Notes as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See Appendix C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Notes.

ALL POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE NOTES.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the County, including the Notes, and such Notes are authorized security for any and all public deposits.

MUNICIPAL BANKRUPTCY

The undertakings of the County should be considered with reference to 11 U.S.C. § 101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit, including the County, has the power to file a petition in bankruptcy with any United States court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

The County has not authorized the filing of a bankruptcy petition. This reference to the Bankruptcy Code or the State statute should not create any implication that the County expects to utilize the benefits of their provisions, or that if utilized, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Notes, or that the Bankruptcy Code could not be amended after the date hereof.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Notes are subject to the approval of Bond Counsel, whose approving legal opinion with respect to the Notes will be delivered with the Notes substantially in the form set forth as Appendix C hereto. Certain legal matters with respect to the Notes will be passed on for the County by its Counsel, Kelso & Burgess, New Brunswick, New Jersey ("County Counsel"). The various legal opinions to be delivered concurrently with the delivery of the Notes express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NOTEHOLDERS' RISK

It is to be understood that the rights of the holders of the Notes, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

CERTIFICATES OF THE COUNTY

Upon the delivery of the Notes, the original purchaser shall receive certificates, in form satisfactory to Bond Counsel and signed by officials of the County, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the County from that set forth in or contemplated by this Official Statement. In addition, the original purchaser of the Notes shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Notes and receipt of payment therefor, and certificates dated as of the date of the delivery of the Notes, and signed by the officers who signed the Notes, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Notes, or the levy or collection of taxes to pay the Notes or the interest thereon, as applicable, or questioning the validity of the statutes or the proceedings under which the Notes are issued, as applicable, and that neither the corporate existence or boundaries of the County, nor the title of any of the said officers to the respective offices, is being contested.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the County of Middlesex, Middlesex County Administration Building, Third Floor, John F. Kennedy Square, 75 Bayard Street, New Brunswick, New Jersey 08901, Giuseppe Pruiti, Chief Financial Officer/Treasurer, (732) 745-3173, or to the County's Municipal Advisor, Phoenix Advisors, LLC, 4 West Park Street, Bordentown, New Jersey 08505, Anthony P. Inverso, (609) 291-0130.

NO DEFAULT

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the County as of the date hereof.

LITIGATION

To the knowledge of County Counsel, after due inquiry, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the County or the title of any of the present officers. Further, to the knowledge of the County Counsel, no litigation is presently pending or threatened that, in the opinion of the County Counsel, would have a material adverse impact on the financial condition of the County if adversely decided. Upon the delivery of the Notes, the County shall furnish an opinion of its County Counsel for the Notes, dated the date of delivery of the Notes, attesting to the status of litigation in the County.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES

The County has covenanted for the benefit of noteholders to provide notices of the occurrence of certain enumerated events with respect to the Notes (the "Notices"), as set forth in section (b)(5)(i)(C) of Rule 15c2-12 (the "Rule") promulgated by the United States Securities and Exchange Commission (the "SEC"). The Notices will be filed by the County with the Municipal Securities Rulemaking Board (the "MSRB") and with a state information depository, if any. The specific nature of the Notices will be detailed in a certificate to be executed on behalf of the County by its Chief Financial Officer/Treasurer, in the form appearing in Appendix D hereto (the "Note Disclosure Certificate"). Such Note Disclosure Certificate shall be delivered concurrently with the delivery of the Notes. Except as noted below, as of the date of this Official Statement, the County has made the filings required to comply with all previous undertakings under the Rule. While the County has filed its financial information in each of the past five (5) years as required by the Rule, that information was not always filed on a timely basis and was not filed for every one of the County's obligations through the Middlesex County Improvement Authority. The County's 2012 Annual Report was included in the County's Official Statement dated March 14, 2013 but was not properly incorporated by reference. Such information has since been separately filed on the Electronic Municipal Market Access ("EMMA") system, a website created by the MSRB that has been approved by the SEC.

The County has now filed notices, and related late filing notices, under the Rule, and has taken steps to ensure timely Annual Report and other filings on a going-forward basis, including hiring Phoenix Advisors, LLC in March of 2014 as its continuing disclosure agent. This covenant is being made by the County to assist the purchasers of the Notes in complying with the Rule.

PREPARATION OF OFFICIAL STATEMENT

Bond Counsel has participated in the preparation and review of this Official Statement, but has not participated in the collection of financial or statistical information contained in Appendix A, Appendix B and throughout this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

County Counsel has not participated in the preparation of the information contained in this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

Hodulik & Morrison, P.A., Auditor to the County, has not participated in the review or preparation of this Official Statement and has not verified the accuracy or completeness thereof and accordingly, expresses no opinion or other assurance or assumes any responsibility with respect thereto, but has prepared the financial statements described below under the heading entitled “FINANCIAL STATEMENTS” and contained in Appendix B to this Official Statement and hereby states that the descriptions, statements and financial and statistical information contained therein, are true and correct in all material respects and it will confirm same to the purchaser of the Notes, by a certificate signed by an authorized officer.

RATING

S&P Global Ratings, acting through Standard & Poor’s Financial Services LLC (the “Rating Agency”) has assigned a short-term rating of “SP-1+” to the Notes. An explanation of the significance of the rating may be obtained from the Rating Agency at 55 Water Street, New York, New York 10041. Such rating reflects only the views of such Rating Agency, and an explanation of the significance of the rating may be obtained from the Rating Agency. There is no assurance that the rating will continue for any period of time or that it will not be revised or withdrawn entirely by the Rating Agency, if in the judgment of the Rating Agency, circumstances so warrant. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Notes. Except as set forth in the Note Disclosure Certificate, the County has not agreed to take any action with respect to any proposed rating change or to bring such rating change, if any, to the attention of the owners of the Notes.

UNDERWRITING

The Notes have been purchased from the County at a public sale by Jefferies LLC, New York, New York (the “Underwriter”), at a price of \$39,493,350.00 (the “Purchase Price”) in accordance with the terms of the Notice of Sale dated May 23, 2018 (the “Notice of Sale”). The Purchase Price represents the par amount of the Notes in the amount of \$39,000,000.00 plus a premium in the amount of \$493,350.00. The Underwriter is reoffering the Notes to the public at the initial public reoffering yield set forth on the front cover page of this Official Statement, which may subsequently change without notice.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the County with respect to the issuance of the Notes (the “Municipal Advisor”). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

FINANCIAL STATEMENTS

The balance sheets – regulatory basis of the various funds and governmental fixed assets of the County as of and for the years ended December 31, 2016 and 2015 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2016, together with the Notes to the Financial Statements for the years ended December 31, 2016 and 2015, are presented in Appendix B to this Official Statement. The financial statements referred to above have been audited by Hodulik & Morrison, P.A., Highland Park, New Jersey, independent auditor, as stated in its report appearing in Appendix B. Also, included in Appendix B are unaudited balance sheets – regulatory basis of the various funds of the County as of December 31, 2017 and the related unaudited statement of operations and changes in fund balance – regulatory basis for the year ended December 31, 2017, without accompanying note disclosures. The unaudited financial statements referred to above have been abstracted from the annual financial statement (unaudited) of the County for the year ended December 31, 2017, as stated in the accountant’s compilation report.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

COUNTY OF MIDDLESEX

/s/ Giuseppe Pruiti

GIUSEPPE PRUITI

Chief Financial Officer/Treasurer

DATED: May 30, 2018

APPENDIX A

**CERTAIN GENERAL AND DEMOGRAPHIC INFORMATION
CONCERNING THE COUNTY OF MIDDLESEX**

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COUNTY OF MIDDLESEX, NEW JERSEY GENERAL AND FINANCIAL INFORMATION

Introduction

The County of Middlesex, State of New Jersey (“County”) was one of the first four counties into which the Province of East Jersey was divided by an Act of the Assembly in 1682. Located in central northeastern New Jersey astride a major transportation corridor, the County is accessible to New York City and Philadelphia.

Governmental Structure

A seven (7) member Board of Chosen Freeholders (“Board of Chosen Freeholders” or “Board”), elected for staggered terms of three (3) years, governs the County. The Board of Chosen Freeholders operates under the commission form on a committee system. Professional department heads in County government are appointed by the Board of Chosen Freeholders and are responsible to the chairman and the committee charged with the specific operation. The County follows the Civil Service merit system of employment, and the Board of Chosen Freeholders abides by the regulations of the State Merit System Board.

The County also established an Office of Administration under the direction of a County Administrator. The County Administrator is a statutory position for a term, authorized by N.J.S.A. 40A:9-42. The County Administrator shall report directly to the Board of Chosen Freeholders on policy matters (i.e., all matters affecting the citizens of the County), and act as its chief executive and administrative officer on all matters involving County Government and shall have administrative responsibility for all County matters. The County Administrator oversees the preparation of the County's annual operating and capital budgets and may perform other executive or administrative duties as are necessary to ensure the effective functioning of County operations and the efficient use of County resources. The County Administrator shall also perform such other duties as are assigned by the Board of Chosen Freeholders pursuant to N.J.S.A. 40A:9-42. 2012.

Governmental Services

Health and Hospitals. The County provides certain medical, health and extended-care services to residents through the George J. Otowski Sr. Center for Mental Health Care, numerous public health clinics and the skilled-care facilities at Roosevelt Care Center in Edison and Roosevelt Care Center at Old Bridge. Both 180-bed facilities, which in addition to providing quality long-term care, offer a full range of rehabilitative, dementia and sub-acute services.

Education. The Middlesex County Vocational and Technical School System is acclaimed as one of the finest in the nation. The system provides pre-employment training in approximately 44 vocational and technical skilled areas to high school and adult students. Approximately 3,770 full- and part-time students are served annually. The system, serving industry and labor, contributes greatly to the industrial growth and stability of the County. The mission statement of the County Vocational and Technical Schools is: “To prepare students for employment in the competitive labor force and for life-long learning by providing a program that stresses the expectation that all students achieve the New Jersey Core Curriculum Content Standards (NJCCCS) at all grade levels; work ethic; technology; industry driven occupational skills competency; broadly transferable academic thinking, problem solving and communication skills; diversity and equity behavior; and the rights and responsibilities of citizenship.”

Middlesex County College, established by the Board of Chosen Freeholders in 1964, has an enrollment of more than 11,000 students in 74 degree programs. The college prepares students for transfer to some of the nation’s most prestigious universities. The College also offers career programs in which graduates directly enter the workplace. The institution has a \$528 million impact on the local economy. The institution has a tremendous positive effect on the local economy. Rutgers, the State University, including Douglass, Cook, Livingston, Busch and Rutgers campuses, is located within the County, as well as Rutgers School of Biomedical and Health Sciences (which has been merged with the former University of Medicine and Dentistry of New Jersey), Princeton University – Forrestal Campus and DeVry University.

Parks and Recreation. The Middlesex County Office of Parks & Recreation currently manages 11,049 acres of parkland for the enjoyment of County residents. Eighteen (18) County Parks and Recreation Facilities totaling 3,012 acres provide recreational and cultural activities with extensive facilities for summer and winter sports, theater and concert programs. Thirty-two (34) Conservation Areas and Preserves, totaling 8,044 acres, offer passive recreation opportunities including hiking along nearly 32 miles of marked trails, bird watching, photography and nature study, while providing important protection to pristine and ecologically sensitive habitat. In addition, three (3) golf facilities are operated and leased by the Middlesex County Improvement Authority (MCIA): Tamarack Golf Course (36 holes); The Meadows at Middlesex (18 holes); and Raritan Landing Golf Course (18-hole executive course). The County has been investing in parks and recreation to add to its long-term livability and its socioeconomic stability. The Open Space and Recreation and Farmland and Historic Preservation Trust Fund was established in 1996. Through this fund, the County has acquired over 8,000 acres of open space either directly by the County or in partnership with its municipalities. This Trust Fund has also been used to develop County and municipal recreational facilities through a grant program focusing on development and redevelopment of municipal parks.

The County continues to pursue an active program of facility improvements and renovations in existing parks. The County completed the installation of improved energy efficient lighting at tennis court facilities at Johnson Park in Piscataway Township, Donaldson Park in the Borough of Highland Park, Merrill Park in Woodbridge Township and Thompson Park in Monroe Township. The County also completed tennis court resurfacing projects at Johnson Park, Thomas Edison Park and Merrill Park. Two cricket pitches at Johnson Park and one at John A. Phillips Park were resurfaced and sidewalk and curbing improvements were completed throughout the Park System in 2017.

Middlesex County recently preserved a 17-acre horse farm (JB Heatherwood Farms) in Monroe Township on March 19, 2018. With this purchase, the County has preserved 55 farms through the Open Space, Recreation and Farmland and Historic Preservation Trust Fund, totaling 4,943 acres. Overall, more than 5,488 acres of farmland have been preserved throughout the County. That number includes preservation easements purchased through the County Farmland Preservation Program, as well as purchases made directly by the State, the municipalities, non-profit organizations and land donated to the County. The County is currently in the process of working to preserve a farm in Monroe Township totaling 36.8 acres.

New projects in 2018 include the replacement of tennis courts at Johnson Park in Piscataway Township and resurfacing of courts at Merrill Park in Woodbridge Township and Thomas Edison Park in Edison Township. The County continues design on pathway lighting replacement at Spring Lake Park in the Borough of South Plainfield, tennis, basketball and handball court resurfacing at Thompson Park and Spring Lake Park and will upgrade playground facilities at Alvin Williams Memorial Park and John A Phillips Park. The County will also begin design for the future of the Stephen J. Capestro Theater in Roosevelt Park. Home to the award-winning Plays-in-the-Park program, the current theater has served as the venue for this program for the past 56 years. The County will embark on an ambitious project to upgrade the theater with state of the art sound and lighting technology, expanded rehearsal and work space and an improved audience seating area.

Design is proceeding on the County's first park in the City of Perth Amboy. Located along the Arthur Kill directly across from the Perth Amboy Campus of the County Vo-Tech School, this facility will include a synthetic turf, multi-purpose athletic field, baseball field, and playground and waterfront walkway. The County has already secured partial funding through the NJDEP Office of Natural Resources and Restoration (ONRR), NJDEP Site Remediation Program and the Green Acres Program. Acquisition of permits is forthcoming and the County will proceed to final design in late 2018. The County expects to continue open space acquisition, with due diligence, of properties in Edison Township, South Brunswick Township and North Brunswick Township.

Transportation. The County is one of the most heavily traveled regions in New Jersey. Located at the crossroads of the Northeast Corridor, the County is traversed by the New Jersey Turnpike, the Garden State Parkway, Interstate 287 and U.S. Routes 1, 9, and 130. There are also other arterial roads, including State Routes 18, 27, 28, 32, 33, 34, and 35, in addition to the 500 and 600 series of County routes which traverse the County and provide access to numerous residential, shopping, educational, medical, and recreational facilities. The Northeast Corridor rail line provides both Amtrak and NJ Transit commuter rail service (five stops within the County), and there also is regular NJ Transit service on both the North Jersey Coast Line (four stops within the County) and the Raritan Valley line which has a stop in Dunellen. Intercity rail service is also provided by Amtrak. These routes run through the County and have regular stops at Metropark and limited stops at New Brunswick City. The Acela Express and Northeast Regional trains operate between Boston and Washington D.C., as the Keystone operates between Harrisburg, Pennsylvania and New York Penn Station. The County also has a number of existing freight railroad lines that facilitated much of the growth of nearby

developments which are located along rail lines that constituted a major transportation infrastructure in the late 19th and 20th century. Presently, the freight lines are in transition, evolving to serve the developing opportunities provided by container ports, oil, car transport, and other commodities unique to the County's big box distribution supply centers and warehouses.

Commuter bus service is provided by NJ Transit, Suburban Transit – Coach USA, and Academy Bus Lines along parts of Routes 1, 9, 18, 27, 34, 130, the Garden State Parkway, and some secondary roads, and includes regular service to New York. Some of these commuter bus routes also serve regional destinations north and south of the County such as Princeton, Newark, Jersey City, Elizabeth, Lakewood, Jackson, Freehold, Toms River, and Seaside Heights during seasonal times. Local bus service to various parts of the county is available through the NJ Transit 800 routes and the Middlesex County Area Transit (MCAT) shuttle routes. Funding for improvements and maintenance of this extensive transportation system comes from Federal, State, County, local and private sources. Additionally, the New Brunswick-Piscataway corridor is served by the Rutgers University inter-campus bus system, which is among the largest in the nation carrying over 6.7 million student and faculty passengers per year.

Transportation funding sources include Federal Highway Administration funding for eligible roads and bridges, and State aid funds, through the New Jersey Department of Transportation, for State, County, and eligible municipal roads. Funding is also available through local capital improvement programs for County and municipal roads. The Federal Transit Administration and New Jersey Transit provide funding for public transit systems. Funding by private industry for transportation improvements is also possible when private development impacts on transportation facilities. The County's transportation management association, Keep Middlesex Moving, Inc., works to reduce traffic congestion on existing roads through various travel demand management strategies, such as car and van pooling, ride-matching, staggered hours, compressed work schedules, and telecommuting. Pedestrian and bicycle mobility service for transportation and recreation needs are available in certain areas and are being expanded through State, County, and municipal initiatives. Major bicycling facilities within the County include the Johnson Park Bikeway, the Middlesex Greenway, and D&R Canal Towpath which comprise parts of the East Coast Greenway, as well as the New Brunswick Bikeway. Bike lanes and bike routes have also been placed on many County and municipal roads throughout the County. In addition to enhancing transportation linkages and local mobility needs, these facilities also promote personal health, wellness, and quality of life.

The County's Division of Transportation under the Department of Community Services, Office of Aging and Disabled Services operates an area-wide on demand special transit services for seniors and disabled persons. This is in addition to the MCAT fixed route shuttle services that provide important linkages and support to the County's regional and local rail and bus system served by NJ Transit and private bus providers. MCAT also coordinates transit services between municipalities and major job and activity centers.

With regard to the road infrastructure in the County, some of the major capital transportation projects either underway or completed include the Route 18 Extension to Route 287 in Piscataway, the Route 18 Realignment and NJ Turnpike Exit 9 Ramp improvements in East Brunswick Township, and the Route 1/Route 18 Bridge and Ramp improvements in New Brunswick City, the River Road reconstruction (CR 622) near Centennial Avenue and Route 287 in Piscataway Township, and the Stelton Road (CR 529) improvements in Edison Township and Piscataway Township.

Economy

The County has been a leader in new construction for many years. According to the December 2017 issue of the New Jersey Department of Community Affairs' Construction Reporter, the County, with \$1,663,300,514 in total dollar amount of Construction Authorized by Building Permits, is fourth (of the 21 counties) in the State overall; fifth in Estimated Cost of Residential Construction Authorized by Building Permits with \$536,001,200 and first in the Nonresidential Construction Authorized by Building Permits with \$998,472,283. The December 2017 report ranks the County 4th in Office Square Feet Authorized by Building Permits (650,571 sq. ft), third in Residential Construction Authorized by Building Permits (2,250 units) and 136,747 square feet in Retail Square Feet by Square Footage. The Office Square Feet Certified for Middlesex County in November 2017 is first in the State at 455,647. The 2017 median household income was as follows: County: 81,863; State \$73,639; US \$56,124.¹

¹ Source: Ersi 2018, Construction Reporter 2018, Real Estate NJ, NJ BIZ, myCentralJersey.NJ Future, NJ.com

Highlights for 2017 for the County include²:

- Six of New Jersey's ten largest industrial projects in northern and central New Jersey this past year are in the County. 1 Brickyard Road, located in Cranbury Township, ranked as number one with 1.35 million square feet, followed by 171 River Road in Piscataway Township, with 725,000 square feet. 66 Station Road in Cranbury Township was ranked number five with 504,428 square feet. 1065 Cranbury South River Road in Monroe Township was number six with 481,730 square feet. Number nine was 2 Turner Place in Piscataway Township with 451,800 square feet, followed by 400 Docks Corner Road in South Brunswick Township with 365,000 square feet. (Real Estate NJ).
- The SBA (Small Business Association) approved a record \$869 million in loans to small business owners in New Jersey in the 2017 fiscal year. The agency approved 2,326 loans which is the first time since 2008 that it has approved more than 2,000 loans. The County received the second highest number of loans out of all of New Jersey's counties. The County was granted \$83.2 million in FY2017. (NJ.com).
- The Northeast Regional Council of Carpenters (NRCC) opened a training facility in Edison Township. The 100,000-sq.-ft. center will be a state of the art carpenters training facility that will include classrooms with audio-visual technology; workstations for hands-on training; an overhead bridge crane for rigging steel concrete forms, pile driving materials and millwright equipment; 14 welding booths and a 300-seat auditorium for NRCC meetings, conferences and presentations. (NJ BIZ).
- A \$2.5 billion mixed-use project in Sayreville Borough, named "Riverton", is among the largest mixed-use project in New Jersey history. The project is located on a brownfield site along the Raritan River. The plans are still being developed but include at least 1 million square-feet of retail space, 2,000 residential units, and a marina. (NJ BIZ).
- Rockefeller Group broke ground on its 2.2 million-square-foot logistics center, which includes six buildings, located at Rockefeller Logistics Center in Piscataway Township. (NJ BIZ).
- The City of New Brunswick and New Brunswick Development Corporation (DEVCO) broke ground on Wednesday, October 4th, 2017 on the New Brunswick Performing Arts Center (NBPAC) project. The \$172 million redevelopment initiative will transform New Brunswick's Downtown Cultural Arts District. The New Brunswick Performing Arts Center is a public-private partnership among DEVCO, New Brunswick City, Rutgers University, the County, the New Jersey Economic Development Authority, the New Brunswick Cultural Center, Pennrose Properties and the New Brunswick Parking Authority, along with eleven other groups. (Home News Tribune).
- New Jersey Future named its Smart Growth Awards Winners for 2017. Woodmont Metro at Metuchen Station is one of the projects to receive the award. This project seeks to diversify Metuchen Borough's housing stock. A 2011-2015 American Community Survey estimated that two thirds of homes rented and owned were single-family detached. Woodmont Metro will offer 273 housing units, 15 percent of which will be affordable, along with retail space, a parking garage, and resident amenities. (New Jersey Future).

Pension Information

Those County employees who are eligible for pension coverage are enrolled in the State of New Jersey pension system. The two State-administered pension funds are the Police and Firemen's Retirement System (N.J.S.A. §43:16A-1 *et. seq.*) and the Public Employees' Retirement System (N.J.S.A. §43:15A-7 *et. seq.*). Benefits, contributions, means of funding and the manner of administration are determined by State Legislation. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds. This Division annually charges counties and other government units for their respective contributions. State law requires that these systems be subject to actuarial valuation every year and actuarial investigation every three (3) years.

² Source: Ersi 2018, Construction Reporter 2018, Real Estate NJ, NJ BIZ, myCentralJersey.NJ Future, NJ.com

Employees

The County provides services through approximately 1,840 employees. County employees are represented by twenty-four (24) labor organizations recognized by the County under the Public Employees Relations Act of 1968 (P.E.R.C.).

All labor unit agreements have expired on December 31, 2016 and are in negotiations. The County considers relations with its unions to be good.

TWENTY PRINCIPAL TAXPAYERS IN MIDDLESEX COUNTY, NEW JERSEY

<u>TAXPAYER</u>	<u>LOCATION</u>	<u>ASSESSED VALUATION</u>
Digital Piscataway LLC	Piscataway	\$365,835,000
ER Squibb & Sons	North Brunswick, Plainsboro	298,507,000
Prologis	Cranbury, Edison, Monroe, Perth Amboy, Sayreville, South Brunswick	260,380,700
Scudders Holdings LLC	Plainsboro	253,054,208
Isaac Heller	Edison, South Brunswick	212,135,800
Buckeye/ Chevron Oil Previously	Perth Amboy	193,207,600
Center Realty/ Fed Storage Warehouse	Edison	158,490,700
Keystone Properties (Various)	Carteret, Cranbury	154,897,900
GATX Kinder-Morgan	Carteret	144,959,100
Shopping Center Assoc (Menlo Park)	Edison	144,909,800
AG-Candlebrook	Plainsboro	134,160,000
US Real Estate Holdings	Piscataway	133,000,000
Whale Ventures LLC	Piscataway	130,000,000
Harbortown	Perth Amboy	122,118,900
Atlantic Realty	Woodbridge	120,075,100
Hunters Glen	Plainsboro	120,000,000
Cedar Brook Corporate Center	Cranbury	116,426,300
KTR Carteret	Carteret	116,244,483
Firemenich, Inc.	Plainsboro	115,693,400
Costco Wholesale Corp.	Monroe	114,784,900

Source: Twenty largest taxpayers as reported by each municipality within the County, as of December 31, 2016.

**MAJOR EMPLOYERS LOCATED IN
MIDDLESEX COUNTY, NEW JERSEY**

	<u>COMPANY</u>	<u>LOCATION EMPLOYEE SIZE</u>
1.	Prudential	1,000 - 2,500
2.	800 Scudders LLC	1,000 - 2,500
3.	Aetna	1,000 - 2,500
4.	Amazon.Com Inc	1,000 - 2,500
5.	Colgate-Palmolive	1,000 - 2,500
6.	Ericsson	1,000 - 2,500
7.	Home Depot	1,000 - 2,500
8.	Johnson & Johnson	1,000 - 2,500
9.	Matrixtechnology Group P LA	1,000 - 2,500
10.	Raritan Bay Medical Ctr	1,000 - 2,500
11.	Raritan Bay Medical Ctr	1,000 - 2,500
12.	Rutgers Robert Wood Johnson	1,000 - 2,500
13.	Sansone Route 1 Auto Mall	1,000 - 2,500
14.	Silver Line Building Products	1,000 - 2,500
15.	Walmart	1,000 - 2,500
16.	Childrens Hospital	2,500 - 5,000
17.	Dow Jones & Co	2,500 - 5,000
18.	Ferrellgas	2,500 - 5,000
19.	JFK Medical Ctr	2,500 - 5,000
20.	Robert Wood Johnson Univ Hosp	2,500 - 5,000
21.	St. Peter's University Hospital	2,500 - 5,000
22.	University Med Ctr-Plainsboro	2,500 - 5,000
23.	UPS	2,500 - 5,000
24.	Wakefern Food Corp	2,500 - 5,000
25.	AT&T	600 - 1,000

Source: Middlesex County Department of Economic Business Development, February 2016.

**MIDDLESEX COUNTY, NEW JERSEY
LABOR FORCE**

				County Unemployment	New Jersey Unemployment	Nationwide Unemployment
Year	Labor Force	Employment	Unemployment	Rate	Rate	Rate
2007	420,000	401,500	18,500	4.4%	5.1%	4.8%
2008	425,000	403,700	21,400	5.0	5.5	5.8
2009	426,799	389,700	37,000	8.7	9.2	9.3
2010	422,900	386,200	36,700	8.7	9.5	9.6
2011	436,200	399,500	36,200	8.8	9.3	8.9
2012	438,700	404,000	34,800	7.9	9.3	7.6
2013	443,800	410,900	32,900	7.4	8.2	7.4
2014	443,800	422,800	21,000	4.7	6.2	5.6
2015	439,800	422,900	16,900	3.8	4.4	5.0
2016	441,695	426,188	15,507	3.5	4.1	4.7

Source: New Jersey Department of Labor (based upon U.S. Department of Labor methodology) and U.S. Dept. of Labor Nationwide unemployment rate.

**MIDDLESEX COUNTY, NEW JERSEY
RETAIL SALES (\$000 omitted)**

Year	Middlesex County	Percent Change
2013	\$10,843,308	24.60%
2014	11,308,679	4.30
2015	15,033,436	24.00
2016	15,197,427	10.00
2017	14,327,307	-1.06

Source: ESRI Retail Market Place Profile December 2017.

MIDDLESEX COUNTY, NEW JERSEY POPULATION

Year	Middlesex County	New Jersey	United States
2017	855,458	9,100,237	327,514,334
2016	837,073	8,944,469	323,127,513
2015	831,395	8,960,000	321,418,820
2014	828,004	8,938,175	318,857,056
2013	828,918	8,899,339	317,135,349
2012	815,917	8,864,590	313,914,040
2011	814,217	8,821,155	311,591,917
2010	809,858	8,791,894	309,050,816
2009	790,738	8,707,739	306,656,290
2008	789,102	8,682,661	304,177,401
2007	788,629	8,685,920	301,393,632
2006	786,971	8,724,560	298,431,771
2005	789,516	8,717,925	295,618,454
2004	785,095	8,698,879	292,936,109
2003	780,995	8,638,396	290,242,027
2002	775,549	8,590,300	287,745,630
2001	764,971	8,511,116	285,049,647
2000	750,162	8,414,350	282,165,844
1999	717,949	8,143,412	272,690,813
1998	712,638	8,095,542	270,248,003
1997	707,589	8,054,178	267,783,607
1996	701,797	8,009,624	265,228,572
1995	696,677	7,965,523	262,803,276
1994	690,810	7,918,796	260,327,021
1990	671,712	7,747,750	248,790,925

Sources: ESRI Profile 2018.

**MIDDLESEX COUNTY, NEW JERSEY NEW
BUILDING PERMITS AUTHORIZED**

<u>Year</u>	<u>One & Two Family</u>	<u>Multi-Family/Mixed Use</u>	<u>Total Housing Units</u>
2008	622	18	640
2009	639	293	932
2010	790	861	1,651
2011	688	270	958
2012	680	407	1,087
2013	817	769	1,587
2014	602	1,134	1,736
2015	1,019	569	1,588
2016	819	933	1,752
2017	663	1,587	2,250

Sources: N.J. Department of Community Affairs 2018. Construction Reporter 2018.

**MIDDLESEX COUNTY, NEW JERSEY
HOUSING PROFILE
HOUSING UNITS BY OCCUPANCY, STATUS, AND TENURE**

	<u>Census 2010</u>		<u>2021</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
TOTAL UNITS	294,800	100.0%	317,856	100%
Occupied	281,186	95.4%	303,493	95.5%
Owner	187,147	63.5%	192,046	60.4%
Renter	94,039	31.9%	111,447	35.1%
Vacant	13,614	4.6%	14,304	4.5%

OWNER OCCUPIED HOUSING UNITS BY VALUE

	<u>2017</u>		<u>2022</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
TOTAL	186,475	100%	191,990	100%
Less than \$50,000	2,984	1.6%	1,728	0.9%
\$50,000-\$99,999	3,357	1.8%	2,112	1.1%
\$100,000-\$149,999	7,459	4.0%	4,416	2.3%
\$150,000-\$199,999	11,002	5.9%	6,912	3.6%
\$200,000-\$249,999	18,461	9.9%	10,943	5.7%
\$250,000-\$299,999	24,801	13.3%	15,167	7.9%
\$300,000-\$399,999	58,180	31.2%	71,804	37.4%
\$400,000-\$499,999	29,090	15.6%	37,438	19.5%
\$500,000-\$749,999	24,615	13.2%	32,062	16.7%
\$750,000-\$999,999	5,035	2.7%	6,720	3.5%
\$1,000,000 and above	1,865	1%	2,880	1.5%
Median Value	\$343,730		\$376,485	
Average Value	\$373,377		\$417,042	

Source: ESRI ACS Housing Profile.

MIDDLESEX COUNTY, NEW JERSEY
STATUTORY DEBT
AS OF DECEMBER 31, 2017¹
(UNAUDITED)

**GROSS
DEBT:**

Issued and Outstanding:

Bonds.....	\$ 287,599,000
Notes: Dated June 14, 2017 due June 13, 2018.....	34,000,000
Total Bonds & Notes Issues & Outstanding.....	321,599,000
Authorized but not Issued	145,802,059
County Loans from MCIA	5,024,203
Green Acres Trust Program Loans	23,102,445
Subtotal	<u>\$495,527,707</u>

Less:

County College Bonds payable by	
State of New Jersey	14,775,000
Accounts Receivable from MCIA Loans	1,639,127
Accounts Receivable from Heldrich Loan	2,175,000

STATUTORY NET DEBT (includes Authorized but not Issued) ² \$476,938,580

Source: County of Middlesex accounting records.

¹ In accordance with the Local Bond Law, the County is required to include all authorized capital appropriations in its statutory debt statement.

² Does not include County-Guaranteed Revenue Bonds issued by the Middlesex County Improvement Authority (MCIA) as detailed on page A-11. In addition, does not include lease payments/loan payment obligations of the County pursuant to various lease-purchase/loan agreements as detailed on page A-12.

**MIDDLESEX COUNTY, NEW
JERSEY STATUTORY DEBT
LIMIT**
AS OF DECEMBER 31, 2017
(UNAUDITED)

Three Year Average Equalization Basis (2015,2016,2017)	<u>\$ 103,041,069,382</u>
Statutory Borrowing Capacity (2% of Equalized Basis)....	\$2,060,821,388
Statutory Net Debt ¹	<u>\$476,938,580</u>
Remaining Borrowing Capacity	<u>\$1,583,882,808</u>
Percentage of Net Debt to Equalized Valuation Basis	<u>0.46%</u>

Sources: Division of Local Government Services, N.J. Department of Community Affairs and County of Middlesex accounting records.

¹ Does not include County-Guaranteed Lease Revenue Bonds issued by the Middlesex County Improvement Authority (MCIA) as detailed on page A-11. In addition, does not include lease payments/loan payment obligations of the County pursuant to various lease-purchase/loan agreements as detailed on page A-12.

MIDDLESEX COUNTY, NEW JERSEY
COUNTY-GUARANTEED BONDS ISSUED BY MCIA
AS OF DECEMBER 31, 2017
(UNAUDITED)

SERIES	DESCRIPTION	ISSUE DATE	ORIGINAL ISSUE AMT.	GUARANTEE BALANCE ¹
2007	Heldrich Bond Issue	June 13, 2007	\$3,000,000	\$2,000,000
2008	Capital Equipment Lease Revenue	Dec. 12, 2008	13,100,000	545,000
2008	Open Space (Refunded Bonds)	June 19, 2008	29,545,000	4,840,000
2008	Education Services Comm. Project (Refunding)	Nov. 18, 2008	40,000,000	1,290,000
2009	Capital Equipment Lease Revenue	Sept. 30, 2009	13,115,000	1,435,000
2009	Refunding Golf Course Centers	Dec. 18, 2009	4,755,000	2,770,000
2009	Open Space Bonds	Dec. 23, 2009	20,265,000	7,840,000
2010	Education Services Comm. Project (Refunding)	July 8, 2010	5,300,000	1,255,000
2011	Open Space (Refunding Bonds)	Sept. 21, 2011	46,830,000	30,735,000
2012	Capital Equipment Lease Revenue	Sept. 15, 2012	11,815,000	1,470,000
2013	Capital Equipment Lease Revenue	Oct. 15, 2013	13,840,000	3,755,000
2013	Refunding Golf Course Centers	June 01, 2013	11,875,000	9,850,000
2014	Capital Equipment Lease Revenue	Sept. 15, 2014	17,275,000	7,160,000
2014	Education Services Comm. Project (Refunding)	May 7, 2014	9,385,000	7,250,000
2014	Education Services Comm. Project A (Refunding)	Dec. 30, 2014	30,170,000	29,870,000
2015	Capital Equipment Lease Revenue	Sept. 30, 2015	8,080,000	5,100,000
2016	Capital Equipment Lease Revenue	Sept. 29, 2016	7,075,000	5,730,000
2016	Open Space (Refunding Bonds)	May 10, 2016	19,160,000	19,160,000
2017	Capital Equipment Lease Revenue	Sept. 1, 2017	10,915,000	10,915,000
2017	Education Services Comm. Project	Aug 31, 2017	13,170,000	13,170,000
2017	New Brunswick Cultural Center	Sept. 7, 2017	<u>28,430,000</u>	<u>28,430,000</u>
Total:			<u>\$357,100,000</u>	<u>\$194,570,000</u>

Source: Middlesex County Comptroller's Office from financial records of the County.

¹ County-Guaranteed Bonds do not represent debt of the County. To the extent that revenues from the respective projects are sufficient to pay the debt service on such bonds, the County may take a deduction from its gross debt for the principal amount of bonds outstanding and so guaranteed.

MIDDLESEX COUNTY, NEW JERSEY
OTHER COUNTY LEASE/LOAN OBLIGATIONS
AS OF DECEMBER 31, 2017
(UNAUDITED)

DESCRIPTION	COUNTY LEASE-PURCHASE/LOAN AMOUNT ¹
1998 Civic Square II Certificates of Participation	\$5,375,000
1998 Civic Square III Certificates of Participation	2,025,000
2008 County Loan from MCIA (Net)	113,113
2009 Civic Square III (Refunding) COP	11,120,000
2011 Civic Square II (Refunding) COP	7,010,000
2011 Civic Square II (Refunding) COP	22,525,000
2012 Civic Square IV (Refunding) COP	30,045,000
2013 Capital Equipment Lease Revenue	297,800
2013 County Loan from MCIA (Net)	1,794,529
2014 Capital Equipment Lease Revenue	548,194
2014 County Loan from MCIA (Net)	5,316,794
2015 County Loan from MCIA (Net)	2,999,930
2016 County Loan from MCIA (Net)	3,912,147
2017 County Loan from MCIA (Net)	<u>7,316,675</u>
Total:	<u>\$100,399,182</u>

Source: Middlesex County Comptroller's Office from financial records of the County.

¹ Lease purchase/loan payment obligations of the County as a participant in various financings. These lease payments/loan payments are not included in the gross debt calculation of the County.

² The debt service on the Open Space bonds is paid by monies deposited in the Open Space Trust Fund from the Open Space tax levy.

SUBSEQUENT EVENTS

For January 1, 2016 to June 16, 2016, see “Subsequent Events” in Note 20 in the County’s Audit for the year ended December 31, 2016.

—March 1, 2018—

The County's 2018 operating budget was adopted.

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Debt History And Bonded Debt Ratios

The following table shows certain ratios relating to the County's gross and net debt authorized and authorized but not issued at the end of each of the last five (5) years:

MIDDLESEX COUNTY, NEW JERSEY HISTORY OF DEBT RATIOS (UNAUDITED)

			Percentage		Percentage
			Gross Debt		Net Debt
	Equalized	Gross Debt	Equalized	Net Debt	Equalized
<u>Year</u>	<u>Valuation</u>	<u>December 31</u>	<u>Valuation</u>	<u>December 31</u>	<u>Valuation</u>
2013	\$97,897,271,748	\$932,876,087	0.9529%	\$702,823,005	0.7179%
2014	97,897,271,748	801,823,325	0.8346%	578,120,091	0.6017%
2015	97,847,075,849	735,109,645	0.7513%	530,689,269	0.5424%
2016	102,577,013,839	700,844,475	0.6832%	512,964,315	0.5001%
2017	105,376,589,174	690,097,707	0.6549%	476,938,580	0.4526%

Source: County of Middlesex - Annual Debt Statements for the years presented.

MIDDLESEX COUNTY, NEW JERSEY
SCHEDULE OF GROSS DEBT SERVICE ON OUTSTANDING BONDS
AS OF DECEMBER 31, 2017
(UNAUDITED)

Year	Principal ^{1,2}	Interest ³	Total Debt Service ⁴
2018	\$40,280,000	\$8,442,723	\$48,722,723
2019	39,475,000	7,157,815	46,632,815
2020	38,890,000	5,874,188	44,764,188
2021	34,995,000	4,743,895	39,738,895
2022	24,285,000	3,800,959	28,085,959
2023	19,875,000	3,141,912	23,016,912
2024	18,000,000	2,559,506	20,559,506
2025	14,995,000	2,035,887	17,030,887
2026	14,015,000	1,583,762	15,598,762
2027	13,495,000	1,159,280	14,654,280
2028	12,519,000	766,397	13,285,397
2029	7,435,000	464,474	7,899,474
2030	3,690,000	277,494	3,967,494
2031	3,455,000	142,680	3,597,680
2032	895,000	62,475	957,475
2033	665,000	35,563	700,563
2034	340,000	14,813	354,813
2035	100,000	7,963	107,963
2036	100,000	4,713	104,713
2037	95,000	1,544	96,544
Total:	\$287,599,000	\$42,278,037	\$329,877,037

Source: County Comptroller's Office Debt Amortization Schedules.

¹ Does not include County-Guaranteed Revenue Bonds issued by the Middlesex County Improvement Authority (MCIA) as detailed on page A-11. In addition, does not include lease payments/loan payments pursuant to various lease-purchase/loan agreements as detailed on page A-12.

² Includes State share of principal of County College Bonds in the amount of \$14,722,500.

³ Includes State share of interest on County College Bonds in the amount of \$ 900,726.

⁴ 2018 principal and interest have been appropriated in the County's 2018 budget.

MIDDLESEX COUNTY, NEW JERSEY
SCHEDULE OF NET DEBT SERVICE ON OUTSTANDING BONDS
AS OF DECEMBER 31, 2017
(UNAUDITED)

Year	Principal ^{1,2}	Interest ³	Total Debt Service ⁴
2018	\$39,107,500	\$7,992,111	\$47,099,611
2019	38,262,500	6,760,286	45,022,786
2020	37,632,500	5,509,766	43,142,266
2021	33,775,000	4,413,141	38,188,141
2022	23,045,000	3,503,532	26,548,532
2023	18,620,000	2,878,977	21,498,977
2024	16,725,000	2,333,031	19,058,031
2025	13,690,000	1,849,143	15,539,143
2026	12,795,000	1,438,137	14,233,137
2027	12,270,000	1,054,055	13,324,055
2028	11,649,000	697,197	12,346,197
2029	6,897,500	422,211	7,319,711
2030	3,480,000	249,782	3,729,782
2031	3,240,000	121,530	3,361,530
2032	675,000	48,225	723,225
2033	445,000	28,413	473,413
2034	220,000	13,013	233,013
2035	100,000	7,963	107,963
2036	100,000	4,713	104,713
2037	95,000	1,544	96,544
Total:	\$272,824,000	\$39,326,767	\$312,150,767

Source: County Comptroller's Office Debt Amortization Schedules.

¹ Does not include County-Guaranteed Revenue Bonds issued by the Middlesex County Improvement Authority (MCIA) as detailed on page A-11. In addition, does not include lease payments/loan payments pursuant to various lease-purchase/loan agreements as detailed on page A-12.

² Includes State share of principal of County College Bonds in the amount of \$14,775,000.

³ Includes State share of interest on County College Bonds in the amount of \$ 2,951,269.

⁴ 2018 principal and interest have been appropriated in the County's 2018 budget.

**MIDDLESEX COUNTY, NEW JERSEY
ASSESSED AND EQUALIZED VALUATIONS
AND EQUALIZED TAX RATES**

<u>Year</u>	<u>Aggregate Assessed Valuation of Taxable Property (in dollars)</u>	<u>Ratio of Assessed to True Value of Taxable Property</u>	<u>Equalized Valuation (in dollars)</u>	<u>County Equalized Tax Rate Per \$100</u>
2008	\$48,544,253,040	44.13%	\$109,995,053,068	\$0.2565
2009	48,574,338,147	43.19%	112,462,305,214	0.2654
2010	48,466,561,786	43.36%	111,769,673,139	0.2776
2011	47,618,803,973	45.18%	105,403,227,977	0.3064
2012	48,006,036,353	47.00%	102,138,329,763	0.3267
2013	47,603,930,913	49.31%	96,531,068,015	0.3529
2014	54,891,859,667	57.23%	95,920,975,412	0.3677
2015	55,298,339,462	56.34%	98,155,708,228	0.3676
2016	56,639,361,081	55.17%	102,655,566,087	0.3619
2017	59,613,121,830	57.56%	103,567,776,130	0.3690

Source: Middlesex County Board of Taxation, Abstract of Ratables.

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MIDDLESEX COUNTY, NEW JERSEY
ASSESSED VALUATION COUNTY-WIDE BY PROPERTY CLASSIFICATION
(in dollars)

Year	Vacant Land	Residential	Farm	Commercial	Industrial	Apartments	Total
1998	1,013,820,500	22,300,696,490	107,752,800	5,035,199,300	4,985,098,730	1,739,706,800	35,182,274,620
1999	1,108,786,150	23,325,695,196	105,363,100	5,429,299,200	5,215,014,100	1,843,710,200	37,027,867,946
2000	1,053,012,900	23,865,077,696	105,946,400	5,686,989,300	5,266,816,900	1,899,884,400	37,877,727,596
2001	1,015,863,200	24,431,190,000	110,518,900	5,876,835,891	5,325,533,200	1,951,968,600	38,711,909,791
2002	989,085,800	24,944,505,000	103,997,800	5,941,101,500	5,440,087,700	2,025,834,500	39,444,612,300
2003	958,682,600	25,514,638,700	108,104,400	5,931,275,400	5,571,656,600	2,059,586,300	40,143,944,000
2004	953,196,615	25,954,290,165	111,064,700	5,928,429,000	5,570,658,700	2,076,822,400	40,594,461,580
2005	1,147,502,967	28,406,777,500	109,994,400	6,394,492,800	5,493,593,975	2,169,100,600	43,721,462,242
2006	1,250,954,652	30,153,650,965	105,088,300	6,777,136,700	5,796,772,275	2,361,316,600	46,444,919,492
2007	1,175,083,302	31,507,082,624	122,361,900	6,859,196,400	6,291,600,000	2,325,318,800	48,280,643,026
2008	1,083,251,936	31,867,355,624	123,154,600	6,821,770,400	6,213,478,100	2,323,338,900	48,432,349,560
2009	1,005,136,984	32,136,854,499	125,122,900	6,836,054,130	6,053,111,500	2,304,872,400	48,461,152,413
2010	923,290,684	32,241,740,385	120,142,300	6,822,262,730	5,909,522,638	2,324,664,100	48,341,622,837
2011	857,839,384	32,154,718,299	116,738,200	6,630,596,000	5,435,518,468	2,299,450,200	47,494,860,551
2012	820,194,904	32,451,375,450	113,763,100	6,617,036,000	5,506,628,700	2,370,030,000	47,879,028,154
2013	800,665,400	32,348,491,290	117,880,800	6,467,578,936	5,380,121,351	2,370,560,300	47,485,298,077
2014	977,532,000	37,149,023,248	149,333,100	7,151,914,618	6,713,256,684	2,629,495,900	54,770,555,550
2016	1,050,060,880	38,001,271,941	149,620,200	7,462,146,531	6,955,866,093	2,928,235,400	56,547,201,045
2017	1,044,089,854	39,326,029,396	151,456,400	8,163,066,431	7,422,592,916	3,417,544,200	59,524,779,197

Source: Middlesex County Board of Taxation.

**MIDDLESEX COUNTY, NEW JERSEY DEBT ANALYSIS
DECEMBER 31, 2017 (UNAUDITED)**

Full Valuation Per Capita ¹	\$121,067.05
County Net Debt (\$476,938,580) ²	0.463%
County Net Debt per Capita ¹	\$557.52
Municipal Net Debt (2016: \$1,014,393,808) ²	1.012%
Municipal Net Debt per Capita ¹	\$1,185.79
Combined Direct Net Debt ²	1.447%
Combined Direct Net Debt per Capita ¹	\$1,743.31

Source: County financial records for County Debt and Local Municipalities for Municipal Debt.

¹ Based upon year 2017 Population of 855,458 and 2017 Aggregate True Value of \$103,567,776,130 per the 2017 Equalization Table prepared by the Middlesex County Board of Taxation.

² Percentage based on State of New Jersey calculations of three (3) year average equalized valuations of \$103,041,069,382 (for years 2015, 2016, and 2017).

Note: Net debt figures include all school and general bonds and notes issued, reduced by funds on hand for debt service and exclude all self-liquidating debt (including debt of all local authorities and utilities). 2017 Aggregate True Value, year 2017 Population and December 31, 2016 Municipal Debt were used in calculations, unless otherwise noted.

**STATEMENT OF OVERLAPPING
DEBT**

The County's twenty-five (25) municipalities are, in general, serviced by local public authorities and utilities for water and sewerage service and, in some cases, parking. The debt of these public authorities and utilities is typically paid from user service charges and connection fees. The Middlesex County Utilities Authority ("MCUA"), which is located in the northern, most populated portion of the County, provides secondary treatment and disposal of effluent for eighteen (18) municipalities and one (1) authority. As of December 31, 2016, the MCUA had \$151,994,756 aggregate principal amount of debt outstanding relating to the Waste Water Division Component and \$32,834,323 aggregate principal amount of debt outstanding relating to the Solid Waste Division Component. No actual or contingent liability for the payment of any such indebtedness exists on the part of the County.

**MIDDLESEX COUNTY, NEW
JERSEY EQUALIZED VALUE OF
PROPERTY BY CONSTITUENT
MUNICIPALITIES**

Municipality	2013	2014	2015	2016	2017	Tax Rate Per \$100 Valuation	2016 Percent of Collection **
Carteret Boro	\$ 2,073,387,003	\$ 1,960,746,661	\$ 2,215,022,158	\$ 2,183,837,869	\$ 2,206,662,949	\$3.17	98.63
Cranbury Twp	1,494,986,311	1,561,888,554	1,467,820,463	1,559,947,896	1,525,848,058	1.93	99.40
Dunellen Boro	569,449,462	553,084,033	568,041,053	593,289,232	601,419,131	12.49	97.70
East Brunswick Twp	7,229,007,150	7,243,291,908	7,171,369,479	7,140,250,110	7,273,330,826	10.43	99.07
Edison Twp	14,020,673,249	14,154,869,738	14,707,968,404	15,727,414,723	15,961,613,143	5.06	99.71
Helmetta Boro	217,727,608	204,530,949	201,665,013	202,885,809	211,121,144	2.87	97.49
Highland Park Boro	1,376,634,775	1,293,534,693	1,275,352,475	1,298,309,135	1,271,362,906	7.90	99.97
Jamesburg Boro	453,969,523	432,680,593	443,277,283	435,350,540	443,026,923	6.03	98.35
Metuchen Boro	2,154,613,252	2,121,701,671	2,190,249,757	2,283,881,743	2,343,041,025	5.77	98.57
Middlesex Boro	1,457,045,103	1,409,619,504	1,407,192,360	1,416,008,849	1,459,868,096	8.36	98.23
Milltown Boro	912,984,761	865,099,041	857,046,578	858,236,200	882,224,874	5.31	97.90
Monroe Twp	6,646,836,680	6,719,653,264	7,373,011,854	8,097,648,564	8,647,586,697	2.37	98.89
New Brunswick City	3,120,578,536	3,173,887,778	3,276,893,385	3,209,818,471	3,340,868,868	5.87	99.82
North Brunswick Twp	4,387,321,020	4,573,448,641	4,488,181,475	4,535,680,708	4,498,276,710	5.34	99.91
Old Bridge Twp	6,908,904,819	6,807,582,255	7,009,317,782	7,355,860,113	7,537,644,595	4.65	99.97
Perth Amboy City	3,154,144,153	3,204,095,668	3,206,794,805	3,074,156,692	3,264,101,142	2.88	99.74
Piscataway Twp	6,203,124,488	6,158,768,621	6,362,944,683	6,992,903,827	6,992,261,473	2.62	99.14
Plainsboro Twp	3,857,587,632	3,793,949,572	3,934,558,955	4,049,537,640	4,337,221,593	2.08	99.73
Sayreville Boro	4,764,465,916	4,441,520,316	4,446,175,185	4,569,924,865	4,673,153,751	4.89	98.85
South Amboy City	873,326,595	836,937,513	829,336,800	859,767,737	842,359,951	2.64	99.59
South Brunswick Twp	7,701,483,648	7,857,568,028	7,979,299,583	8,751,413,961	8,677,593,421	4.86	99.05
South Plainfield Boro	3,653,543,945	3,714,283,185	3,832,729,139	3,813,794,648	3,723,235,606	5.80	98.74
South River Boro	1,331,956,265	1,319,732,478	1,293,849,676	1,341,187,237	1,354,166,813	7.45	97.87
Spotswood Boro	788,651,678	763,687,429	773,106,424	779,306,164	785,955,400	3.10	98.78
Woodbridge Twp	11,178,664,443	10,754,813,319	10,844,503,459	11,525,153,357	10,713,831,035	9.93	99.14
Totals	\$ 96,531,068,015	\$ 95,920,975,412	\$ 98,155,708,228	\$ 102,655,566,090	\$ 103,567,776,130		

Source: Middlesex County Board of Taxation for Equalization Values and Tax Rates: Municipalities for 2016 Percentage of Collection.

* Includes Municipal, School and County Taxes.

** Each Municipality is required to pay to the County Treasurer 100% of its share of the County Purpose Tax from the first taxes collected.

**MIDDLESEX COUNTY, NEW JERSEY
GROSS AND STATUTORY DEBT OF CONSTITUENT
MUNICIPALITIES DECEMBER 31, 2016¹**

<u>Municipality</u>	<u>School</u>	<u>Gross Debt</u>		<u>Statutory Deductions 1</u>		<u>Net Debt</u>		<u>Averaged</u>	<u>% of</u>
		<u>Self-Liquidating</u>	<u>General</u>	<u>School</u>	<u>Self-Liquidating</u>	<u>General</u>	<u>Net Debt</u>	<u>Equalized</u>	<u>Net</u>
Carteret	\$11,410,000.00	-	\$103,471,136.42	\$11,410,000.00	-	\$49,714,690.82	\$53,756,445.60	\$2,256,729,328.33	2.38
Cranbury	2,490,000.00	-	18,208,590.00	2,490,000.00	-	2,991,567.70	15,217,022.30	1,489,649,307.67	1.02
Dunellen	7,490,000.00	285,000.00	6,345,376.61	7,490,000.00	285,000.00	1,557.48	6,343,819.13	582,300,208.00	1.09
East Brunswick	80,916,480.00	90,040,651.00	51,011,878.00	80,916,480.00	90,040,651.00	20,939,000.00	30,072,878.00	7,157,737,249.00	0.42
Edison	4,440,000.00	14,524,442.43	103,590,556.37	4,440,000.00	14,524,442.43	97,954.00	103,492,602.37	15,352,422,010.33	0.67
Helmetta	1,707,126.64	1,187,337.28	1,400,000.00	1,707,126.64	1,187,337.28	-	1,400,000.00	202,087,344.00	0.69
Highland Park	-	2,505,000.00	3,553,000.00	-	2,505,000.00	-	3,553,000.00	1,263,510,968.33	0.28
Jamesburg	2,010,000.00	-	-	2,010,000.00	-	-	-	438,505,989.00	-
Metuchen	19,520,000.00	331,600.00	18,917,005.00	19,520,000.00	331,600.00	-	18,917,005.00	2,237,889,597.00	0.85
Middlesex	2,745,000.00	1,337,000.00	15,068,412.07	2,745,000.00	1,337,000.00	64,317.08	15,004,094.99	1,420,388,558.67	1.06
Milltown	4,702,000.00	21,776,255.32	7,893,657.77	4,702,000.00	21,776,255.32	-	7,893,657.77	862,676,425.33	0.92
Monroe	127,740,000.00	54,554,830.04	83,724,629.31	127,740,000.00	54,554,830.04	18,213,169.00	65,511,460.31	7,846,485,108.00	0.84
New Brunswick	23,705,000.00	48,087,469.77	278,424,195.78	23,705,000.00	48,087,469.77	242,513,462.27	35,910,733.51	3,153,057,452.67	1.14
North Brunswick	40,160,000.00	52,113,818.00	79,055,813.00	40,160,000.00	52,113,818.00	19,972,010.00	59,083,803.00	4,459,550,842.00	1.33
Old Bridge	31,940,000.00	877,850.00	45,745,718.97	31,940,000.00	-	-	45,745,718.97	7,245,031,499.67	0.64
Perth Amboy	5,300,000.00	80,707,741.27	106,610,841.76	5,300,000.00	80,707,741.27	950,945.65	105,659,896.11	3,098,703,285.33	3.41
Piscataway	19,365,000.00	4,505,000.00	90,303,057.00	19,365,000.00	4,505,000.00	-	90,303,057.00	6,674,437,081.33	1.35
Plainsboro	18,851,594.00	-	44,392,746.50	18,851,594.00	-	1,087,967.94	43,304,778.56	4,078,012,178.67	1.06
Sayreville	43,110,000.00	23,420,368.28	37,773,599.00	43,110,000.00	23,420,368.28	-	37,773,599.00	4,495,648,423.67	0.84
South Amboy	7,737,892.00	-	21,210,733.30	7,737,892.00	-	3,056,422.00	18,154,311.30	833,885,269.33	2.18
South Brunswick	57,280,000.00	70,957,450.00	48,781,732.05	57,280,000.00	70,957,450.00	-	48,781,732.05	8,365,870,557.00	0.58
South Plainfield	5,455,000.00	718,223.00	18,976,977.71	5,455,000.00	372,303.00	23,194.14	18,953,783.57	3,754,759,363.67	0.51
South River	11,591,561.80	11,531,200.41	29,195,623.01	11,591,561.80	11,531,200.41	-	29,195,623.01	1,327,131,990.00	2.20
Spotswood	13,575,873.36	5,043,000.00	4,554,073.18	13,575,873.36	5,043,000.00	-	4,554,073.18	771,340,282.00	0.59
Woodbridge	63,520,000.00	93,620,000.00	163,095,713.00	63,520,000.00	93,620,000.00	7,285,000	155,810,713.00	10,896,594,623.00	1.43
Total:	\$606,762,527.80	\$578,124,236.80	\$1,381,305,065.81	\$606,762,527.80	\$576,900,466.80	\$366,911,258.08	\$1,014,393,807.73	\$100,264,404,942.00	

Source: Constituent Municipalities.

¹ Statutory Deductions are utilized to reflect that portion which is not included in calculating the allowable statutory borrowing capacity of the local unit. It is not intended to reflect that such debt is payable from a source other than the local unit. However, certain statutory deductions consist of amounts such as proceeds of refunding bonds and other funds which can only be applied to debt service repayment.

MIDDLESEX COUNTY, NEW JERSEY
2017 AND 2018
BUDGETS

The Board of Chosen Freeholders adopted its 2018 Budget on March 1, 2018. The 2018 Budget, as required by law, includes required payments of principal and interest on all outstanding bonds or notes of the County, including any lease payments/loan payments owed by the County.

SUMMARY OF 2017 AND 2018 BUDGETS

	2017 Budget (As Amended)	2018 Budget
Revenues:		
Surplus Anticipated	\$ -	\$ -
State Aid, State Refunds, State Share of Costs & Federal Grants	21,572,733	24,597,693
Miscellaneous Fees, Rentals, Charges Earned by County	72,116,085	40,516,338
Interest on Investments and Deposits	471,471	1,052,340
Added and Omitted Taxes	140,178	194,351
Open Space Trust Fund	12,964,217	13,684,029
Amount to be Raised by Taxation-County Purpose Tax	380,430,059	389,875,249
TOTAL	\$ 487,694,743	\$ 469,920,000
Appropriations:		
General Government	\$ 118,658,876	\$ 121,894,884
Utilities and Bulk Purchases	6,667,000	8,320,000
Judiciary	800,673	840,203
Regulation	29,895,306	30,861,445
Roads and Bridges	7,507,483	8,613,675
Correctional and Penal	42,866,785	44,756,331
Health and Welfare	55,271,138	54,354,376
Education	45,549,665	46,703,523
Recreation	7,524,512	7,950,842
Unclassified	28,346,175	27,341,430
Other Local State & Federal Aid Programs	41,410,511	12,552,792
Contingent Fund	971,370	736,438
Capital Improvements	13,556,109	18,000,000
Debt Service	61,599,568	58,337,673
Deferred Charges and Statutory Expenditures	27,069,572	28,656,388
TOTAL	\$ 487,694,743	\$ 469,920,000

**MIDDLESEX COUNTY, NEW JERSEY COMPARATIVE
STATEMENT OF CURRENT FUND
OPERATIONS AND CHANGE IN CURRENT FUND BALANCE**

	<u>Audited 2015</u>	<u>Audited 2016</u>	<u>Unaudited 2017</u>
Fund Balance January 1st	\$ 34,617,206	\$ 42,242,831	\$ 54,101,189
CURRENT REVENUE ON A CASH BASIS:			
Current Taxes	357,505,000	368,963,000	380,430,059
Other Revenues and Additions to Income	<u>110,162,029</u>	<u>114,670,623</u>	<u>110,781,312</u>
Total Funds	<u>502,284,235</u>	<u>525,876,454</u>	<u>545,312,560</u>
EXPENDITURES AND TAX REQUIREMENTS:			
Total Expenditures and Tax Requirements	<u>460,041,404</u>	<u>471,775,265</u>	<u>481,266,275</u>
FUND BALANCE DECEMBER 31st	<u>\$ 42,242,831</u>	<u>\$ 54,101,189</u>	<u>\$ 64,046,285</u>

Source: Middlesex County 2015, 2016, and 2017 Financial Statements.

**MIDDLESEX COUNTY, NEW JERSEY
2018**

**CAPITAL BUDGET
(IMPROVEMENTS AND EQUIPMENT)**

Project Title	Amount
Administration	\$ 20,178,000
Roads - Engineering	17,300,000
Bridges - Engineering	7,650,000
Road - Improvements	5,000,000
Parks	2,000,000
Education	12,000,000
TOTAL	\$ 64,828,000

Source: County of Middlesex – 2018 Capital Budget.

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APPENDIX B
AUDIT REPORT OF THE COUNTY FOR THE YEAR ENDED DECEMBER 31, 2016
AND UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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**COUNTY OF MIDDLESEX
NEW JERSEY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

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

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
HIGHLAND PARK, NEW JERSEY

COUNTY OF MIDDLESEX, NEW JERSEY
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COUNTY OF MIDDLESEX, NEW JERSEY

PART I

**INDEPENDENT AUDITOR'S REPORTS
AND
FINANCIAL STATEMENTS – REGULATORY BASIS**

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INDEPENDENT AUDITOR'S REPORT

Honorable Director and Members
of the Board of Chosen Freeholders
County of Middlesex
New Brunswick, New Jersey 08903

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the County of Middlesex, New Jersey, as of and for the years ended December 31, 2016 and 2015 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2016 and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed 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 presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Accordingly, the accompanying financial statements – regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the County of Middlesex, New Jersey, as of December 31, 2016 and 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the County of Middlesex, New Jersey as of December 31, 2016 and 2015 and the results of operations and changes in fund balance – regulatory basis for the year then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2016, on the basis of accounting described in Note 2.

Other Matters

Other Information

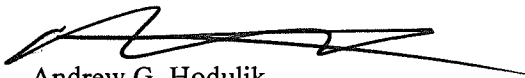
Our audit was made for the purpose of forming an opinion on the financial statements of the County of Middlesex, New Jersey. The information included in Part III – Supplementary Schedules and Part IV – Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the County of Middlesex, New Jersey. The Part III – Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole. The schedules and information contained in Part IV - Supplementary Data have not been subjected to auditing procedures applied in the audit of the financial statements and, accordingly we do not express an opinion, or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2017 on our consideration of the County'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 with *Government Accounting Standards* and should be considered in assessing the results of our audit.

Hodulik & Morrison, P.A.

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



Andrew G. Hodulik
Registered Municipal Accountant
No. 406

Highland Park, New Jersey
June 23, 2017

HODULIK & MORRISON, P.A.
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Honorable Director and Members
of the Board of Chosen Freeholders
County of Middlesex
New Brunswick, New Jersey 08903

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis, of the County of Middlesex as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County of Middlesex's financial statements and have issued our report thereon dated June 23, 2017. Our report was modified because of the departure from accounting principles generally accepted in the United States of America as disclosed in Note 2 and was unqualified based upon the Other Comprehensive Basis of Accounting financial statements presentation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Middlesex'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Middlesex's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Middlesex'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 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 County of Middlesex's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

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



HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants

Highland Park, New Jersey
June 23, 2017

COUNTY OF MIDDLESEX, NEW JERSEY
FINANCIAL STATEMENTS – REGULATORY BASIS

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2016 AND DECEMBER 31, 2015

		<i>As of December 31,</i>	
	REF.	2016	2015
<u>ASSETS</u>			
Regular Fund:			
Cash and Investments	A - 4	74,166,939	69,258,442
Cash - Change Fund	Reserve	600	600
Local Grants Receivable	A - 5	39,999	9,643
State and Federal Grants Receivable	A - 6	41,439,944	37,938,751
<i>Total Regular Fund Assets</i>		<u>115,647,482</u>	<u>107,207,436</u>
Receivables and Other Assets with Full Reserves:			
Inventory	A - 7	992,192	855,182
Added & Omitted Taxes Receivable	A - 8	140,178	204,826
Revenue Accounts Receivable	A - 9	214,969	483,121
<i>Total Receivables and Other Assets with Full Reserves</i>		<u>1,347,339</u>	<u>1,543,129</u>
Total Assets		<u>116,994,821</u>	<u>108,750,565</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3,A-10	13,559,427	15,827,658
Reserve for Encumbrances	A - 11	9,243,660	14,757,481
Accounts Payable	A - 12	3,437,539	677,815
Payroll Deductions	A - 13	1,372,004	1,660,477
Unappropriated Reserves	A - 15	164,623	135,278
Reserve for Local Grants:			
Appropriated	A - 14	1,336,289	1,269,048
Unappropriated	A - 18	1,003,900	808,728
Reserve for Federal & State Grants:			
Appropriated	A - 16	30,936,134	29,044,709
Unappropriated	A - 17	492,717	783,411
<i>Total Liabilities and Reserve for Grants</i>		<u>61,546,293</u>	<u>64,964,605</u>
Reserve for Receivables	Reserve	1,347,339	1,543,129
Fund Balance	A - 1	54,101,189	42,242,831
Total Liabilities, Reserves and Fund Balance		<u>116,994,821</u>	<u>108,750,565</u>

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

		<i>For the year ended December 31,</i>	
	REF.	2016	2015
Revenues:			
Miscellaneous Revenue Anticipated	A - 2	\$ 106,662,312	\$ 101,543,629
Receipts from Current Taxes	A - 2	368,963,000	357,505,000
Receipts from Added and Omitted Taxes	A - 2	2,420,468	2,758,159
Miscellaneous Revenues Not Anticipated	A - 2	4,565,631	3,717,971
Other Credits to Income:			
Pre-Paid Rent	A-19	-	300,619
Unexpended Balance of Appropriation Reserves	A - 10	998,006	1,440,832
Accounts Payable Cancelled	A - 12	3,552	400,819
Local Grants Appropriated - Cancellations (Net)	A - 14	20,654	-
<i>Total Income</i>		<u>483,633,623</u>	<u>467,667,029</u>
Expenditures:			
Budget Appropriations:			
Salaries and Wages	A - 3	115,924,363	113,037,372
Other Expenses	A - 3	213,232,610	208,006,109
Public and Private Programs	A - 3	44,669,243	42,008,505
Debt Service	A - 3	67,171,813	69,974,376
Capital Improvements	A - 3	4,100,000	1,080,000
Deferred Charges and Statutory Expenditures	A - 3	26,613,807	25,765,115
Other Debits to Income:			
Return of Prior Year Revenue	A - 4		33,150
Local Grants Receivable - Cancellations (Net)	A - 5	-	33,841
Federal & State Grants Receivable - Cancellations (Net)	A - 6	63,429	102,936
<i>Total Expenditures</i>		<u>471,775,265</u>	<u>460,041,404</u>
<i>Excess in Revenue</i>		11,858,358	7,625,625
Fund Balance, January 1	A	<u>42,242,831</u>	<u>34,617,206</u>
Fund Balance, December 31	A	<u><u>\$ 54,101,189</u></u>	<u><u>\$ 42,242,831</u></u>

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT A-2
PAGE 1 OF 7

	<u>REF</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Miscellaneous Revenues:					
Local Revenues:					
County Clerk	A-9	\$ 6,900,000		\$ 9,728,628	\$ 2,828,628
Surrogate	A-9	465,434		405,396	(60,038)
Sheriff	A-9	1,831,332		2,453,536	622,204
Fines	A-9	341,830		306,332	(35,498)
Interest on Invests. and Deposits	A-9	355,976		471,471	115,495
Mental Health Clinics:					
State Share of Costs	A-9	578,337		578,337	
Other Revenue	A-9	1,998,529		2,110,095	111,566
Adult Correction Facility - Work Release Fees	A-9	1,320		480	(840)
Adult Correction Facility Inmate Medical Co-Pay	A-9	9,486		10,075	589
Adult Correction Facility Inmate Processing Fees	A-9	214,026		259,433	45,407
Adult Correction Facility SSA Inmate Finders Fee	A-9	41,600		34,000	(7,600)
Archives and Records Management Service Fees	A-9	49,383		49,394	11
Bail Bond Forfeitures	A-9	107,518		342,201	234,683
Commissions Earned on Public Telephones in County Buildings	A-9	-		32,706	32,706
County Auction	A-9	349,418		183,092	(166,326)
Custody Charges - State Inmates in County Institutions	A-9	53,366		47,381	(5,985)
Discovery Fees and Reproduction Costs	A-9	14,787		19,703	4,916
Fire Academy Fees	A-9	269,861		280,124	10,263
MCIA Skating Rink	A-9	97,073		106,447	9,374
Microfilm and Printing Fees	A-9	55,472		47,855	(7,617)
Municipal School District Share of Election Expense	A-9	366,174		94,225	(271,949)
N. J. Department of Education-Child Nutrition Program	A-9	7,888		124,022	116,134
Parks Department - Fees and Permits	A-9	361,443		399,150	37,707
Plays in the Park Admissions	A-9	160,601		177,065	16,464
Property Rentals	A-9	392,686		374,211	(18,475)
Road Opening Fees	A-9	102,497		134,022	31,525
Sale of Plans and Specifications	A-9	27,126		12,842	(14,284)
Subdivision and Site Plan Review Fees	A-9	499,532		391,876	(107,656)
State Aid:					
County College Bonds (N.J.S.A. 18:64A-22.6)	A-9	2,059,633		2,063,891	4,258
State Assumption of Costs:					
Social and Welfare Services (C. 66, P.L. 1990):					
Supplemental Social Security Income	A-9	1,172,399		1,224,425	52,026
Psychiatric Facilities (C. 73, P.L. 1990);					
Board of County Patients in State and Other Institutions	A-9	7,381		5,164	(2,217)

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT A-2
PAGE 2 OF 7

	<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Federal and State Revenues Offset with Appropriations:					
Workforce - DHS	A-6	-	8,076,024	8,076,024	
U.S. Department of Health and Human Services:					
Area Plan Grant - Program on Aging - Title III Federal	A-6	3,011,519	1,540,738	4,552,257	
Childhood Lead Poisoning Prevention	A-6	-	130,000	130,000	
Chronic Disease Self Management	A-6	-	4,162	4,162	
MC Area Wide S.H.I.P. Grant	A-6	-	29,000	29,000	
Public Health Priority Funding - 1977	A-6	233,252	-	233,252	
U.S. Department of Health and Human Services Direct Program:					
HIV Emergency Relief Program	A-6	-	2,868,726	2,868,726	
U.S. Department of Housing and Urban Development:					
HMIS Housing & Urban	A-6		94,681	94,681	
Rapid Re-Housing Program	A-6	-	43,948	43,948	
HUD Continuum of Care (CoC)	A-6	-	15,000	15,000	
Leasing Program I & II	A-6	-	669,848	669,848	
U.S. Department of Transportation:					
Subregional Transportation Planning	A-6	182,571	182,571	365,142	
2015 Annual Transportation Program (ATP)	A-6		5,894,000	5,894,000	
2016 Annual Transportation Program (ATP)	A-6		5,894,000	5,894,000	
Job Access Reverse Commute	A-6	60,000	80,000	140,000	
U.S. Department of Justice:					
Pass-through State Department of Law and Public Safety					
Division of Criminal Justice:					
ARRA Stop Violence Act	A-6	-	36,354	36,354	
Body Armor Replacement Program {Adult Corr}	A-6	-	18,545	18,545	
Body Armor Replacement Program {Pro's}	A-6		6,114	6,114	
Body Armor Replacement Program {Sheriff's}	A-6		15,096	15,096	
Edward Byrne Memorial	A-6	-	17,770	17,770	
Insurance Fraud Reimb.	A-6	261,250		261,250	
Middlesex Cty Victim Assistance Program	A-6	-	301,784	301,784	
NJ Children's Alliance CAC's Tier 3	A-6	-	9,000	9,000	
SART/SANE Project	A-6	-	84,094	84,094	
BWC Assistance Program	A-6	181,500		181,500	
Division of Highway and Traffic Safety:					
DWI Enforcement Grant	A-6	-	36,300	36,300	
Don't Drink and Drive	A-6	-	15,460	15,460	
Countywide DWI Enforcement Grant (2016)	A-6	-	70,500	70,500	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT A-2
PAGE 3 OF 7

	<u>REF</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S. 40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Federal and State Revenues Offset with Appropriations (continued):					
Juvenile Justice Commission:					
Family Court Services	A-6	249,823		249,823	
Juvenile Detention Alt. (JDAI)	A-6	123,633		123,633	
State/Community Partnership Grant Program	A-6	453,049		453,049	
Division of State Police:					
Advanced HazMat Training	A-6	-	79,428	79,428	
Sexual Assault Advocacy	A-6		42,238	42,238	
Office of Homeland Security:					
Emergency Mgmt Agency Program (EMMA)	A-6	55,000		55,000	
Homeland Security Grant	A-6	-	480,404	480,404	
Urban Areas Security Initiative	A-6	-	477,500	477,500	
N.J. Department of Environmental Protection:					
Recycling Enhancement Act - Interest	A-6	-	5,172	5,172	
Clean Communities Program	A-6	-	115,848	115,848	
Recycling Enhancement Act Fund Grant	A-6	-	587,612	587,612	
N.J. Department of Children and Family Services					
Division of Youth and Family Service					
Youth Incentive Program	A-6	47,550		47,550	
Human Services Council	A-6	317,261		317,261	
N.J. Department of Health & Senior Services:					
Breast & Cervical Cancer Education & Early Detection	A-6	-	775,286	775,286	
NJDCA Children and Families, Rape Prevention & Education Grant	A-6		308,933	308,933	
DYFS - Area Wide Transportation Grant	A-6	184,898		184,898	
DYFS - Services to the Homeless	A-6		691,073	691,073	
DYFS - Community-Based Program - JINS	A-6	469,938		469,938	
GO Program - Global Options	A-6	205,000		205,000	
JACC Program	A-6	62,000		62,000	
Respite Program - Home Care Services	A-6	362,164		362,164	
Preparedness & Response for Bioterrorism	A-6		317,084	317,084	
Special Child Early Intervention	A-6		202,477	202,477	
Tuberculosis Program - State	A-6		254,121	254,121	
Tuberculosis Program	A-6		189,847	189,847	
Worker and Community Right-to-Know Act	A-6		18,119	18,119	
Personal Attendant Demonstration Project	A-6	78,000		78,000	
Comprehensive Cancer Control	A-6		130,800	130,800	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT A-2
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	<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
N.J. Department of Education:					
North Brunswick - Title I Funds Compensatory Education	A-6	145,873		145,873	
Juvenile Education	A-6	252,000		252,000	
Governor's Council on Alcoholism & Drug Abuse:					
Alliance to Prevent Alcohol & Drug Abuse	A-6		750,101	750,101	
N.J. Department of Military & Veterans Affairs:					
Transport Disabled Veterans	A-6		22,000	22,000	
N.J. Transit Corporation:					
Senior Citizens & Disabled Res. Transportation Ass.	A-6	1,356,328		1,356,328	
FTA - Section 5310	A-6	-	453,477	453,477	
N.J. Council on the Arts:					
Folk Art Program	A-6		17,353	17,353	
Local Arts Program	A-6	173,696		173,696	
Local Revenues Offset with Appropriations: Miscellaneous:					
NJ Trans. Planning Auth. Internship Program	A-5		15,000	15,000	
Fares, Donation & Adv. Transportation	A-5	110,000	135,000	245,000	
Interlocal Service Trans. Sayreville	A-5	223,170	-	223,170	
Interlocal Service Trans. Woodbridge	A-5	389,445		389,445	
Johnson & Johnson, New Brunswick	A-5	40,000		40,000	
MC Nutrition Client Fee	A-5	50,000	216,387	266,387	
MCUA - Solid Waste Mgmt Svcs.	A-5	197,121		197,121	
MCUA - Environmental Health	A-5	373,880	48,296	422,176	
Care Transition	A-5	30,000		30,000	
Medicare County Multi Assist Cost Share Program	A-5	8,000	40,000	48,000	
Middlesex County Medical Reserve Corp.	A-5		24,999	24,999	
Improvements to River Rd., Piscataway	A-5		35,054	35,054	
RESPITE Cost Share Program	A-5	4,000		4,000	
First Ave/Ambr. Br 2B517	A-5		5,000	5,000	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT A-2
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	<u>REF</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Miscellaneous Revenues:					
Open Space Trust Fund	A-9	12,953,305		12,953,305	
Lease Purchase BSS Building	A-9	1,697,775		1,697,775	
Other Special Items:					
Courts and County Clerk	A-9	447,007		394,699	(52,308)
Health Aid - Municipalities	A-9	2,391,323		2,499,098	107,775
Intoxicated Driver Resource Center Fees	A-9	169,089		169,089	
Open Space Trust Fund - County Bonds	A-9	650,000		650,000	
Sheriff	A-9	231,252		107,971	(123,281)
Added and Omitted Taxes	A-8	204,826		204,826	
Additional Revenue - County Clerk	A-9	1,618,519		2,282,024	663,505
Additional Revenue - Sheriff	A-9	1,272,622		1,704,999	432,377
Additional Revenue - Surrogate	A-9	365,698		318,525	(47,173)
Capital Surplus	A-9	501,532		501,532	
Capital Surplus - '97, '01& '02 MCIA Closeout	A-9	717,152		628,774	(88,378)
Central Inventory Control	A-9	2,000,000		1,627,192	(372,808)
Civic Square II Lease / Purchase - New Brunswick Share	A-9	1,062,357		1,062,357	
Greenbrook Flood Project	A-9	109,277		-	(109,277)
Debt Service - ER 1&2 MCC, Vo Tech and Mosquito Commission	A-9	369,860		369,810	(50)
Division of Development Disabilities	A-9	91,056		161,658	70,602
Extension Service - General Revenue	A-9	18,730		14,495	(4,235)
Extension Service - Solar Panels Revenue	A-9	4,705		-	(4,705)
Fire Marshall - Fire Prevention	A-9	235,970		273,592	37,622
Fringe Benefits & Indirect Costs - State and Federal Grants	A-9	3,069,891		3,153,551	83,660
Office on Aging - State of N.J. Grant	A-9	20,000		20,000	
Heldrich Conference Center Debt Service Reimbursement	A-9	205,135		205,135	
MCIA Reimbursement - IT Services	A-9	70,000		69,999	(1)
MCUA Franchise Fee	A-9	3,675,000		3,633,644	(41,356)
Medicare - Part D	A-9	812,072		789,641	(22,431)
Mercer County - Youth Services	A-9	1,355,280		1,482,691	127,411
Monmouth County Youth Detention	A-9	2,697,990		1,957,163	(740,827)
Premium on Bonds & BAN	A-9	485,952		485,952	
Prosecutor Salary (State Mandated)	A-9	65,000		64,999	(1)

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT A-2
PAGE 6 OF 7

	<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S. 40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Other Special Items (continued):					
GOMHC "Magic Fork"	A-9	46,798		40,686	(6,112)
RCC Share of 2006 MCIA Lease/Purchase	A-9	213,855		213,855	
RCC Share of 2008 MCIA Lease/Purchase	A-9	208,506	-	208,506	
Shari Borden Annuity Remittance	A-9	218,311		218,311	
Somerset Cty Debt Service Share - Juvenile Detention Center	A-9	511,150		511,150	
Somerset Cty Share of Operations - Juvenile Detention Center	A-9	298,768		314,645	15,877
State of N.J. Poll Worker Reimbursement	A-9	597,113		604,744	7,631
State Criminal Alien Assistance Program (SCAAP)	A-15	<u>134,095</u>		<u>134,095</u>	
Total Miscellaneous Revenues	A-1	70,581,000	32,572,324	106,662,312	3,508,988
Amount to be Raised by Taxation:					
County Purpose Tax	A-1,A-8	<u>368,963,000</u>		<u>368,963,000</u>	
Budget Totals		439,544,000	32,572,324	475,625,312	3,508,988
Non-Budget Revenue:					
Added and Omitted Taxes	A-1,A-8			2,420,468	2,420,468
Miscellaneous Revenue Not Anticipated	A-1,A-2			<u>4,565,631</u>	<u>4,565,631</u>
Total Revenue		<u>\$ 439,544,000</u>	<u>\$ 32,572,324</u>	<u>\$ 482,611,411</u>	<u>\$ 10,495,087</u>
	<u>REF.</u>	A-3	A-3	A-1	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT A-2
PAGE 7 OF 7

	<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S. 40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Non-Budget Revenue:					
Miscellaneous Revenue Not Anticipated:					
Other Fees:					
Garnishees				\$ 3,096	
Autopsy Reports				10,243	
Appeal Fees				1,200	
Community Labor Fees - Adult Correction				4,655	
Ranger User Fees				13,580	
Copies				719	
Green Acres Farm Lease				3,846	
MCIA Rollerblade Rink				5,250	
Vending Machines				8,373	
Office on Aging				38,000	
Health & Inspection Fees				133,420	
Plan Performance Guarantee Retirement Fees				33,205	
Misc. Other Fees				6,268	
Reimbursements:					
Prosecutor's & State Prison Reimbursements				739	
MCUA - Solid Waste Services Fee				250	
Salary Returns				50	
Road Opening Fees				44,464	
Emergency Mgmt with Reimb. From NJS				950	
NJS Ref. Prosecutor's Salary				64,999	
Reimbursement for Wolfson Deck				15,529	
FEMA - Hurricane Sandy				38,172	
Municipal Agreements for Road Paving				307,961	
Misc. Other Reimbursement				11,884	
Shared Services:					
Medical Examiner				1,137,293	
NBHA New Brunswick Bus Transportation				128,958	
Various Settlements:					
Various Settlements				12,393	
Other Misc. Revenue not Anticipated:					
Prior Year Voids				19,134	
Administrative Office of the Courts				8,602	
Various Donations				1,894	
Previous Years Grants Write-off				82,238	
S&W From Expired Grants				11,637	
Commissions Earned on Public Telephones in County Buildings				221,891	
Prior Year PPHF				1,723,494	
Payment in Lieu of Taxes				376,326	
Other Misc. Receipts				94,918	
Miscellaneous Revenues Not Anticipated	A-1, A-4		\$	<u>4,565,631</u>	

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT A-3
PAGE 1 OF 11

	APPROPRIATIONS		EXPENDED 2016			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>GENERAL GOVERNMENT</u>						
<u>ADMINISTRATION AND EXECUTIVE:</u>						
Board of Chosen Freeholders:						
Salaries and Wages	\$ 149,000	\$ 149,117	\$ 149,116		1	
Other Expenses	18,060	18,060	16,791		1,269	
County Administrator:						
Salaries and Wages	290,000	326,508	326,507		1	
Other Expenses	3,205	3,205	66		3,139	
Office of the Communication:						
Salaries and Wages	254,000	246,914	246,913		1	
Other Expenses	120,350	120,350	112,929	\$ 1,660	5,761	
Secretarial Help:						
Salaries and Wages	116,000	107,135	107,135			
Advertising	2,000	2,000	1,157	78	765	
Audit	110,000	110,000	88,953		21,047	
Geographic Information System						
Salaries and Wages	350,000	340,463	340,461		2	
Other Expenses	1,715,443	1,715,443	1,337,277	260,965	117,201	
Information Technology:						
Salaries and Wages	881,000	720,829	720,828		1	
Other Expenses	1,809,482	1,809,482	1,211,982	242,842	354,658	
Department of Real Estate:						
Salaries and Wages	203,000	197,729	197,728		1	
Other Expenses	3,982,936	3,982,936	3,653,703	57,117	272,116	
Department of Insurance:						
Salaries and Wages	131,000	112,713	112,711		2	
Department of Finance:						
Salaries and Wages	381,000	372,835	372,834		1	
County Treasurer's Office:						
Salaries and Wages	241,000	235,240	235,240		-	
Other Expenses	2,987	2,987	1,548	752	687	
County Comptroller's Office:						
Salaries and Wages	985,000	979,033	979,032		1	
Other Expenses	434,910	434,910	342,344	25,394	67,172	
Legal Department:						
County Counsel:						
Salaries and Wages	1,011,000	1,009,718	1,009,717		1	
Other Expenses	232,200	273,050	238,270	10,205	24,575	
County Adjuster's Office:						
Salaries and Wages	411,000	372,614	372,613		1	
Other Expenses	47,875	62,025	42,011	1,543	18,471	
Clerk of the Board:						
Salaries and Wages	148,000	154,622	154,621		1	
Other Expenses	20,630	20,630	11,373	4,010	5,247	

COUNTY OF MIDDLESEX, NEW JERSEY
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	APPROPRIATIONS		EXPENDED 2016			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>GENERAL GOVERNMENT</u>						
<u>ADMINISTRATION AND EXECUTIVE (continued):</u>						
Personnel Department:						
Salaries and Wages	699,000	657,986	657,985		1	
Other Expenses	114,215	126,731	106,050	6,297	14,384	
County Clerk:						
Salaries and Wages	1,560,000	1,452,003	1,452,002		1	
Other Expenses	42,200	42,200	36,647	5,273	280	
Prosecutor's Office:						
Salaries and Wages	17,465,000	17,460,323	17,040,886		419,437	
Other Expenses	1,283,795	1,283,795	886,669	242,139	154,987	
Purchasing Department:						
Salaries and Wages	779,000	763,418	763,417		1	
Other Expenses	14,985	14,985	8,779	4,541	1,665	
Building & Grounds:						
Salaries and Wages	1,389,000	1,356,041	1,356,040		1	
Other Expenses	3,595,476	3,615,476	3,553,076	37,425	24,975	
Central Vehicle Maintenance and Repair:						
Salaries and Wages	1,503,000	1,498,823	1,498,822		1	
Other Expenses	294,475	269,475	43,712	112,027	113,736	
Parking Facilities						
Other Expenses	2,121,966	2,121,966	2,079,637		42,329	
Office of Economic Development						
Salaries and Wages	282,000	297,634	297,634			
Other Expenses	5,035,815	2,249,815	1,563,956	403,703	282,156	
Economic Commissioner						
Other Expenses	9,800	9,800	9,800			
Central Mail, and Reproduction:						
Salaries and Wages	653,000	630,098	630,097		1	
Other Expenses	436,020	436,020	399,337	24,699	11,984	
Div. Of Archives & Record Mgt.						
Salaries and Wages	471,000	457,863	457,863		-	
Other Expenses	33,101	33,101	15,063	1,678	16,360	
Insurance:						
Group Insurance Plan for Employees	56,541,000	56,541,000	54,757,649		1,783,351	
Worker's Compensation	2,500,000	3,000,000	2,162,718	3,980	833,302	
Surety Bond Premiums	13,000	13,000	7,675	60	5,265	
Other Insurance Premiums	2,500,000	3,500,000	3,290,321	36,772	172,907	
Temporary Disability Insurance	150,000	150,000	148,716		1,284	
TOTAL GENERAL GOVERNMENT	113,537,926	111,862,101	105,608,411	1,483,160	4,770,530	-

COUNTY OF MIDDLESEX, NEW JERSEY
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	APPROPRIATIONS		EXPENDED 2016			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>JUDICIARY</u>						
County Surrogate:						
Salaries and Wages	717,000	783,016	683,016		100,000	
Other Expenses	9,644	9,644	7,447	308	1,889	
Psychiatric and Legal Counsel Fees for Involuntary Civil Commitments (Admin. Office of the Court Rules 4:74-7):						
Other Expenses	75,000	96,000	67,950	7,050	21,000	
TOTAL JUDICIARY	801,644	888,660	758,413	7,358	122,889	-
<u>UTILITIES & BULK PURCHASES</u>						
Utilities	4,861,603	4,661,603	4,660,642	-	961	
Central Inventory Control	2,000,000	2,000,000	1,759,145		240,855	
TOTAL UTILITIES & BULK PURCHASES	6,861,603	6,661,603	6,419,787	-	241,816	-
<u>REGULATION</u>						
Sheriff's Office:						
Salaries and Wages	18,786,000	19,269,842	18,919,840		350,002	
Other Expenses	442,846	442,846	224,285	118,203	100,358	
Weights and Measures Department:						
Salaries and Wages	214,000	204,966	204,966		-	
Other Expenses	8,970	8,970	5,186	127	3,657	
Board of Taxation:						
Salaries and Wages	351,000	319,090	319,090		-	
Other Expenses	11,750	11,750	9,629	265	1,856	
County Medical Examiner:						
Salaries and Wages	1,455,000	1,706,781	1,706,780		1	
Other Expenses	803,523	803,523	504,750	48,985	249,788	
Board of Elections:						
Salaries and Wages	1,332,000	1,670,225	1,670,224		1	
Other Expenses	1,594,400	1,647,400	1,575,065	23,900	48,435	
Elections (County Clerk)						
Salaries and Wages	130,000	245,258	245,257		1	
Other Expenses	594,800	644,800	619,406	1,019	24,375	
Office of Emergency Management:						
Salaries and Wages	60,000	120,133	120,133		-	
Other Expenses	67,620	67,620	39,856	13,390	14,374	
County Planning Board (R.S. 40:27-3)						
Salaries and Wages	1,286,000	1,493,312	1,493,311		1	
Other Expenses	32,875	32,875	24,387	6,251	2,237	
Construction Board of Appeals						
Other Expenses	3,500	3,500	1,111		2,389	
TOTAL REGULATION	27,174,284	28,692,891	27,683,276	212,140	797,475	-

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	APPROPRIATIONS		EXPENDED 2016			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>ROADS AND BRIDGES</u>						
Highways and Bridges:						
Salaries and Wages	5,073,000	4,868,951	4,868,950		1	
Other Expenses	625,879	455,879	281,349	28,922	145,608	
Lighting of Highways and Bridges	65,000	65,000	65,000		-	
Engineering Department:						
Salaries and Wages	1,769,000	1,743,769	1,743,768		1	
Other Expenses	138,964	138,964	32,517	5,142	101,305	
Bridge Maintenance:						
Other Expenses	4,248	2,090	2,090			
TOTAL ROADS AND BRIDGES	7,676,091	7,274,653	6,993,674	34,064	246,915	-
<u>CORRECTIONAL AND PENAL</u>						
Adult Correction and Facility:						
Salaries and Wages	25,384,095	24,876,007	24,876,006		1	
Other Expenses	9,075,661	9,075,661	7,281,029	683,416	1,111,216	
Juvenile Detention Center:						
Salaries and Wages	6,401,000	5,951,087	5,729,923		221,164	
Other Expenses	977,660	977,660	694,909	160,893	121,858	
Office of Consumer Affairs						
Salaries and Wages	363,000	332,576	332,576		-	
Other Expenses	1,520	1,520	724	444	352	
TOTAL CORRECTIONAL AND PENAL	42,202,936	41,214,511	38,915,167	844,753	1,454,591	-
<u>HEALTH AND WELFARE</u>						
Dept. of Public Safety & Health:						
Salaries and Wages	330,000	377,093	377,093		-	
Other Expenses	32,650	32,650	13,433		19,217	
Public Health Service - Interlocal Agreement:						
Salaries and Wages	2,756,000	2,677,670	2,677,524		146	
Other Expenses	517,475	517,475	9,139	1,716	506,620	
Environmental Health Act (CH. 443, P.L. 1977):						
Salaries and Wages	258,000	248,840	248,839		1	
Other Expenses	23,000	23,000	20,635		2,365	
Specially Challenged Children						
Salaries and Wages	1,007,000	800,917	800,916		1	
Environmental Health						
Salaries and Wages	805,000	850,979	850,195		784	
Other Expenses	51,375	51,375	33,665	9,913	7,797	
Dept. of Community Services						
Salaries and Wages	247,000	134,985	134,984		1	
Other Expenses	12,550	12,550	1,971	9,450	1,129	

COUNTY OF MIDDLESEX, NEW JERSEY
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	APPROPRIATIONS		EXPENDED 2016			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>HEALTH AND WELFARE (continued):</u>						
Haz Mat Division						
Salaries and Wages	1,094,000	918,440	918,439		1	
Other Expenses	41,500	61,500	33,151	13,554	14,795	
Raritan Bay Mental Health Clinic (N.J.S.A. 40:5-2.9):						
Salaries and Wages	5,038,000	4,624,250	4,624,249		1	
Other Expenses	605,481	605,481	443,617	92,453	69,411	
Raritan Bay Mental Health Center - Partial Care Program	193,160	243,160	202,665	33,216	7,279	
Alcohol Services						
Other Expenses	181,066	181,066	170,363	9,694	1,009	
Roosevelt Care Center:						
Other Expenses	7,500,000	10,873,504	7,830,741	42,763	3,000,000	
Mental Health Administrator:						
Other Expenses	592,595	592,595	309,646	281,148	1,801	
Social Hygiene Clinic:						
Other Expenses	9,560	9,560	8,622	431	507	
Board of Social Services:						
Administration	13,417,796	13,417,796	13,417,796			
Services	821,501	821,501	821,501		-	
Assistance to Supplemental Security Income Recipients	1,172,399	1,172,399	1,172,399			
Temporary Assistance for Needy Families	397,747	397,747	397,747			
War Veterans Burial and Grave Decorations:						
Other Expenses	42,000	42,000	40,279		1,721	
MC Mid School After School	50,000	50,000	50,000			
Department of Human Services:						
Salaries and Wages	1,147,000	849,063	849,062		1	
Other Expenses	196,152	196,152	160,149	32,750	3,253	
Home Care for the Elderly (N.J.S.A. 30:4D-3)						
Salaries and Wages	152,000	118,603	118,602		1	
Other Expenses	1,308,760	1,308,760	998,062	290,142	20,556	
Aid to Family and Children's Services of Central NJ, Inc. - N.J.S.A. 40:5-2.9)						
Mosquito Extermination Commission (N.J.S.A. 26:9-13 et seq.)	2,500,000	3,256,000	2,500,000		756,000	
Maintenance of Patients in State Institutions for Mental Diseases						
Local Share	6,572,558	6,572,558	6,519,930		52,628	
MC Indigent Res. - Other County	600,000	600,000			600,000	
Bus Service - Board of Social Services Clients - Contractual						
Salaries and Wages	159,000	125,671	125,670		1	
Other Expenses	28,000	28,000	28,000			
Aid to Various Agencies	939,879	939,879	674,763	234,483	30,633	
TOTAL HEALTH AND WELFARE	50,800,204	53,733,219	47,583,847	1,051,713	5,097,659	-

COUNTY OF MIDDLESEX, NEW JERSEY
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	APPROPRIATIONS		EXPENDED 2016			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>EDUCATION</u>						
Office of County Superintendent of Schools:						
Salaries and Wages	324,000	315,725	315,724		1	
Other Expenses	7,600	7,600	2,932	2,450	2,218	
Vocational School	25,228,610	25,228,610	25,205,440		23,170	
County Extension Services - Farm and Home Demonstrations:						
Salaries and Wages	510,000	467,840	467,839		1	
Other Expenses	37,000	37,000	22,702	1,573	12,725	
Middlesex County College	16,014,662	16,014,662	16,014,661		1	
Reimbursement for Residents Attending Out-Of-County, Two-Year Colleges (N.J.S.A. 18A:64A-23)	190,000	190,000	134,234		55,766	
Reimbursement for Residents Attending Out-Of-County, Vocational Schools (N.J.S.A. 18A:64A-23.4)	1,000	1,000			-	1,000
Middlesex County Heritage Commission (N.J.S.A. 40:33A-6):						
Salaries and Wages	414,000	444,805	444,804		1	
Other Expenses	97,940	97,940	75,931	21,684	325	
Fire Inspection Bureau:						
Salaries and Wages	148,000	164,207	164,206		1	
Other Expenses	6,500	6,500	5,783	450	267	
Fire Training Academy:						
Salaries and Wages	996,000	1,047,539	1,047,538		1	
Other Expenses	385,790	385,790	220,176	49,818	115,796	
East Jersey Olde Towns:						
Salaries and Wages	371,000	369,585	369,584		1	
Other Expenses	58,035	58,035	36,848	9,312	11,875	
TOTAL EDUCATION	44,790,137	44,836,838	44,528,402	85,287	222,149	1,000
<u>RECREATION</u>						
Infrastructure Management						
Salaries and Wages	373,000	373,000	367,608		5,392	
Other Expenses	17,605	17,605	5,266	1,069	11,270	
County Parks Department:						
Salaries and Wages	7,182,000	7,439,384	7,439,382		2	
Other Expenses	843,291	893,291	677,738	199,088	16,465	
TOTAL RECREATION	8,415,896	8,723,280	8,489,994	200,157	33,129	-

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	APPROPRIATIONS		EXPENDED 2016			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>UNCLASSIFIED</u>						
Solid Waste Management						
Other Expenses	7,977	7,977	3,013		4,964	
Garbage and Trash Removal (Contractual)	122,300	122,300	102,283	9,503	10,514	
Matching Fund for Grants	311,597	306,597			306,597	
Cornelius Low House Museum	33,245	33,245	23,996	1,640	7,609	
Supplemental Compensation at Retirement	300,000	540,000	540,000			
Life Support Program - New Brunswick - Contractual	53,000	53,000	53,000			
Intoxicated Driver Resource Center Fees	352,528	352,528	317,392	34,617	519	
Employee Child Care	80,000	112,775	112,773		2	
Civic Square III Lease / Purchase	1,548,682	1,548,682	1,548,682			
Civic Square II Lease / Purchase	3,428,663	3,428,663	3,422,862		1	5,800
M.C. Improvement Authority - Capital Lease Purchase	2,279,102	2,279,102	2,279,102		-	-
Open Space Trust Bonds	12,953,305	12,953,305	12,953,305			
Dept. of Transportation:						
Salaries and Wages	245,000	91,095	91,094		1	
Salary & Wage Adjustment	1,770,905	-	-			
Civic Square IV Lease / Purchase	3,039,900	3,039,900	3,037,900			2,000
TOTAL UNCLASSIFIED	26,526,204	24,869,169	24,485,402	45,760	330,207	7,800
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
U.S. Dept. of Labor:						
Work Force Investment Act	-	8,076,024	8,076,024			
U.S. Dept. of Justice:						
Pass-through N.J. Dept. of Public Safety						
Division of Criminal Justice:						
Body Armor Replacement Program - Corrections		18,545	18,545			
Body Armor Replacement Program - Prosecutors		6,114	6,114			
Body Armor Program - Sheriff		15,096	15,096			
Stop Violence		42,238	42,238			
Edward Byrne Memorial Justice Assistance Grant		17,770	17,770			
Victim Assistance Project		301,784	301,784			
Stop Violence Grant		36,354	36,354			
National Children's Alliance		9,000	9,000			
SART/SANE Project		84,094	84,094			
BWC Assistance Program	181,500	181,500	181,500			

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	APPROPRIATIONS		EXPENDED 2016			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES (continued):</u>						
U.S. Dept. of Homeland Security & Preparedness:						
Homeland Security Grant		480,404	480,404			
Urban Areas Security Initiative		477,500	477,500			
EMMA Grant	55,000	55,000	55,000			
U.S. Dept. of Housing & Urban Development:						
Leasing Program I & II		669,848	669,848			
Rapid Re-Housing Program		43,948	43,948			
Continuum of Care Program		15,000	15,000			
Middlesex County HMIS		94,681	94,681			
U.S. Dept. of Health and Human Services:						
Chronic Disease Self Management		4,162	4,162			
Senior Meals of Middlesex County	1,675,049	2,438,817	2,438,817			
Area Plan Grant for Program on Aging - Title III	2,303,407	3,080,377	3,080,377			
Rape Crisis Intervention		308,933	308,933			
Tuberculosis Program		189,847	189,847			
MC Area Wide S.H.I.P. Grant		29,000	29,000			
PH-Preparation & Response - Bioterror		317,084	317,084			
U.S. Dept. of Health and Human Services Direct Program:						
HIV Emergency Relief Program		2,868,726	2,868,726			
U.S. Dept. of Transportation:						
Pass-through N.J. Dept. of Law and Public Safety:						
Don't Drink and Drive		15,460	15,460			
MC Comprehensive Traffic Safety		70,500	70,500			
County D.W.I. Enforcement Grant		36,300	36,300			
Job Access Reverse Commute	60,000	140,000	140,000			
Subregional Transportation Planning	182,571	365,142	365,142			
2015 Capital Transportation Program		5,894,000	5,894,000			
2016 Capital Transportation Program		5,894,000	5,894,000			
FTA - Section 5310		453,477	453,477			
Advanced HazMat Training		79,428	79,428			
U.S. Dept. of Education:						
MC Youth Services Title I	145,873	145,873	145,873			
N.J. Dept. of Law and Public Safety:						
Juvenile Justice Commission:						
Juv. Justice Detention Education	504,000	504,000	504,000			
State/Community Partnership Grant Program	453,049	453,049	453,049			
Family Court Service	249,823	249,823	249,823			
Juvenile Detention Alternative (JDAI)	123,633	123,633	123,633			
Insurance Fraud Reimb.	261,250	261,250	261,250			

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	APPROPRIATIONS		EXPENDED 2016			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES (continued):</u>						
N.J. Department of Environmental Protection:						
Clean Communities Program		115,848	115,848			
Solid Waste Service Fund		587,612	587,612			
Recycling Enhancement Act - Interest		5,172	5,172			
N.J. Department of Health & Senior Services:						
Comprehensive Cancer Control		130,800	130,800			
Childhood Lead Poisoning Prevention		130,000	130,000			
Area Wide Transportation Grant	1,150,059	1,150,059	1,150,059			
DYFS - Services to the Homeless		691,073	691,073			
Public Health Priority Funding	233,252	233,252	233,252			
DYFS - Home Care Services - Respite Program	362,164	362,164	362,164			
Global Options - GO Program	205,000	205,000	205,000			
Worker and Community Right to Know Act		18,119	18,119			
Breast & Cervical Cancer Education & Early Detection		775,286	775,286			
DYFS - Maintenance of Children in Institutions - JINS	469,938	469,938	469,938			
Youth Incentive Program	47,550	47,550	47,550			
Human Services Council	333,161	333,161	333,161			
N.J. Department of Health & Senior Services (continued):						
Special Child Health Services - Early Intervention		202,477	202,477			
Tuberculosis Control Program		254,121	254,121			
N.J. Department of Human Services:						
Personal Attendant Demonstration Project	78,000	78,000	78,000			
JACC - Program	62,000	62,000	62,000			
Governor's Council on Alcoholism and Drug Abuse:						
Drug Enforcement Demand Reduction Fund		750,101	750,101			
N.J. Department of Transportation						
N.J. Transit:						
Senior Citizens & Disabled Res.	1,356,328	1,356,328	1,356,328			
N.J. Council on the Arts:						
Local Arts Program	173,696	173,696	173,696			
Folk Art Program		22,353	22,353			
N.J. Department of Defense:						
Transport Disabled Veterans		22,000	22,000			

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	APPROPRIATIONS		EXPENDED 2016			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES (continued):</u>						
Local Revenue Miscellaneous:						
Johnson & Johnson, New Brunswick	40,000	40,000	40,000			
SSP Internship Program		15,000	15,000			
Fares, Donation & Adv. Transportation	110,000	245,000	245,000			
Care Transition	30,000	30,000	30,000			
MCIA - Paint Recycling Program	197,121	197,121	197,121			
MC Medical Reserve Corp.		24,999	24,999			
Middlesex Cty Multi-Assist Cost Share Program	8,000	48,000	48,000			
Empowerment Donations		5,000	5,000			
Respite Cost Share Program	4,000	4,000	4,000			
MCUA - Environmental Health	373,880	422,176	422,176			
MC Nutrition Client Fee	50,000	266,387	266,387			
Interlocal Service Trans. Sayreville	223,170	223,170	223,170			
Interlocal Service Trans. Woodbridge	389,445	389,445	389,445			
Piscataway Improvements to River Road	-	35,054	35,054			
TOTAL PUBLIC AND PRIVATE PROG. OFFSET BY REVENUES	12,091,919	44,669,243	44,669,243	-	-	8,800
Total Operations	340,878,844	373,426,168	356,135,616	3,964,392	13,317,360	8,800
Contingent	408,848	408,848	257,591	3,778	147,479	
Total Operations Including Contingent	341,287,692	373,835,016	356,393,207	3,968,170	13,464,839	8,800
Detail:						
Salaries & Wages	119,000,000	115,924,363	114,827,394	-	1,096,969	
Other Expenses (Including Contingent)	222,287,692	257,910,653	241,565,813	3,968,170	12,367,870	8,800
<u>CAPITAL IMPROVEMENTS</u>						
Capital Improvement Fund	4,100,000	4,100,000	4,100,000			
TOTAL CAPITAL IMPROVEMENTS	4,100,000	4,100,000	4,100,000		-	
<u>COUNTY DEBT SERVICE</u>						
Payment of Bond Principal:						
County College Bonds	3,205,500	3,205,500	3,205,500			
State Aid-County College Bonds (N.J.S. 18A:64A-22.6)	1,620,500	1,620,500	1,620,500			
Vocational School Bonds	4,520,000	4,520,000	4,520,000			
Open Space Bonds	625,000	625,000	625,000			
Other Bonds	37,685,000	37,685,000	37,685,000			
MCIA Bond Principal	8,436,774	8,436,774	8,436,774			

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT A-3
PAGE 11 OF 11

	APPROPRIATIONS		EXPENDED 2016			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>COUNTY DEBT SERVICE (continued):</u>						
Payment of Refunding Notes Principal:						
Interest on Bonds:						
County College Bonds	770,644	770,644	734,166			36,478
State Aid-County College Bonds (N.J.S. 18A:64A-22.6)	439,133	439,133	402,655			36,478
Vocational School Bonds	755,047	755,047	755,047			
Other Bonds	8,167,429	8,167,429	7,844,696		1	322,732
Open Space Bonds	25,000	25,000	25,000			
MCIA Bond Interest	826,224	826,224	826,224			
Interest on Notes	426,313	426,313	426,312		1	
Green Trust Loan Program:						
Loan Repayment for Principal and Interest	64,937	64,937	64,936		1	
TOTAL COUNTY DEBT SERVICE	67,567,501	67,567,501	67,171,810		3	395,688
<u>STATUTORY EXPENDITURES</u>						
Contributions To:						
Defined Contribution Retirement Plan	25,722	50,722	39,181		11,541	
Public Employees' Retirement System	8,773,215	8,773,215	8,773,215			
Social Security System (O.A.S.I.)	9,250,000	9,250,000	9,166,956		83,044	
Police and Firemen's Retirement System	8,539,870	8,539,870	8,539,870			
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	26,588,807	26,613,807	26,519,222	-	94,585	-
TOTAL GENERAL APPROPRIATIONS	\$ 439,544,000	\$ 472,116,324	\$ 454,184,239	\$ 3,968,170	\$ 13,559,427	\$ 404,488
	<u>REF</u>			A-1,A-11	A,A-1	
Budget	A-2	\$ 439,544,000				
Added By 40A:4-87	A-2	32,572,324				
		\$ 472,116,324				
Cash	A-4		\$ 409,514,996			
Transferred to:						
Reserve for Federal and State Grants Appropriated	A-16		42,748,890			
Reserve for Local Grants Appropriated	A-14		1,920,353			
			\$ 454,184,239			

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
TRUST FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2016 AND DECEMBER 31, 2015

	REF.	<i>As of December 31,</i>	
		2016	2015
<u>ASSETS</u>			
Cash and Investments	B - 1	\$ 75,472,994	\$ 69,859,043
Motor Vehicle Fines	B - 2	345,592	374,604
Federal Aid Receivable:			
Housing and Community Development Act 1974	B - 3	6,368,754	6,125,360
Federal Aid Receivable:			
Section 8 Housing Assistance Payments Prog.	B - 4	4,905	128,049
State Aid Receivable: Alcoholism Rehabilitation Program	B - 5	825,717	856,970
Section 8 Housing Assistance Prepayments	B - 6	585,312	598,399
Open Space Program Receivable	B - 11	11,626	16,841
Community Development Block Grant: Urban Housing			
Preservation Program Loans - Mortgages Receivable	B - 27	1,317,418	1,511,063
Total Assets		<u>\$ 84,932,318</u>	<u>\$ 79,470,329</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Reserve for Motor Vehicle Fines Receivable	B - 2	\$ 345,592	\$ 374,604
Environmental Quality	B - 7	707,389	652,945
Motor Vehicle Fines - Road Fund	B - 8	4,116,895	2,276,767
Reserve for Encumbrances	B - 9	11,757,802	1,497,581
Performance and Escrow Deposits	B - 10	412,060	3,194,287
Reserve for Open Space Program Receivable	B - 11	11,626	16,841
Worker's Compensation Self-Insurance Fund	B - 12	981,796	871,859
Supplemental Compensation at Retirement	B - 13	67,466	18,685
Unemployment Compensation Fund	B - 14	234,514	461,625
Reserve for Alcoholism Rehabilitation Program	B - 15	12,589	1,467
Reserve for Housing and Community Development Expenditures	B - 16	5,514,048	6,009,200
Reserve for CDBG Funds on Hand	B - 17	361,364	192,577
Reserve for Refundable Consumer Affairs Deposits	B - 18	72,392	83,045
Reserve for Section 8 Housing Assistance Payments Program	B - 19	937,919	927,778
Road Opening Bonds	B - 20	34,210	1,555,721
Self-Insurance Liability Trust Fund	B - 21	1,121,572	525,901
Miscellaneous Trust Accounts	B - 22	6,340,846	7,713,127
Dedicated Revenue by Statute	B - 23	1,339,834	1,092,832
Prosecutor's Office - Dedicated Funds	B - 24	2,615,335	2,572,851
State Seized Assets	B - 25	3,052,250	2,732,311
Reserve for Debt Service - Open Space and Farmland Preservation	B - 26	12,964,218	13,603,305
Reserve for Urban Housing & Preservation Program Loans	B - 27	1,317,418	1,511,063
Reserve for BSS Building Lease Purchase Payments	B - 28	1,155,857	912,007
Escheated Seized Funds	B - 29	4,622	4,622
Reserve for Open Space and Farmland Preservation	B - 30	29,452,704	30,667,328
Total Liabilities, Reserves and Fund Balance		<u>\$ 84,932,318</u>	<u>\$ 79,470,329</u>

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET- REGULATORY BASIS
DECEMBER 31, 2016 AND DECEMBER 31, 2015

		<i>As of December 31,</i>	
	REF.	2016	2015
<u>ASSETS</u>			
Cash and Investments	C- 2	\$ 3,719,591	\$ 636,683
Leases Receivable	C- 5	9,588,069	10,701,568
Loans/Other Accounts Receivable	C-22	11,605,740	11,977,441
Deferred Charges to Future Taxation:			
Funded	C- 6	322,869,000	323,532,000
Funded Loans	C- 6	29,438,697	31,788,962
Funded - Capital Leases	C- 6	156,867,814	172,991,869
Unfunded	C- 7	<u>179,616,778</u>	<u>194,498,683</u>
Total Assets		<u>\$ 713,705,689</u>	<u>\$ 746,127,206</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	C- 8	\$ 251,559,000	\$ 255,856,000
Capital Transportation Grant Reserves	C- 9	12,965,474	12,965,474
County College Bonds	C-10	30,625,000	27,578,000
County College Bonds (Ch. 12, P.L. 1971)	C-11	14,475,000	14,843,000
Vocational School Bonds	C-12	26,210,000	24,630,000
Bond Anticipation Notes	C-13	34,000,000	34,200,000
Open Space Bonds	C-14	-	625,000
MCIA Loans Payable	C-19	23,736,058	26,906,727
Green Acres Loan Payable	C-20	5,702,639	4,882,235
Capital Leases Payable	C-21	156,867,814	172,991,869
Improvement Authorizations:			
Funded	C-15	27,560,875	38,078,701
Unfunded	C-15	41,642,298	48,645,360
Capital Improvement Fund	C-16	774,096	1,080,001
Reserve For:			
Payment of Debt Service	C-4	204,135	422,446
Leases Receivable	C-5	9,588,069	10,701,568
Bond Issue Costs	C-17	309,757	314,187
Encumbrances	C-18	61,841,427	58,441,713
Loans/Other Accounts Receivable	C-22	11,605,740	11,977,441
Fund Balance	C- 1	<u>4,038,307</u>	<u>987,484</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 713,705,689</u>	<u>\$ 746,127,206</u>
 Bonds and Notes Authorized but not Issued	 C-23	 <u>\$ 145,616,778</u>	 <u>\$ 160,298,683</u>

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>		
Balance - December 31, 2015	C		\$ 987,484
Increased by:			
Premium on Sale of Bonds And BANs	C - 2	1,038,294	
MCIA Loan Ordinance Premium	C - 2	183,895	
MCIA Capital Payment Reimbursement	C - 2	3,000,000	
Transfer of Funds	C - 2	<u>13</u>	
			<u>4,222,202</u>
Total Available			5,209,686
Decreased by:			
Anticipated Revenue Realized in Current Fund	C - 2	987,484	
Transfer to Fund Unfunded Ordinances	C - 7	<u>183,895</u>	
			<u>1,171,379</u>
Balance - December 31, 2016	C		<u><u>\$ 4,038,307</u></u>

See accompanying notes.

EXHIBIT D

COUNTY OF MIDDLESEX, NEW JERSEY
GOVERNMENTAL FIXED ASSET
STATEMENT OF GOVERNMENTAL FIXED ASSETS
DECEMBER 31, 2016

	<i>As of December 31,</i> <u>2016</u>
GOVERNMENTAL FIXED ASSETS:	
Land	\$ 375,295,757
Buildings and Improvements	296,963,433
Machinery and Equipment	31,986,467
Moving Vehicles	34,910,311
MCIA Lease Purchase Agreements Moving Vehicles	8,694,932
MCIA Lease Purchase Agreements	18,143,673
MCIA Capital Improvement/Construction Fund	<u>14,787,545</u>
Total Governmental Fixed Assets	<u><u>\$ 780,782,118</u></u>
Investments in Governmental Fixed Assets	<u><u>\$ 780,782,118</u></u>

See Accompanying Notes

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

1) FORM OF GOVERNMENT

The County of Middlesex is governed by a seven member Board of Chosen Freeholders who are elected for terms of three years. The Board operates under the commission form of government. Professional department heads in County government are appointed by the Board and are responsible to the chairperson and the committee charged with the specific operation. The County follows the Civil Service merit system of employment and the Freeholder Board abides by the regulations of the New Jersey Civil Service Commission.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

GASB Statement No. 14 established the GAAP criteria to be used to determine which component units should be included in the financial statements of the oversight entity. As set forth by the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, and State of New Jersey, as noted below, the financial statements of the County of Middlesex are reported separately.

The financial statements of the County of Middlesex includes every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the County, as required by the provisions of N.J.S.A. 40A: 5-5. The financial statements, however, do not include the operations of Middlesex County Joint Health Insurance Fund, the County College, the Vocational Schools, the Board of Social Services, the Utilities Authority, the Mosquito Commission and the Improvement Authority which are subject to separate examination. Moreover, the assets, liabilities and reserves of the County's constitutional offices and other various departments, including the Office of the County Clerk, Surrogate's Office, Sheriff's Office, Mental Health Clinics, Adult Correction Center and Office of the County Adjuster which result from the specific activity of the individual office or department and are subject to separate audit, are not combined with the financial statements of the County of Middlesex.

Description of Funds

The accounting policies of the County of Middlesex conform to the accounting principles and practices applicable to municipalities and counties which have been prescribed by the Division of Local Government Services, Department of Community Affairs, and State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the County of Middlesex accounts for its financial transactions through the following separate funds:

Current Fund

Represents resources and expenditures for governmental operations of a general nature, including Federal, State and Local grant funds, except as otherwise noted.

Trust Fund

Represents receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created, pursuant to the provisions of N.J.S.A. 40A: 4-39.

General Capital Fund

Represents resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds or notes authorized for said purposes.

Bond and Interest Fund

Accounts for status of funds transferred to separate accounts for the purpose of paying matured bonds and notes, together with interest thereon.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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

Description of Funds (Cont'd)

Governmental Fixed Assets

Accounts for fixed assets are used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on governmental fixed assets.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles (GAAP) for state and local governments. GAAP provides for the issuance of entity-wide financial statements along with the presentation of separate fund financial statements that differ from the organization of funds prescribed under the regulatory basis of accounting utilized by the County. The resultant presentation of financial position and results of operations in the form of financial statements is not intended to present the basic financial statement presentation required by GAAP.

Basis of Accounting

Basis of Accounting and Measurement Focus - The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities and counties by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Revenues

Revenues are recorded as received in cash except for statutory reimbursements and grant funds, which are due from other governmental units. Federal and State grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the County budget. Receivables for property taxes are recorded with offsetting reserves within the Current Fund. Other amounts that are due to the County which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable.

Expenditures

For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the County "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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

Basis of Accounting (Cont'd)

Expenditures

For purposes of financial reporting, expenditures are recorded as “paid or charged” or “appropriation reserves”. Paid or charged refers to the County “budgetary” basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP. For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the County requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of over expenditures and emergency appropriations. Over expenditures occur when expenditures recorded as “paid or charged” exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute.

Compensated Absences

The County records expenditures for earned, but unused vacation and sick leave in the accounting period that the payments are made to the employee pursuant to established personnel policy procedures. GAAP requires that expenditures be recorded in the governmental (Current) fund in the amount that would normally be liquidated with available financial resources, and that expenditures be recorded in the enterprise fund on a full accrual basis.

Inventories of Supplies

The cost of inventories of supplies for all funds is recorded as expenditures at the time individual items are purchased. The cost of inventories is included on the Current Fund balance sheet, for inventory that has been established and reported at year-end with an offsetting reserve. Although the expenditure method of accounting for purchases of supplies is in accordance with GAAP, the cost of inventory on hand at the close of the year should be reported on the balance sheet with an offsetting reserve for conformity with GAAP.

Lease Purchase Agreements

The County’s participation in lease purchase agreements are reflected by the annual appropriation of minimum lease payments within the County’s operating budgets. The terms of the lease, including total future minimum lease payments are disclosed in the Notes to Financial Statements. Capital lease amounts payable are recorded within the General Capital Fund. GAAP requires the value of the lease purchase agreement to be recorded in the Capital Projects Fund and the recording of the non-current lease payments in the Debt Service Fund.

Self Insurance Reserves

Charges to self-insurance reserves are recorded when payments of claims and related expenses are made. Increases to self-insurance reserves are recorded from budgetary appropriations in the accounting period in which budgetary expenditures are recorded. Earnings on investments and miscellaneous reimbursements are credited to reserves when received in cash. GAAP requires that liabilities for incurred claims are recorded as determined actuarially, and that operating transfers to self-insurance funds not exceed the amount determined.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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

Basis of Accounting (Cont'd)

Interfunds

Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year receivables are liquidated. GAAP does not require the establishment of an offsetting reserve. Interfund receivables in the other funds are not offset by reserves.

Fixed Assets

Property and equipment acquired by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds. Such assets are recorded at cost in the Governmental Fixed Assets. The values of County owned assets acquired prior to the implementation of the fixed asset accounting system were recorded at cost, estimated cost, estimated replacement value and assessed valuation for real property. Depreciation is not recorded as an operating expense of the general government (Current Fund).

Governmental Fixed Assets

New Jersey Administrative Code 5:30-5.6, previously identified as Technical Accounting Directive No. 85-2, issued by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, established a mandate for fixed asset accounting by municipalities and counties, effective December 31, 1985. Assets acquired through December 31, 1985 were valued based on actual costs, where available and other methods, including current replacement value and estimated historical costs. Assets acquired subsequent to December 31, 1985 were valued based on actual costs. The initial inventory for assets acquired through December 31, 1985 utilized a \$1,000 threshold. For all assets acquired subsequent to December 31, 1985, the threshold is \$300. Improvements other than buildings, which consist of "infrastructure" fixed assets such as roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, etc., are excluded from the governmental fixed assets. Depreciation is not recorded in the governmental fixed assets. Lease Purchase Agreements have been recorded for amounts authorized and reported and classified in Governmental Fixed Assets under Lease Purchase Agreements (completed and in progress). The Governmental Fixed Assets at December 31, 2016 and 2015 does not include Roosevelt Hospital, as the facility was transferred to the M.C.I.A., Note 18.

Disclosures About Pension Liabilities

The County has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 7 and the accompanying required supplementary information. As the County does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

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 and include interest bearing accounts and short term investments with a maturity of three months or less.

Long-term investments: The fair value 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 7.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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

Basis of Accounting (Cont'd)

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

Long-term debt: The County's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the County's long-term debt is provided in Notes 4, 14 and 15.

Recent Accounting Standards

GASB issued Statement No. 72, "Fair Value Measurement and Application" in February 2015. The objective of this Statement is to enhance financial statement comparability among governments by requiring measurement of certain assets and liabilities at fair value using accepted valuation techniques.

GASB issued Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" in June, 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.

GASB issued Statement No. 74 "Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans" in June 2015. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

GASB issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in June 2015. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

GASB issued Statement No. 76 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

GASB issued Statement No. 77 "Tax Abatement Disclosures" in August 2015. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users.

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

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards (Cont'd)

GASB issued Statement No. 79 “Certain External Investment Pools and Pool Participants” in December 2015. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement.

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

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

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

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

The County does not prepare its financial statements in accordance with generally accepted accounting principles. The adoption of these new standards will not adversely affect the reporting on the County’s financial condition.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of changes in the County’s financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statement unduly complex and difficult to read.

Prior Period Adjustments and Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to classifications in 2016.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

3) DEFERRED COMPENSATION TRUST FUND

The County of Middlesex has established a deferred compensation plan pursuant to Section 457 of the Internal Revenue Code and under the provisions of N.J.S.A. 43:15B-1. The plan includes the employees of Middlesex County, Middlesex County Board of Social Services, and the Middlesex County Mosquito Extermination Commission.

The plan is an arrangement whereby a public employer may establish a plan to 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 County has engaged three private contractors to administer the plan. Contributions are recognized when received by the administrators, withdrawals and administrative fees when paid by the administrators and earnings when the company with which the funds are invested notifies the administrators.

Statutory and regulatory requirements governing the establishment and operation of deferred compensation plans have been codified in the New Jersey Administrative Code as N.J.A.C. 5:37. The more significant of these provisions include no personal liability to the employer for negative return on investments, retention of assets by the employer, eligible investment types, and the requirement for an independent review of all program funds by a private contractor retained to administer the program.

Pursuant to revisions to the Federal Internal Revenue Code, the State has amended the deferred compensation plan enabling statute. During 1998, the County implemented the required amendments to the Deferred Compensation Plan for compliance with federal and state regulations.

4) DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITIONS

Summary of County Debt

	<u>Year 2016</u>	<u>Year 2015</u>
Issued:		
General Bonds and Notes	\$356,869,000	\$357,732,000
Loans	<u>29,438,697</u>	<u>31,788,962</u>
Net Debt Issued	386,307,697	389,520,962
Authorized but not issued:		
General Bonds and Notes	<u>145,616,778</u>	<u>160,298,683</u>
Bonds and Notes Issued and Authorized but not Issued	531,924,475	549,819,645
Less: Bonds issued and authorized but not		
Issued – County College CH. 12	14,722,500	14,843,000
MCIA Loans	1,962,660	1,912,376
Accounts Receivable/Redevelopment Bonds	<u>2,275,000</u>	<u>2,375,000</u>
Net Bonds and Notes Issued and Authorized but not issued	<u>\$512,964,315</u>	<u>\$530,689,269</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

4) DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITIONS (cont'd)

Summary of Statutory Debt Condition - Annual Debt Statement - Current Year 2016

The summarized statement of debt condition which follows is prepared in accordance with the required method of reporting for the Annual Debt Statement and indicated a statutory net debt of 0.512%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	<u>\$ 700,844,475</u>	<u>\$ 187,880,160</u>	<u>\$ 512,964,315</u>

Net Debt of \$512,964,315 divided by the Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended of \$100,244,478,674 equals 0.512%.

Equalized Valuation Basis

2014 Equalized Valuation Basis of Real Property	\$ 96,844,489,721
2015 Equalized Valuation Basis of Real Property	101,311,932,463
2016 Equalized Valuation Basis of Real Property	<u>102,577,013,839</u>
Average Equalized Valuation Basis	<u>\$ 100,244,478,674</u>

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

2% of Average Equalized Valuation Basis	\$ 2,004,889,573
Net Debt	<u>512,964,315</u>
Remaining Borrowing Power	<u>\$ 1,491,925,258</u>

Schedule of Annual Net Debt Service Principal and Interest on Bonded Debt Issued and Outstanding

Schedule of Debt Service as of December 31, 2016

<u>Year</u>	<u>Total Principal *</u>	<u>Total Interest *</u>	<u>Total Debt Service</u>
2017	\$ 40,605,000	\$ 9,603,772	\$ 50,208,772
2018	38,817,500	7,914,793	46,732,293
2019	37,892,500	6,616,886	44,509,386
2020	37,247,500	5,377,691	42,625,191
2021	33,445,000	4,290,166	37,735,166
2022-2026	83,655,000	11,547,458	95,202,458
2027-2031	35,706,500	2,505,400	38,211,900
2032-2036	930,000	82,377	1,012,377
2037-2040	95,000	1,544	96,544
	<u>\$ 308,394,000</u>	<u>\$ 47,940,087</u>	<u>\$ 356,334,087</u>

* Excludes \$14,722,500 of County College Bonds payable by the State of New Jersey.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

4) DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITIONS (cont'd)

Summary of County Debt for Capital Projects

Summarized below are the County's individual bond and loan issues which were outstanding at December 31, 2016.

Bonds Issued	Amount Issued	Amount Outstanding	Interest Rates	Final Maturity
<u>General Improvement Debt</u>				
ERI-Refunding Bonds of 2004	\$ 10,315,000	\$ 5,170,000	5.16% to 5.44%	2033
General Improvement Bonds of 2007	19,500,000	1,600,000	4.00%	2017
General Improvement Bonds of 2007	43,405,000	3,550,000	4.00%	2017
Heldrich Center Hotel Project 2007	3,000,000	100,000	4.00%	2017
General Improvement Bonds of 2008	18,000,000	3,000,000	3.75%	2018
General Improvement Bonds of 2008 501c	2,500,000	400,000	3.625%	2018
General Improvement Bonds of 2008	16,000,000	2,420,000	3.50%	2018
General Improvement Bonds of 2009	22,000,000	5,300,000	3.00%	2019
Redev. General Improvement Bonds 2009	9,027,000	2,000,000	3.00% to 3.50%	2019
General Improvement Bonds of 2010	41,000,000	26,000,000	3.00% to 3.50%	2024
Genl. Oblig. Redev Bonds Series 2011	47,440,000	38,510,000	3.00% to 4.625%	2031
Genl. Oblig. Redev Bonds Series 2012	5,120,000	955,000	4.00%	2017
General Improvement Bonds of 2013	40,839,000	35,339,000	2.00% to 3.00%	2028
Genl. Improve. Refunding Nontaxable Bonds of 2013	8,260,000	6,625,000	2.00% to 4.00%	2020
Genl. Oblig. Refunding Nontaxable Bonds of 2013	2,445,000	1,960,000	3.00%	2020
Genl. Oblig. Redev Bonds Series 2014 a	19,405,000	19,405,000	3.00% to 4.00%	2021
Genl. Oblig. Redev Bonds Series 2014 b	16,545,000	16,360,000	1.50% to 4.00%	2022
General Improvement Bonds of 2014	6,960,000	3,735,000	2.00%	2019
Genl. Oblig. Redev Bonds Series 2015 a	6,455,000	6,455,000	2.00% to 5.00%	2021
Genl. Oblig. Redev Bonds Series 2015 b	14,985,000	14,985,000	2.00% to 5.00%	2021
Heldrich Center Hotel Project 2015	2,175,000	2,175,000	2.00% to 5.00%	2037
Genl. Improve. Refunding Bonds of 2016	16,980,000	16,980,000	3.00% to 4.00%	2023
General Improvement Bonds of 2016 501c	585,000	585,000	4.00%	2021
Genl. Redev. Ref. Bonds Series 2016	4,050,000	4,050,000	4.00% to 5.00%	2025
General Improvement Bonds of 2016	33,900,000	33,900,000	2.00% to 2.125%	2029
Total General Improvement Debt		251,559,000		
<u>County College Bonds</u>				
County College Bonds of 2007	2,500,000	225,000	4.00%	2017
County College Bonds of 2007	2,000,000	255,000	4.00%	2017
County College Bonds of 2007	2,500,000	312,500	4.00%	2017
County College Bonds of 2008	2,000,000	200,000	3.50%	2017
County College Bonds of 2009	6,500,000	1,012,500	3.00% to 3.50%	2019
County College Bonds of 2010	4,000,000	1,600,000	3.00%	2020
County College Bonds of 2010	1,176,500	780,000	3.00% to 3.50%	2025
County College Bonds of 2012	4,250,000	3,285,000	2.00% to 3.00%	2027
County College Bonds of 2013	2,000,000	1,625,000	2.00% to 3.00%	2025
County College Bonds of 2013	750,000	640,000	2.00% to 3.00%	2027
County College Bonds of 2013	305,000	242,500	2.00% to 3.00%	2020
County College Bonds of 2014	2,000,000	1,800,000	2.00% to 3.00%	2026
County College Bonds of 2014	3,400,000	3,100,000	2.00% to 3.00%	2028
County College Bonds of 2014	2,125,000	1,925,000	2.00% to 3.00%	2028
County College Bonds of 2015	2,000,000	1,900,000	2.00% to 3.00%	2026
County College Bonds of 2015	1,600,000	1,550,000	2.00% to 3.50%	2033
County College Bonds of 2015	445,000	445,000	4.00%	2019
County College Bonds of 2016	5,000,000	5,000,000	2.00%	2028
County College Bonds of 2016	1,500,000	1,500,000	2.00%	2028
County College Bonds of 2016	3,227,500	3,227,500	4.00% to 5.00%	2029
Total County College Bonds		30,625,000		

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

4) DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITIONS (cont'd)

County College Bonds (Ch. 12, P.L. 71)

County College Bonds of 2007	2,500,000	312,500	4.00%	2017
County College Bonds of 2009	6,500,000	1,012,500	3.00% to 3.50%	2019
County College Bonds of 2010	1,176,500	780,000	3.00% to 3.50%	2025
County College Bonds of 2012	4,250,000	3,285,000	2.00% to 3.00%	2027
County College Bonds of 2013	750,000	640,000	2.00% to 3.00%	2027
County College Bonds of 2013	305,000	242,500	2.00% to 3.00%	2020
County College Bonds of 2014	2,125,000	1,925,000	2.00% to 3.00%	2028
County College Bonds of 2015	1,600,000	1,550,000	2.00% to 3.50%	2033
County College Bonds of 2016	1,500,000	1,500,000	2.00%	2028
County College Bonds of 2016	3,227,500	3,227,500	4.00% to 5.00%	2029
Total County College Bonds (Ch. 12, P.L. 71)		<u>14,475,000</u>		

Vocational School Bonds

Vocational School Bonds of 2007	2,600,000	300,000	4.00%	2017
Vocational School Bonds of 2007	2,700,000	375,000	4.00%	2017
Vocational School Bonds of 2008	2,690,000	615,000	3.50%	2018
Vocational School Bonds of 2010	6,100,000	3,300,000	2.50% to 3.10%	2022
Vocational School Refunding Bonds of 2010	6,265,000	810,000	4.00%	2017
Vocational School Refunding Bonds of 2012	1,140,000	765,000	3.00% to 4.00%	2023
Vocational School Bonds of 2013	3,100,000	2,770,000	2.00%	2027
Vocational School Refunding Bonds of 2013	6,650,000	5,395,000	4.00%	2020
Vocational School Refunding Bonds of 2014	3,100,000	2,800,000	1.00% to 2.375%	2026
Vocational School Refunding Bonds of 2015	3,100,000	2,980,000	2.00% to 3.00%	2030
Vocational School Refunding Bonds of 2016	6,100,000	6,100,000	2.00%	2028
Total Vocational School Bonds		<u>26,210,000</u>		

Bond Anticipation Notes Issued

Bond Anticipation Notes due 06/15/17	34,000,000	<u>34,000,000</u>	2.00%	2017
Total Bond Anticipation Notes		<u>34,000,000</u>		

(A) MCIA Loan Payable

County Loan from MCIA 2008	9,185,892	494,816	4.00% to 4.80%	2023
County Loan from MCIA 2009	9,000,036	893,478	3.00% to 3.25%	2024
County Loan from MCIA 2012	7,174,523	1,514,585	3.00%	2017
County Loan from MCIA 2013	8,670,604	3,619,383	4.00%	2018
County Loan from MCIA 2014	13,071,920	8,008,591	3.00%	2019
County Loan from MCIA 2015	4,870,650	3,939,100	3.00% to 4.00%	2020
County Loan from MCIA 2016	5,266,105	5,266,105	2.00% to 4.00%	2021
		<u>23,736,058</u>		

Green Acres Loans Issued

Sewaren Marine Park Development 1997	1,000,000	278,122	2.00%	2021
Bank of China Property Acquisition 2003	2,250,000	662,576	2.00%	2021
Old Bridge Park Acquisition 2005	3,244,264	957,572	2.00%	2020
Old Bridge Park Acquisition 2009	750,000	513,550	2.00%	2029
New Brunswick Landing Lane Project 2010	1,600,000	1,107,692	0.00%	2030
New Brunswick Landing Lane Project 2015	800,000	783,127	2.00%	2035
New Brunswick Landing Lane Project 2016	1,400,000	1,400,000	0.00%	2036
Total Green Trust Program Loan		<u>5,702,639</u>		

Total Debt Issued and Outstanding \$ 386,307,697

(A) - As a result of legislation that impacted and provided for limitations on increases in tax levy amounts (P.L. 2007, c.62), the characterization of certain lease payment obligations have been modified as of July 1, 2007. As of and subsequent to that date, any lease payment obligations that involve asset acquisitions with estimated useful lives of five (5) years or greater, those obligations are to be classified as debt, in accordance with debt authorized under N.J.S.A. 40A:2-3 et seq. Lease obligations with respect to assets with estimated useful lives of less than five years and all lease obligations issued prior to July 1, 2007, are not considered statutory debt of the local unit.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

4) DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITIONS (cont'd)

Summary of Statutory Debt Condition - Annual Debt Statement - Prior Year 2015

The summarized statement of debt condition which follows is prepared in accordance with the required method of reporting for the Annual Debt Statement and indicated a statutory net debt of 0.542%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 735,109,645	\$ 204,420,376	\$ 530,689,269

Net Debt of \$530,689,269 divided by the Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended of \$97,847,075,849 equals 0.542%.

Equalized Valuation Basis

2013 Equalized Valuation Basis of Real Property	\$ 94,965,386,964
2014 Equalized Valuation Basis of Real Property	96,844,489,721
2015 Equalized Valuation Basis of Real Property	<u>101,731,350,861</u>
Average Equalized Valuation Basis	<u>\$ 97,847,075,849</u>

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

2% of Average Equalized Valuation Basis	\$ 1,956,941,517
Net Debt	<u>530,689,269</u>
Remaining Borrowing Power	<u>\$ 1,426,252,248</u>

Schedule of Annual Net Debt Service Principal and Interest on Bonded Debt Issued and Outstanding

Schedule of Debt Service as of December 31, 2015

<u>Year</u>	<u>Total Principal *</u>	<u>Total Interest *</u>	<u>Total Debt Service</u>
2016	\$ 46,035,500	\$ 9,718,137	\$ 55,753,637
2017	37,655,000	8,322,647	45,977,647
2018	35,757,500	7,121,794	42,879,294
2019	35,067,500	5,886,450	40,953,950
2020	34,875,000	4,680,067	39,555,067
2021-2025	86,039,500	11,785,780	97,825,280
2026-2030	29,344,000	3,174,581	32,518,581
2031-2035	3,720,000	184,594	3,904,594
2036-2039	<u>195,000</u>	<u>6,257</u>	<u>201,257</u>
	<u>\$ 308,689,000</u>	<u>\$ 50,880,305</u>	<u>\$ 359,569,305</u>

* Excludes \$14,843,000 of County College Bonds payable by the State of New Jersey.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

4) DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITIONS (cont'd)

Summary of County Debt for Capital Projects

Summarized below are the County's individual bond and loan issues which were outstanding at December 31, 2015.

Bonds Issued	Amount Issued	Amount Outstanding	Interest Rates	Final Maturity
<u>General Improvement Debt</u>				
ERI-Refunding Bonds of 2004	\$ 10,315,000	\$ 5,965,000	5.16% to 5.44%	2033
General Improvement Bonds of 2006	51,300,000	3,950,000	4.125%	2016
General Improvement Bonds of 2006	35,500,000	2,350,000	4.125%	2016
General Improvement Bonds of 2007	19,500,000	3,100,000	4.00%	2017
General Improvement Bonds of 2007	43,405,000	7,000,000	4.00%	2017
Heldrich Center Hotel Project 2007	3,000,000	200,000	4.00% to 4.125%	2018
General Improvement Bonds of 2008	18,000,000	9,225,000	3.625% to 4.00%	2021
General Improvement Bonds of 2008 501c	2,500,000	1,200,000	3.625% to 4.00%	2021
General Improvement Bonds of 2008	16,000,000	8,475,000	3.50% to 4.00%	2022
General Improvement Bonds of 2009	22,000,000	14,500,000	3.00% to 4.00%	2023
Redev. General Improvement Bonds 2009	9,027,000	6,822,000	3.00% to 4.125%	2025
General Improvement Bonds of 2010	41,000,000	29,000,000	2.50% to 3.50%	2024
General Improvement Refunding Bonds of 2010	3,830,000	265,000	4.00%	2016
Genl. Improve. Refunding Taxable Bonds of 2010	9,395,000	1,465,000	3.44%	2016
Genl. Oblig. Redev Bonds Series 2011	47,440,000	40,820,000	3.00% to 4.625%	2031
Genl. Oblig. Redev Bonds Series 2012	5,120,000	2,000,000	4.00%	2017
General Improvement Bonds of 2013	40,839,000	37,589,000	2.00% to 3.00%	2028
Genl. Improve. Refunding Taxable Bonds of 2013	3,355,000	1,605,000	1.00%	2016
Genl. Oblig. Refunding Nontaxable Bonds of 2013	9,910,000	4,820,000	2.00%	2016
Genl. Improve. Refunding Nontaxable Bonds of 2013	8,260,000	8,235,000	2.00% to 4.00%	2020
Genl. Oblig. Refunding Nontaxable Bonds of 2013	2,445,000	2,445,000	3.00% to 4.00%	2020
Genl. Oblig. Redev Bonds Series 2014 a	19,405,000	19,405,000	3.00% to 4.00%	2021
Genl. Oblig. Redev Bonds Series 2014 b	16,545,000	16,455,000	1.50% to 4.00%	2022
General Improvement Bonds of 2014	6,960,000	5,350,000	1.00% to 2.00%	2019
Genl. Oblig. Redev Bonds Series 2015 a	6,455,000	6,455,000	2.00% to 5.00%	2021
Genl. Oblig. Redev Bonds Series 2015 b	14,985,000	14,985,000	2.00% to 5.00%	2021
Heldrich Center Hotel Project 2015	2,175,000	2,175,000	2.00% to 5.00%	2037
Total General Improvement Debt		255,856,000		
Open Space Refunding Bonds 2010	3,065,000	625,000	4.00%	2016
Total Open Space Bonds		625,000		
<u>County College Bonds</u>				
County College Bonds of 2006	3,260,500	373,000	4.125%	2016
County College Bonds of 2007	2,500,000	445,000	4.00%	2017
County College Bonds of 2007	2,000,000	495,000	4.00%	2017
County College Bonds of 2007	2,500,000	625,000	4.00%	2017
County College Bonds of 2008	2,000,000	425,000	3.50%	2017
County College Bonds of 2009	6,500,000	4,812,500	3.00% to 4.625%	2029
County College Bonds of 2010	4,000,000	2,000,000	2.50% to 3.00%	2020
County College Bonds of 2010	1,176,500	852,500	2.50% to 3.50%	2025
County College Bonds of 2012	4,250,000	3,570,000	2.00% to 3.00%	2027
County College Bonds of 2013	2,000,000	1,775,000	2.00% to 3.00%	2025
County College Bonds of 2013	750,000	680,000	2.00% to 3.00%	2027
County College Bonds of 2013	305,000	305,000	2.00% to 3.00%	2020
County College Bonds of 2014	2,000,000	1,900,000	1.00% to 3.00%	2026
County College Bonds of 2014	3,400,000	3,250,000	1.00% to 3.00%	2028
County College Bonds of 2014	2,125,000	2,025,000	1.00% to 3.00%	2028
County College Bonds of 2015	2,000,000	2,000,000	2.00% to 3.00%	2026
County College Bonds of 2015	1,600,000	1,600,000	2.00% to 3.50%	2033
County College Bonds of 2015	445,000	445,000	4.00%	2017
Total County College Bonds		27,578,000		

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

4) DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITIONS (cont'd)

County College Bonds (Ch. 12, P.L. 71)

County College Bonds of 2006	3,260,500	373,000	4.125%	2016
County College Bonds of 2007	2,500,000	625,000	4.00%	2017
County College Bonds of 2009	6,500,000	4,812,500	3.00% to 4.625%	2029
County College Bonds of 2010	1,176,500	852,500	2.50% to 3.50%	2025
County College Bonds of 2012	4,250,000	3,570,000	2.00% to 3.00%	2027
County College Bonds of 2013	750,000	680,000	2.00% to 3.00%	2027
County College Bonds of 2013	305,000	305,000	2.00% to 3.00%	2020
County College Bonds of 2014	2,125,000	2,025,000	1.00% to 3.00%	2028
County College Bonds of 2015	1,600,000	1,600,000	2.00% to 3.50%	2033

Total County College Bonds (Ch. 12, P.L. 71)		<u>14,843,000</u>		
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Vocational School Bonds

Vocational School Bonds of 2006	2,000,000	250,000	4.125%	2016
Vocational School Bonds of 2007	2,600,000	595,000	4.00%	2017
Vocational School Bonds of 2007	2,700,000	720,000	4.00%	2017
Vocational School Bonds of 2008	2,690,000	910,000	3.50%	2018
Vocational School Bonds of 2010	6,100,000	3,800,000	2.50% to 3.125%	2022
Vocational School Refunding Bonds of 2010	6,265,000	1,845,000	4.00%	2017
Vocational School Refunding Bonds of 2012	1,140,000	860,000	3.00% to 4.00%	2023
Vocational School Bonds of 2013	3,100,000	2,950,000	2.00% to 3.00%	2027
Vocational School Refunding Bonds of 2013	6,650,000	6,650,000	4.00%	2020
Vocational School Refunding Bonds of 2014	3,100,000	2,950,000	1.00% to 3.00%	2026
Vocational School Refunding Bonds of 2015	3,100,000	3,100,000	2.00% to 3.125%	2030

Total Vocational School Bonds		<u>24,630,000</u>		
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Bond Anticipation Notes Issued

Bond Anticipation Notes due 06/03/16	34,200,000	<u>34,200,000</u>	1.25%	2016
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Total Bond Anticipation Notes		<u>34,200,000</u>		
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(A) MCIA Loan Payable

County Loan from MCIA 2008	9,185,892	600,149	3.75% to 4.80%	2023
County Loan from MCIA 2009	9,000,036	990,131	3.00% to 3.25%	2024
County Loan from MCIA 2011	7,451,081	1,567,439	3.00%	2016
County Loan from MCIA 2012	7,174,523	2,985,056	3.00%	2017
County Loan from MCIA 2013	8,670,604	5,341,914	3.00% to 4.00%	2018
County Loan from MCIA 2014	13,071,920	10,551,388	2.00% to 3.00%	2019
County Loan from MCIA 2015	4,870,650	4,870,650	1.50% to 4.00%	2020

		<u>26,906,727</u>		
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Green Acres Loans Issued

Sewaren Marine Park Development 1997	1,000,000	336,616	2.00%	2021
Bank of China Property Acquisition 2003	2,250,000	787,362	2.00%	2021
Old Bridge Park Acquisition 2005	3,244,264	1,219,135	2.00%	2020
Old Bridge Park Acquisition 2009	750,000	549,378	2.00%	2029
New Brunswick Landing Lane Project 2010	1,600,000	1,189,744	0.00%	2030
New Brunswick Landing Lane Project 2015	800,000	800,000	2.00%	2035

Total Green Trust Program Loan		<u>4,882,235</u>		
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Total Debt Issued and Outstanding		<u>\$ 389,520,962</u>		
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(A) - As a result of legislation that impacted and provided for limitations on increases in tax levy amounts (P.L. 2007, c.62), the characterization of certain lease payment obligations have been modified as of July 1, 2007. As of and subsequent to that date, any lease payment obligations that involve asset acquisitions with estimated useful lives of five (5) years or greater, those obligations are to be classified as debt, in accordance with debt authorized under N.J.S.A. 40A:2-3 et seq. Lease obligations with respect to assets with estimated useful lives of less than five years and all lease obligations issued prior to July 1, 2007, are not considered statutory debt of the local unit.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

4) DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

General Obligation Refunding Bonds, Series 2016

The County issued \$28,070,000 in General Obligation Refunding Bonds, Series 2016, dated April 14, 2016. Included in the \$28,070,000 aggregate principal amount is \$16,980,000 General Improvement Refunding Bonds, Series 2016, \$585,000 Qualified 501(c)(3) General Improvement Refunding Bonds Series 2016, \$4,050,000 Redevelopment General Improvement Refunding Bonds, Series 2016 and \$6,455,000 Chapter 12 County College Refunding Bonds, Series 2016. The plan of refunding and restructuring was to provide level debt service in future years as opposed to the existing payment schedules.

The total amount of the Refunded Bonds equals \$29,077,000 with maturities from 2019 through 2029. The interest rates range from 3.8000% for the General Improvement Bonds and Qualified 501(c)(3), Series 2008A to 4.000%, from 3.625%-4.000% for the General Improvement Bonds, Series 2008B to 4.000% and from 4.000% for the General Improvement Bonds, Redevelopment General Improvement Bonds and Chapter 12 County College Bonds, Series 2009A to 4.625%.

As a result, the County will realize a total of \$1,439,936 in debt service savings through 2029. The debt service savings provided for net present value costs of 4.972% of the refunded principal. The interest rates range from 4.000% for the General Obligation Refunding Bonds, Series 2016 from 2019 to maturity on January 15, 2023, from 4.000% for the Qualified 501(c)(3) General Improvement Refunding Bonds, Series 2016 from 2019 to maturity on January 15, 2021, 4.000%-5.000% for the Redevelopment General Improvement Refunding Bonds, Series 2016 from 2020 to maturity on January 15, 2025 and 4.000% -5.000% for the Chapter 12 County College Refunding Bonds, Series 2016 from 2020 to maturity on January 15, 2029.

The outstanding debt service with respect to the County's 2016 General Obligation Refunding Bonds, Series 2016 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017		\$ 1,115,300	\$ 1,115,300
2018		1,115,300	1,115,300
2019	2,960,000	1,056,100	4,016,100
2020	6,170,000	896,875	7,066,875
2021	6,180,000	673,250	6,853,250
2022	4,370,000	462,250	4,832,250
2023	3,145,000	311,950	3,456,950
2024	1,320,000	222,650	1,542,650
2025	1,320,000	163,250	1,483,250
2026	650,000	114,000	764,000
2027	650,000	81,500	731,500
2028	650,000	49,000	699,000
2029	655,000	16,375	671,375
	<u>\$ 28,070,000</u>	<u>\$ 6,277,800</u>	<u>\$ 34,347,800</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
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5) FUND BALANCE APPROPRIATED

Fund balance for the Current Fund at December 31, 2016 was reported in the amount of \$54,101,189, of which \$0 was appropriated and included as anticipated revenue for the year ending December 31, 2017.

Fund balance for the Current Fund at December 31, 2015 was reported in the amount of \$42,242,831, of which \$0 was appropriated and included as anticipated revenue for the year ending December 31, 2016.

6) INVENTORY – MATERIALS AND SUPPLIES

For the years ended 2016 and 2015, the County has reported Inventory on the balance sheet of the Current Fund. The Inventory is reported with an offsetting reserve. The amount reported is as follows:

	<u>2016</u>	<u>2015</u>
Inventory (Current Fund)		
Materials & Supplies	<u>\$992,192</u>	<u>\$855,182</u>

7) CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depositor, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management Fund is authorized by statute and regulation of the State Investment Council to invest in fixed income and debt securities, which mature within one year.

Collateralization of Fund investments is generally not required. "Other Than State" participants contribute one tenth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transaction realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

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

At December 31, 2016, the County's recorded cash, cash equivalents and investments amounted to \$153,360,124 and an amount of \$158,999,273 was on deposit with the respective institutions, excluding Deferred Compensation Fund, of which cash, cash equivalent and investments are held by the respective Trustees. Of the bank balance, \$2,435,327 was FDIC insured and \$156,563,946 was GUDPA insured.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

7) CASH, CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Deposits (Cont'd)

At December 31, 2015, the County's recorded cash, cash equivalents and investments amounted to \$139,754,768 and an amount of \$139,670,168 was on deposit with the respective institutions, excluding Deferred Compensation Fund, of which cash, cash equivalent and investments are held by the respective Trustees. Of the bank balance, \$2,500,000 was FDIC insured and \$137,170,168 was GUDPA insured.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2016, based upon the insured balances as provided by FDIC and NJGUDPA coverage, no amount of the County's bank balance of \$158,999,273 was considered exposed to custodial risk.

An Analysis of the County's cash, cash equivalents and investments at December 31, 2016 and 2015, by Fund/Category (Type) is as follows:

By Fund:

<u>Fund</u>	<u>2016 Amount</u>	<u>2015 Amount</u>
Current	\$74,167,539	\$69,259,042
Trust	75,472,994	69,859,043
General Capital	<u>3,719,591</u>	<u>636,683</u>
Total Cash, Cash Equivalents & Investments	<u>\$153,360,124</u>	<u>\$139,754,768</u>

By Category (Type)

<u>Cash & Cash Equivalents:</u>	<u>2016 Amount</u>	<u>2015 Amount</u>
Change Fund	\$ 600	\$ 600
Demand Accounts	96,688,615	47,016,988
Savings, Money Market / N.O.W.	<u>36,294,223</u>	<u>72,574,717</u>
Total Cash & Cash Equivalents	<u>\$132,983,438</u>	<u>\$119,592,305</u>
<u>Investments:</u>		
Certificates of Deposit	<u>20,376,686</u>	<u>20,162,463</u>
Total Cash, Cash Equivalents & Investments	<u>\$153,360,124</u>	<u>\$139,754,768</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

7) CASH, CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Investments

New Jersey statutes establish the following securities as eligible for the investment of County funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual fund;
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 obligations 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 1 of P.L. 1970, c. 235 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Governmental Accounting Standards Board Statement No. 9, the year end balances in a New Jersey Cash Management Fund are considered to be cash equivalents under GAAP. During the period ended December 31, 2016 and 2015, respectively the County did not hold investments in the State of New Jersey Cash Management Funds

The investment recorded in the general-purpose financial statements has been recorded at the carrying amount. The difference between the carrying amount and market value is not material to the general- purpose financial statements.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

7) CASH, CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Investments (Cont'd)

Custodial Credit Risk – Investments - Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government does not have a deposit policy for custodial credit risk.

Concentration of Credit Risk – This is the risk associated with the amount of investments that the County 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.

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 County does not have an investment policy regarding Credit Risk except to the extent outlined under the County's investment policy. The New Jersey Cash Management Fund is not rated.

As of December 31, 2016, the County did not have any investments on deposit with the New Jersey Cash Management Fund.

As of December 31, 2015, the County did not have any investments on deposit with the New Jersey Cash Management Fund.

8) ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the local unit tax assessor as of October 1 in each year and filed with the County Board of Taxation by January 10th of the following year. Upon the filing of certified adopted budgets by the Local Units, Local School District, County and Special Districts, the tax rate is struck by the County Tax Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the local unit tax collector on or before May 13th. New Jersey statutes require that each local unit provide for sufficient anticipated cash receipts equal to the "lawful yearly expenditure" which includes the total amount of property taxes to be raised by the local unit that is due to the County.

9) PENSION AND RETIREMENT PLANS

Description of Plans – The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

9) PENSION PLANS (CONT'D)

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.

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

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

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

Contributing Employers – 1,713

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

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

Payrolls and Covered Wages - For the year ended December 31, 2016 the County's total payroll for all employees was \$129,524,049. Total PERS covered payroll was \$70,908,896. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the County to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
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9) PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The County's cash basis contributions to the Plan for the years ended December 31, 2015 and 2016 were \$8,213,826 and \$8,773,215, respectively. County contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. County payments to PERS for the years ending December 31, 2015 and 2016 consisted of the following:

	<u>2015</u>	<u>2016</u>
Normal Cost	\$ 1,367,418	\$ 1,485,269
Amortization of Accrued Liability	<u>6,325,376</u>	<u>6,842,091</u>
Total Pension	7,692,794	8,327,360
NCGI Premiums	<u>521,032</u>	<u>445,855</u>
Total PERS Payment	<u>\$ 8,213,826</u>	<u>\$ 8,773,215</u>

The County recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

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

The following represents the membership tiers for PERS:

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

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

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
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9) PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

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

At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Local (Non-State) Employer Member Group. The County's proportionate share of the net pension liability for the Local Employer Member Group that is attributable to the County was \$301,575,159 or 1.018246%. At June 30, 2015, the PERS reported a net pension liability of \$22,447,996,119 for its Local Employer Member Group. The County's proportionate share of the net pension liability for the Local Employer Member Group that was attributable to the County was \$229,072,712 or 1.020460%.

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

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

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

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

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

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

9) PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

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

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

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

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

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

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

9) PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

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

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

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

<u>Year ending</u>	<u>Amount</u>
2017	\$17,353,399
2018	17,353,399
2019	20,175,178
2020	17,229,962
2021	<u>5,498,836</u>
Total	<u>\$77,610,774</u>

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

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM

The Police and Firemen's 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 PFRS Plan are as follows

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	45,423
Inactive plan members entitled to but not yet receiving benefits	51
Active plan members	<u>42,036</u>
Total	<u>87,510</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

9) PENSION PLANS (CONT'D):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D)

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

For the year ended December 31, 2016 the County's total payroll for all employees was \$129,524,049. Total PFRS covered payroll was \$33,988,773. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the County to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The County's cash basis contributions to the Plan for the years ended December 31, 2015 and 2016 were \$8,131,867 and \$8,403,471, respectively. County Contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated.

County payments to PFRS made in the years ending December 31, 2015 and 2016 consisted of the following:

	<u>2015</u>	<u>2016</u>
Normal Cost	\$ 2,795,613	\$ 2,824,265
Amortization of Accrued Liability	<u>4,971,008</u>	<u>5,204,068</u>
Total Pension	7,766,621	8,028,333
NCGI Premiums	<u>365,246</u>	<u>375,138</u>
Total PFRS Payment	<u>\$ 8,131,867</u>	<u>\$ 8,403,471</u>

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years, but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

9) PENSION PLANS (CONT'D):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D)

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

At June 30, 2016, the PFRS reported a net pension liability of \$19,102,557,969 for its Non-State, Non-Special Funding Situation Employer Member Group. The County's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$199,230,791, or 1.042953%. At June 30, 2015, the PFRS reported a net pension liability of \$16,656,514,197 for its Non-State, Non-Special Funding Situation Employer Member Group. The County's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$172,199,531, or 1.033827%.

Actuarial Assumptions - The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation	3.08%
Salary Increases: Through 2026	2.10-8.98% Based on age
Thereafter	3.10-9.98% Based on age
Investment rate of return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post- retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

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

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

9) PENSION PLANS (CONT'D):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D)

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

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

Discount Rate – The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, 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 collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (4.55%)	At current discount rate (5.55%)*	At 1% increase (6.55%)
State	\$ 5,612,325,178	\$ 4,710,744,193	\$ 3,977,817,225
Local	<u>26,699,770,118</u>	<u>20,706,699,056</u>	<u>15,819,710,095</u>
PFRS Plan Total	<u>\$32,312,095,296</u>	<u>\$25,417,443,249</u>	<u>\$19,797,527,320</u>

*- Local Share includes \$1,604,141,087 of Special Funding Situation allocated to the State of NJ as a non-employer.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

9) PENSION PLANS (CONT'D):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D)

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

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 6,255,619,682	\$43,146,550,231	\$49,402,169,913
Plan Fiduciary Net Position	<u>1,544,875,489</u>	<u>22,439,851,175</u>	<u>23,984,726,664</u>
Net Pension Liability	<u>\$ 4,710,744,193</u>	<u>\$20,706,699,056</u>	<u>\$25,417,443,249</u>

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

<u>Year ending</u>	<u>Amount</u>
2017	\$9,414,449
2018	9,414,449
2019	12,812,089
2020	7,618,324
2021	<u>481,106</u>
Total	<u>\$39,740,417</u>

Changes in Proportion - The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.58, 5.53, and 6.17 years for the 2016, 2015 and 2014 amounts, respectively.

C: DEFINED CONTRIBUTION RETIREMENT PLAN

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

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

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

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
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9) PENSION PLANS (CONT'D):

C. DEFINED CONTRIBUTION RETIREMENT PLAN (CONT'D)

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

For the year ended December 31, 2016 the County's total payroll for all employees was \$129,524,049. Total DCRP covered payroll was \$953,851. Covered payroll refers to all compensation paid by the County to active employees covered by the Plan. County and employee contributions to the DCRP for the year ended December 31, 2016 were \$30,290 and \$55,532, respectively.

D. Cumulative PERS and PFRS Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 301,575,159	\$80,687,621	\$3,076,846	\$8,773,215
PFRS	<u>199,230,791</u>	<u>44,672,573</u>	<u>4,932,159</u>	<u>8,403,471</u>
Total	<u>\$ 500,805,950</u>	<u>\$125,360,194</u>	<u>\$8,009,005</u>	<u>\$17,176,686</u>

10) ACCRUED SICK AND VACATION BENEFITS

The County of Middlesex has established uniform personnel policy procedures which set forth the terms under which an employee may accumulate unused benefits, as follows:

Sick Leave

Sick leave for permanent employees accumulates in accordance with the terms of approved contracts. Any amount of sick leave allowance not used in a calendar year accumulates to the employee's credit to be used if and when needed. Upon normal retirement, employees are entitled to receive a lump sum payment as supplemental compensation for one-half of earned and unused accumulated sick leave to their credit on the effective date of retirement, up to a maximum of \$15,000. In addition, the County offers a sick leave buyout option, on an annual basis, in the amount of one day's pay for every three days credited and not used, to a maximum of five days paid, so long as the employee did not use more than five sick days in the current year. An exception to the above is for employees who are under union PBA 214 (prosecutors, investigators & detectives) hired prior to October 1, 1993 who can receive up to a maximum of \$30,000 accumulative sick time pay off upon retirement.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

10) ACCRUED SICK AND VACATION BENEFITS (CONT'D.)

Vacations

Vacation pay for permanent employees also accumulates in accordance with the terms of approved contracts. Vacation days are to be taken in the year earned and do not accumulate, except that vacation time earned in the current year may be carried over to the next succeeding year only. The County maintains current records of each employee's status relating to earned and unused sick and vacation pay. At December 31, 2016 and 2015, the estimated cost of unused sick pay is calculated to be \$10,045,977 and \$10,291,358 respectively. At December 31, 2016 and 2015, the estimated cost of unused accrued vacation pay is calculated to be \$12,258,094 and \$11,892,697 respectively. Management indicates that this amount approximates the calculation as required by GASB No. 16, however, the methodology utilized does not fully meet the recognition and measurement criteria as set forth by the GASB. No estimate is provided for the approximate current cost of unused vacation pay based upon the policy restrictions on accumulations. As disclosed in Note 2, the County makes provision for the lump sum payment of benefits in each year's operating budget, based on cost projections for employees nearing normal retirement eligibility. In order to partially fund these benefits, the County has established a trust fund entitled "Supplemental Compensation at Retirement," and each year an annual appropriation is raised in the operating budget and transferred to the fund. In 2016 and 2015, \$540,000 and \$250,000, respectively was appropriated and added to the fund and \$491,219 was disbursed to employees during 2016 while \$373,262 was disbursed to employees during 2015.

11) LEASES

The County has purchased various offices and other equipment which is being capitalized as installment purchases of fixed assets in accordance with New Jersey Administration Code 5:30-5.6.

The County has entered into lease commitments for the rental of various office space, storage space and parking facilities throughout the County of Middlesex.

The future annual operating lease payment due over the remaining terms of the leases for the next five succeeding years is as follows:

<u>Year</u>	<u>2016 Amount</u>	<u>2015 Amount</u>
2017	\$3,038,205	\$2,395,451
2018	2,325,560	2,002,650
2019	1,899,917	1,890,484
2020	1,530,129	1,266,142
2021	1,303,958	

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

12) RISK MANAGEMENT

In response to rising premiums for traditional commercial insurance coverage, the County maintains a self-insurance risk management program for all liability claims including, but not limited to, general, police professional, hospital professional, public officials, and automobile liability. A commercial excess liability policy is in place to cover catastrophic type claims, which would include any claim exceeding the policy's \$750,000 self - insurance retention. A self-insurance Liability Fund has been established to fund those claims below \$750,000. The County of Middlesex together with the autonomous agencies; County College, Board of Social Services, Improvement Authority, Mosquito Extermination Commission comprising the Middlesex County Insurance Commission. The Middlesex County Insurance Commission provides liability coverage to above named autonomous agencies through Self-Insurance Liability Fund and Excess Liability policy. The Middlesex County Insurance Commissioners retain the services of an actuary to establish the amount of cash reserves deemed necessary to pay claims.

The County also maintains a self-insured Worker's Compensation Fund for all workers compensation claims with the exception of these claims which occurred during the period April 3, 1998 to June 2, 2000. Claims which occurred between April 3, 1998 and June 2, 2000 are covered in total by a commercial primary Workers Compensation Insurance policy. Claims occurring after June 2, 2000 are self-insured, however, a commercial excess Worker's Compensation policy is in place, subject to a \$750,000 Self-Insurance Retention.

The financial statements do not reflect any charges for claims incurred but not reported and any reported incurred claims that remain unpaid at December 31, 2016 for the respective funds.

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

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

The respective agency assessments have been computed by an actuarial analysis.

The estimated liability, as established by the third party administrator, for claims incurred and reported for the Self-Insurance Fund at December 31, 2016 and 2015 totaled \$2,577,441 and \$1,612,750, respectively. The County has appropriated funds in the 2016 and 2015 Budgets, in accordance with this funding plan.

The County has purchased commercial public entity excess liability insurance for general liability and automobile liability coverage in effect at December 31, 2016 and 2015, was as follows:

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

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

12) RISK MANAGEMENT (CONT'D)

During 2016 and 2015, the County maintained two individual excess healthcare/professional liability coverages, combined as follows:

Limit of Liability:

- A. 100% of the loss in excess of all underlying Insurance not to exceed, subject to retention:
- B. \$5,000,000 per occurrence or:
- C. \$7,000,000 Annual Aggregate (as defined)

Retention Limits

per medical incident	\$ 350,000
annual aggregate	750,000

YEAR ENDED DECEMBER 31, 2016

The estimated liability, as established by the third party administrator, for claims incurred and reported for the Worker's Compensation Fund at December 31, 2016 is \$5,828,493. This includes the run-off claims on file prior to the County purchase of commercial coverage policy for worker's compensation claims prior to April, 1998 and after June 2, 2000. The County has purchased commercial coverage for worker's compensation for the subsequent period: April 3, 1998 – June 2, 2000.

The County has opted to self insure worker's compensation effective for the period commencing June 2, 2000. The above number includes claims incurred after June 2, 2000.

The County maintains a self-insurance fund for employment compensation insurance costs. The County remits to the State of New Jersey for costs incurred, on a quarterly basis, as determined and billed by the State.

The activity within each of the Self-Insurance Fund reserves, the Worker's Compensation Fund reserves and Unemployment Compensation Fund reserves for the year ended December 31, 2016 were as follows:

	Balance <u>12/31/15</u>	Increases to <u>Reserves</u>	Decrease to <u>Reserves</u>	Balance <u>12/31/16</u>
Self-Insurance Fund	\$525,901	\$595,819	\$148	\$1,121,572
Workers' Compensation Fund	871,859	2,477,046	2,367,109	981,796
Unemployment Compensation Fund	461,625	182,221	409,332	234,514

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

12) RISK MANAGEMENT (CONT'D)

YEAR ENDED DECEMBER 31, 2015

The estimated liability, as established by the third party administrator, for claims incurred and reported for the Worker's Compensation Fund at December 31, 2015 is \$6,511,763. This includes the run-off claims on file prior to the County purchase of commercial coverage policy for worker's compensation claims prior to April, 1998 and after June 2, 2000. The County has purchased commercial coverage for worker's compensation for the subsequent period: April 3, 1998 – June 2, 2000.

The County has opted to self insure worker's compensation effective for the period commencing June 2, 2000. The above number includes claims incurred after June 2, 2000.

The County maintains a self-insurance fund for employment compensation insurance costs. The County remits to the State of New Jersey for costs incurred, on a quarterly basis, as determined and billed by the State.

The activity within each of the Self-Insurance Fund reserves, the Worker's Compensation Fund reserves and Unemployment Compensation Fund reserves for the year ended December 31, 2015 were as follows:

	<u>Balance</u> <u>12/31/14</u>	<u>Increases to</u> <u>Reserves</u>	<u>Decrease to</u> <u>Reserves</u>	<u>Balance</u> <u>12/31/15</u>
Self-Insurance Fund	\$2,504,859	\$2,969,413	\$4,948,371	\$525,901
Workers' Compensation Fund	750,016	2,958,150	2,836,307	871,859
Unemployment Compensation Fund	160,162	304,631	3,168	461,625

Increases to Reserves represent amounts received from participant assessments, charges to the County Operating Budget, interest on investments and deposits, subrogation's 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 County of Middlesex participates in the Middlesex County Joint Health Insurance Fund (MCJHIF). The MCJHIF consists of seven (7) County agencies within Middlesex County, representing a total of 4,653 and 4,471 retirees, cobra participants and active employees as of December 31, 2016 and 2015 respectively. The MCJHIF's purpose is to provide health care benefits to all eligible participants for medically necessary services covered under the health plan choices offered. The Fund is regulated by the State of New Jersey Department of Insurance as provided by statute and regulations and is subject to reporting requirements mandated by the State.

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

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

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

12) RISK MANAGEMENT (CONT'D)

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

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

The Fund uses 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 re-insurers.

Accordingly, the financial statements of the County do not report or reflect its participatory share of fund claims, expenditures or fund (deficit) balance at December 31, 2016 and 2015.

13) POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS & POST RETIREMENT HEALTH CARE BENEFITS

The County 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, 2016, approximately 1,122 retirees, representing the County and Roosevelt Care Center, were receiving non-contributory health coverage benefits at an estimated annual cost to the County of approximately \$27,742,295.

At December 31, 2015, approximately 1,038 retirees, representing the County and Roosevelt Care Center, were receiving non-contributory health coverage benefits at an estimated annual cost to the County of approximately \$22,862,514.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

13) POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS & POST RETIREMENT HEALTH CARE BENEFITS (CONT'D)

The County 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 County are established and amended through negotiations between the County and the respective unions along with prior contracts negotiated between the respective unions and the County of Middlesex.

The contribution requirements of plan members and the participating agencies are established and may be amended by the MCJHIF Commissioners. The County's annual postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, any amounts contributed to the plan and the County's net OPEB obligation. For 2016 and 2015, the County's annual OPEB cost (expense) of \$87,021,000 and \$83,633,000, respectively was less than the ARC. In 2014, the County's annual OPEB cost (expense) of \$64,101,000 was less than the ARC.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	<u>Total</u>	<u>Total</u>	<u>Total</u>
Net OPEB obligation – beginning of year	\$384,475,000	\$322,123,000	\$275,797,000
Annual required contribution (ARC)	93,324,000	88,913,000	68,622,000
Interest on Net OPEB Obligation	17,301,000	14,496,000	12,411,000
Adjustment to the ARC	(23,604,000)	(19,776,000)	(16,932,000)
Annual OPEB Cost	87,021,000	83,633,000	64,101,000
Less: Contributions	23,385,000	21,281,000	17,775,000
Net OPEB obligation – end of year	<u>\$448,111,000</u>	<u>\$384,475,000</u>	<u>\$322,123,000</u>

The funded status of the plan for the County as of January 1, 2015, is as follows:

	<u>Total</u>
Actuarial accrued liability (AAL)	\$1,036,007,000
Actuarial value of plan assets	<u>- 0 -</u>
Unfunded actuarial accrued liability (UAAL)	\$1,036,007,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$129,524,049
UAAL as a percentage of covered payroll	799.86%

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
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13) POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS & POST RETIREMENT
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. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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.

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

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

14) COUNTY-GUARANTEED CAPITAL EQUIPMENT LEASE REVENUE BONDS
AND OTHER ISSUES

2016

The Middlesex County Improvement Authority has outstanding various issues of County Guaranteed Equipment Lease Revenue Bonds and various other County-Guaranteed Bonds. These Bonds are serviced through rental payments of the governmental entities that participate in the equipment lease program. In addition to these bonds being secured by a lien on the pledged property, they are further secured by a full and unconditional guarantee of the County of Middlesex to pay, when due, the principal of, redemption premium, if any, and interest on the Bonds. Total outstanding Improvement Authority Equipment Lease Revenue Bonds and other County-Guaranteed Bonds, guaranteed by the County of Middlesex at December 31, 2016 amounted to \$166,885,000, and are listed below:

	Original Issue <u>Amount</u>	Bonds Payable <u>Dec. 31, 2016</u>
Capital Equipment Lease Revenue Bonds,		
Series 2008	\$13,100,000	\$800,000
Series 2009	13,115,000	1,695,000
Series 2012	11,815,000	3,670,000
Series 2013	13,840,000	6,375,000
Series 2014	17,275,000	10,585,000
Series 2015	8,080,000	6,595,000
Series 2016	7,075,000	7,075,000
 Heldrich Bond Issue, Series 2007	 3,000,000	 2,100,000
Middlesex County Educational Svcs. Comm., Series 2008	40,000,000	2,530,000
Open Space Refunded Bonds, Series 2008	29,545,000	8,180,000
Open Space Trust Revenue Bonds, Series 2009	40,000,000	9,615,000
The Meadows at Middlesex Golf Course, Series 2009 (Ref Bonds)	4,755,000	3,110,000
Middlesex County Educational Services Comm., Series 2010	5,300,000	1,855,000
Open Space Refunded Bonds, Series 2011 (Ref Bonds)	46,830,000	35,055,000
The Meadows at Middlesex Golf Course, Series 2013 (Ref Bonds)	11,875,000	10,510,000
Middlesex County Educational Services Comm., Series 2014	9,385,000	8,005,000
Middlesex County Educational Services Comm., Series 2014 A	30,170,000	29,970,000
Open Space Refunded Bonds, Series 2016 (Ref Bonds)	19,160,000	<u>19,160,000</u>
		 <u>\$166,885,000</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
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14) COUNTY-GUARANTEED CAPITAL EQUIPMENT LEASE REVENUE BONDS
AND OTHER ISSUES (CONT'D)

2015

The Middlesex County Improvement Authority has outstanding various issues of County Guaranteed Equipment Lease Revenue Bonds and various other County-Guaranteed Bonds. These Bonds are serviced through rental payments of the governmental entities that participate in the equipment lease program. In addition to these bonds being secured by a lien on the pledged property, they are further secured by a full and unconditional guarantee of the County of Middlesex to pay, when due, the principal of, redemption premium, if any, and interest on the Bonds. Total outstanding Improvement Authority Equipment Lease Revenue Bonds and other County-Guaranteed Bonds, guaranteed by the County of Middlesex at December 31, 2015 amounted to \$185,290,000, and are listed below:

	Original Issue <u>Amount</u>	Bonds Payable <u>Dec. 31, 2015</u>
Capital Equipment Lease Revenue Bonds,		
Series 2006	\$7,985,000	\$185,000
Series 2008	13,100,000	1,050,000
Series 2009	13,115,000	1,945,000
Series 2011	9,595,000	2,020,000
Series 2012	11,815,000	5,815,000
Series 2013	13,840,000	8,920,000
Series 2014	17,275,000	13,945,000
Series 2015	8,080,000	8,080,000
 Heldrich Bond Issue, Series 2007	 3,000,000	 2,200,000
Middlesex County Educational Svcs. Comm., Series 2008	40,000,000	3,715,000
Open Space Refunded Bonds, Series 2008	29,545,000	11,370,000
Open Space Trust Revenue Bonds, Series 2009	40,000,000	31,055,000
The Meadows at Middlesex Golf Course, Series 2009 (Ref Bonds)	4,755,000	3,435,000
Middlesex County Educational Services Comm., Series 2010	5,300,000	2,430,000
Open Space Refunded Bonds, Series 2011 (Ref Bonds)	46,830,000	39,160,000
The Meadows at Middlesex Golf Course, Series 2013 (Ref Bonds)	11,875,000	11,155,000
Middlesex County Educational Services Comm., Series 2014	9,385,000	8,740,000
Middlesex County Educational Services Comm., Series 2014 A	30,170,000	<u>30,070,000</u>
		 <u>\$185,290,000</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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15) LEASE PAYMENTS - 2016

The County participated in the following lease purchase agreements:

	Future Minimum Lease Payments						Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2017	2018	2019	2020	2021	2022 - End					
MCIA 2012 Capital Equipment Lease Program	\$ 193,942						193,942	5,649	188,293	Jul. 15, 17	3.00%
MCIA 2013 Capital Equipment Lease Program	309,712	309,712					619,424	35,277	584,147	Aug. 15, 18	4.00%
MCIA 2014 Capital Equipment Lease Program	286,492	286,492	286,492				859,476	49,101	810,375	Jul. 15, 19	3.00%
Sub Total of MCIA Capital Lease Programs	\$ 790,146	\$ 596,204	\$ 286,492	\$ -	\$ -	\$ -	\$ 1,672,842	\$ 90,027	\$ 1,582,815		

	Future Minimum Lease Payments						Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2017	2018	2019	2020	2021	2022 - End					
MCIA 2008 Open Space Trust Fund Program	3,733,650	3,737,150	1,407,000				8,877,800	697,800	8,180,000	Sep. 15, 19	3.00%-5.00%
MCIA 2009 Open Space Trust Fund Program	2,159,600	2,158,600	2,159,800	2,158,000	2,163,200	-	10,799,200	1,184,200	9,615,000	Nov. 1, 21	4.00%
MCIA 2011 Open Space Trust Ref Bonds (2003 Series)	5,861,888	5,870,888	5,872,825	5,880,825	5,890,950	11,778,250	41,155,625	6,100,625	35,055,000	Sep. 15, 23	3.00%-5.153%
MCIA 2016 Open Space Trust Ref Bonds (2009 Series)	711,506	711,507	711,506	711,506	711,507	22,176,931	25,734,463	6,574,463	19,160,000	Dec. 15, 29	2.125%-5.00%
Sub Total of MCIA Open Space Trust Fund Programs	\$ 12,466,644	\$ 12,478,145	\$ 10,151,131	\$ 8,750,331	\$ 8,765,657	\$ 33,955,181	\$ 86,567,088	\$ 14,557,088	\$ 72,010,000		
Sub Total of MCIA Programs	\$ 13,256,790	\$ 13,074,349	\$ 10,437,623	\$ 8,750,331	\$ 8,765,657	\$ 33,955,181	\$ 88,239,930	\$ 14,647,115	\$ 73,592,815		

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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15) LEASE PAYMENTS - 2016

The County participated in the following lease purchase agreements:

	Future Minimum Lease Payments						Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2017	2018	2019	2020	2021	2022 - End					
<u>Civic Square Project Certificates of Participation:</u>											
Civic Square II Project, Series 1998			\$ 720,000	\$ 930,000	\$ 930,000	\$ 2,795,000	\$ 5,375,000	\$ 0	\$ 5,375,000	Jun. 1, 25	N/A
Civic Square III, Series 1998 (Refunded in 2009)	\$ 1,541,369	\$ 1,542,756	1,541,031	1,540,319	1,541,619	10,802,715	18,509,809	4,059,809	14,450,000	Jun. 15, 28	Var.
Civic Square IV, Series 2001	3,037,275	3,037,250	3,035,500	3,035,000	3,035,500	30,349,250	45,529,775	14,029,775	31,500,000	Oct. 1, 31	Var.
2011 Civic Square II - Refunded COP	3,412,706	3,410,000	2,702,950	2,702,600	2,697,200	27,219,300	42,144,756	10,194,756	31,950,000	Jun. 1, 29	Var.
Sub Total of Civic Square Projects	\$ 7,991,350	\$ 7,990,006	\$ 7,999,481	\$ 8,207,919	\$ 8,204,319	\$ 71,166,265	\$ 111,559,340	\$ 28,284,340	\$ 83,275,000		

The County of Middlesex issued \$23,415,000 insured Certificates of Participation dated May 15, 1994, evidencing interest of the owners thereof in certain obligations of the County due under its lease purchase agreement with PBCF New Jersey, Inc. The certificates, a combination of serial and term, were issued to provide funds to acquire certain real property, office building and other improvements. The basic rent payments due by the County of Middlesex for the certificates is provided for in part or whole by a sublease between the County and the Middlesex County Board of Social Services. The interest rate on the \$8,105,000 serial certificates range from 4.00% to 5.90% with a final maturity of August 15, 2009. The \$6,060,000 term certificate due August 15, 2014 and the \$9,250,000 term certificate due February 15, 2019, have interest rates of 6.00% and 6.125% respectively. The final basic rent payment is February 1, 2019. The County executed a Debt Service Reserve Forward delivery Agreement dated March 15, 1996, related to the Certificates of Participation.

On August 15, 1998 the County refinanced the outstanding \$23,060,000 Certificates of Participation with \$25,070,000 refunding Certificates of Participation.

(A) - As a result of legislation that impacted and provided for limitations on increases in tax levy amounts (P.L. 2007, c.62), the characterization of certain lease payment obligations have been modified as of July 1, 2007.

As of and subsequent to that date, any lease payment obligations that involve asset acquisitions with estimated useful lives of five (5) years or greater, those obligations are to be classified as debt, in accordance with debt authorized under N.J.S.A. 40A:2-3 et seq. Lease obligations with respect to assets with estimated useful lives of less than five years and all lease obligations issued prior to July 1, 2007, are not considered debt of the local unit.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

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15) LEASE PAYMENTS - 2015

The County participated in the following lease purchase agreements:

	Future Minimum Lease Payments						Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2016	2017	2018	2019	2020	2021 - End					
MCIA Juvenile Detention Center Lease Program (1997 Series)	1,261,750	\$	\$	\$	\$	\$	1,261,750	\$ 36,750	\$ 1,225,000	May 1, 16	2.00%-4.00%
MCIA 2006 Capital Equipment Lease Program	35,591						35,591	741	34,850	May 15, 16	3.80%-4.25%
MCIA 2011 Capital Equipment Lease Program	207,391						207,391	6,041	201,350	Jul. 15, 16	1.25%-3.00%
MCIA 2012 Capital Equipment Lease Program	193,942	193,941					387,883	16,781	371,102	Jul. 15, 17	1.25%-3.00%
MCIA 2013 Capital Equipment Lease Program	309,712	309,712	309,712				929,136	66,984	862,152	Aug. 15, 18	2.00%-4.00%
MCIA 2014 Capital Equipment Lease Program	286,492	286,492	286,492	286,492			1,145,968	78,553	1,067,415	Jul. 15, 19	1.50%-3.00%
Sub Total of MCIA Capital Lease Programs	\$ 2,294,878	\$ 790,145	\$ 596,204	\$ 286,492	\$ -	\$ -	3,967,719	\$ 205,850	\$ 3,761,869		

15) LEASE PAYMENTS - 2015

The County participated in the following lease purchase agreements:

	Future Minimum Lease Payments						Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2016	2017	2018	2019	2020	2021 - End					
MCIA 2008 Open Space Trust Fund Program	3,734,650	3,733,650	3,737,150	1,407,000			12,612,450	1,242,450	11,370,000	Jul. 15, 19	3.00%-5.00%
MCIA 2009 Open Space Trust Fund Program	3,315,225	3,317,025	3,316,024	3,317,224	3,315,424	28,623,508	45,204,430	14,149,430	31,055,000	Nov. 1, 29	4.00%-6.11%
MCIA 2011 Open Space Trust Ref Bonds (2003 Series)	5,852,138	5,861,888	5,870,888	5,872,825	5,880,825	17,669,200	47,007,763	7,847,763	39,160,000	Aug. 1, 23	3.00%-5.153%
Sub Total of MCIA Open Space Trust Fund Programs	\$ 12,902,013	\$ 12,912,563	\$ 12,924,062	\$ 10,597,049	\$ 9,196,249	\$ 46,292,708	104,824,643	\$ 23,239,643	\$ 81,585,000		
Sub Total of MCIA Programs	\$ 15,196,891	\$ 13,702,708	\$ 13,520,266	\$ 10,883,541	\$ 9,196,249	\$ 46,292,708	108,792,362	\$ 23,445,493	\$ 85,346,869		

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Civic Square II Project, Series 1998				\$ 720,000	\$ 4,655,000	\$ 5,375,000	0	\$ 5,375,000	Jun. 15, 25	N/A	
Civic Square III, Series 1998 (Refunded in 2009)	\$ 1,542,681	\$ 1,541,369	\$ 1,542,756	1,541,031	1,540,319	12,344,334	20,052,490	4,672,490	15,380,000	Jun. 15, 28	Var.
Civic Square IV, Series 2001	3,032,900	3,037,275	3,037,250	3,035,500	3,035,000	33,384,750	48,562,675	15,687,675	32,875,000	Jul. 15, 31	Var.
2011 Civic Square II - Refunded COP	3,417,913	3,412,706	3,410,000	2,702,950	2,702,600	29,916,500	45,562,669	11,547,669	34,015,000	Jun. 15, 29	Var.
Sub Total of Civic Square Projects	\$ 7,993,494	\$ 7,991,350	\$ 7,990,006	\$ 7,999,481	\$ 7,277,919	\$ 80,300,584	\$ 119,552,834	\$ 31,907,834	\$ 87,645,000		

On August 15, 1998 the County refinanced the outstanding \$23,060,000 Certificates of Participation with \$25,070,000 refunding Certificates of Participation.

As of and subsequent to that date, any lease payment obligations that involve asset acquisitions with estimated useful lives of five (5) years or greater, those obligations are to be classified as debt, in accordance with debt authorized under N.J.S.A. 40A:2-3 et seq. Lease obligations with respect to assets with estimated useful lives of less than five years and all lease obligations issued prior to July 1, 2007, are not considered debt of the local unit.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
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16) LEASE AGREEMENTS RECEIVABLE

The County reports the following lease agreements within the General Capital Fund balance sheet as at December 31, 2016 and 2015:

<u>Lessee</u>	<u>2016 Amount Recorded</u>	<u>2015 Amount Recorded</u>	<u>Final Payment Date</u>
County of Somerset, NJ		\$ 493,499	May 1, 2016
City of New Brunswick, NJ	<u>\$ 9,588,069</u>	<u>10,208,069</u>	May 1, 2029
	<u>\$ 9,588,069</u>	<u>\$10,701,568</u>	

The County has authorized and entered into a lease agreement receivable with the County of Somerset, New Jersey in conjunction with the construction of the youth detention center as part of a cost-share agreement.

The County has authorized and executed a lease agreement with the City of New Brunswick, New Jersey in connection with the Civic Square II Project.

17) PROJECT ADVANCES/RECEIVABLES

Through the course of its operations and as a facilitator for various projects, the County of Middlesex participates with various other governmental units and agencies, some which are related parties and under GAAP, considered component units, by either advancing funds on specific projects or as the lead agency in the financing for these projects. To the extent the County has advanced funds or issued debt obligations to finance projects, which participation by the other units or agencies are owed to the County, those advances/receivables are recorded within the County's financial statements as receivables, offset by reserves. None of the receivables are recorded as a component of fund balance. Generally, these receivables/advances are utilized to offset County debt services payments when the receivables come due, based upon agreed-upon payback schedules. Project receivables/advances currently recorded included Civic Square projects, Heldrich Center Hotel/Conference Project, the Middlesex County Improvement Authority (MCIA), Shari Borden Annuity, Built America Bond Subsidy (BAB) and Sayreville Economic Redevelopment Agency (SERA).

The lease agreement between the City of New Brunswick Civic Square II and the County of Middlesex was for an original amount of \$13,068,069 with payments beginning in 2005 and final payment in 2029. At December 31, 2016 the receivable balance to the County of Middlesex from the City of New Brunswick Civic Square II was \$9,588,069.

The 2008 loan agreement between the MCIA and the County of Middlesex for acquisitions through the lease purchase financing program was for an original amount of \$1,790,881 with payments beginning in 2009 and final payment in 2023. At December 31, 2016 the receivable balance to the County of Middlesex from the MCIA was \$406,483.

The loan agreement between the Heldrich Center Hotel Project and the County of Middlesex was for an original amount of \$3,000,000 with payments beginning in 2008 and final payment in 2037. At December 31, 2016, the receivable balance to the County of Middlesex from the Heldrich Center Hotel Project, in the form of Senior Revenue Bonds, Series A, was \$2,275,000, and all payments have been received as scheduled. With respect to the Heldrich Center Project, the debt service requirements for Series A bonds have been satisfied through January 2012, 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 a 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 the County's fund balance is impaired based upon this current status.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

17) PROJECT ADVANCES/RECEIVABLES (CONT'D)

The loan agreement between the SERA and the County of Middlesex was for an original amount of \$11,703,384 with payments beginning in 2009. At December 31, 2016 the receivable balance to the County of Middlesex from the SERA was \$3,275,944.

The 2009 loan agreement between the MCIA and the County of Middlesex for acquisitions through the lease purchase financing program was for an original amount of \$1,535,517 with payments beginning in 2010 and final payment in 2024. At December 31, 2016 the receivable balance to the County of Middlesex from the MCIA was \$893,676.

The 2009 subsidy agreement between Built America Bond and the County of Middlesex is to offset the costs for the 2009 Open Space Trust fund Revenue Bonds, Series 2009 in the amount of \$40,000,000. The original amount of the subsidy was \$6,800,940 with payments beginning in 2010 and final payment in 2029. At December 31, 2016 the receivable balance to the County of Middlesex from the Built America Bond was \$4,092,136.

The 2013 loan agreement between the MCIA and the County of Middlesex for acquisitions through the lease purchase financing program was for an original amount of \$237,990 with payments beginning in 2014 and final payment in 2018. At December 31, 2016 the receivable balance to the County of Middlesex from the MCIA was \$79,476.

The 2014 loan agreement between the MCIA and the County of Middlesex for acquisitions through the lease purchase financing program was for an original amount of \$262,203 with payments beginning in 2015 and final payment in 2019. At December 31, 2016 the receivable balance to the County of Middlesex from the MCIA was \$148,334.

The 2016 loan agreement between the MCIA and the County of Middlesex for acquisitions through the lease purchase financing program was for an original amount of \$434,691 with payments beginning in 2017 and final payment in 2021. At December 31, 2016 the receivable balance to the County of Middlesex from the MCIA was \$434,691.

18) HEALTH AND HOSPITALS

The County provides certain medical and health services to residents through the George J. Otlowksi Medical Health Center, several health clinics and the Roosevelt Care Center (the "Center"). Effective June 14, 1997, the Board of Chosen Freeholders transferred operation of, including the license to operate the Center, to the Middlesex County Improvement Authority ("MCIA"). 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 MCIA. On November 15, 1999, the Board of Chosen Freeholders adopted a resolution affirming the sale of the Center to the MCIA. Agreements and contracts authorizing the transfer of the lands and buildings were executed on January 19, 2000 and title of the property was transferred to the MCIA.

The Middlesex County Board of Chosen Freeholders, by way of Resolution 01-340, unanimously voted to proceed with the construction of a new 180-bed state-of-the-art long-term care County Facility ("County Facility") to replace the outdated 100-bed Roosevelt Care Center Annex. In furtherance of Resolution 01-340, the Middlesex County Board of Chosen Freeholders unanimously adopted a \$19 million bond ordinance number 331 providing for the construction of the new long-term care County Facility. The new County Facility was substantially completed on January 21, 2005 and a Certificate of Occupancy was issued. By Resolution 05-527, the MCIA acknowledged substantial completion and acceptance of the new County facility. The MCIA owns and operates the new County Facility.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

18) HEALTH AND HOSPITALS (CONT'D)

The Board of Chosen Freeholder has determined that its 180-bed capacity would not be sufficient to meet the future long-term care needs of the County. To this end, the Middlesex County Improvement Authority is proceeding with the design and construction of a second, new 120-bed extended-care facility roughly on the site presently occupied by the “A” Wing of the existing Roosevelt Care Center. It is believed that such a new facility will offer substantial efficiencies of operation and allow for an optimal staff-to-patient ratio, while, at the same time, maximizing the level of care and quality of life which can be provide for residents.

The historic, original portions of the existing Roosevelt Care Center will now be renovated for use as a senior residential facility with medical services located on site. It is hoped that this mix of assisted living and extended-care services create a campus environment, which will allow senior residents to transition from one level of care to the next, smoothly, and without dislocation or relocation.

19) LONG TERM TAX EXEMPTIONS

The County’s constituent municipalities (other governments) participate in long- term tax exemption programs for redevelopment, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. Taxes abated by these other governments include local, school, county, and, in some cases, fire district taxes. The tax-exempt project makes payments to the municipalities in lieu of taxes (PILOT payments). The County is to receive five percent (5.00%) of the PILOT amounts paid to the participating municipality. During 2016, the County collected \$259,897 in PILOT payments. County taxes that otherwise would have been due on these long-term exemptions amounted to \$2,312,824 based upon the assessed valuation of the long-term tax exempt properties.

20) COMMITMENTS AND CONTINGENCIES

As of the date of this report, the County had litigation pending. This litigation can be generally categorized as negligence claims, workmen’s compensation, condemnation cases and other miscellaneous cases. Management’s review of the litigation pending indicates that any judgments rendered against the County will not have a material adverse impact on the County’s financial position.

As more fully described in Note 12, the County of Middlesex is self-insured for general liability, police liability, medical malpractice liability, public officials’ liability and property damage to County vehicles and for Worker’s Compensation with the exception of claims which occurred between April 1, 1998 and June 2, 2000. The estimated reserve requirement for these claims is set forth in Note 12.

The County participates in a number of federal and state assisted programs that are subject to audit and adjustment by the respective grantors. The audits of these programs for or including the years ended December 31, 2016 and 2015 may have not been conducted or completed as of the date of this report. Grantor agencies reserve the right to conduct additional audits of the County’s grant program for economy, efficiencies and program results which may result in disallowed costs to the County. However, County management does not believe such audits would result in any material amounts of disallowed costs.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

21) SUBSEQUENT EVENTS

– February 16, 2017 –

The Board of Chosen Freeholders finally adopted a refunding Bond Ordinance providing for the refunding of certain outstanding General Obligation Bonds of the County to achieve debt services savings and authorizing the issuance of not to exceed \$45,000,000 aggregate principal amount of general obligation refunding bonds of the County to effect such refunding appropriating the proceed therefor.

– March 2, 2017 –

The County's 2017 operating budget was adopted.

– April 20, 2017 –

The Board of Chosen Freeholders finally adopted a Bond Ordinance providing for the acquisition of capital equipment and the undertaking of various 2017 capital improvements at and for facilities of Middlesex County College, appropriating \$2,000,000 therefore and authorizing the issuance of \$2,000,000 bonds or notes of the County for financing such appropriation.

The Board of Chosen Freeholders Finally adopted a Bond Ordinance providing for the undertaking of 2017 capital improvements for various county roads, appropriating \$3,000,000 therefore and authorizing the issuance of \$3,000,000 bond or notes of the County for financing such appropriation.

The Board of Chosen Freeholders Finally adopted a Bond Ordinance providing for the undertaking of 2017 capital improvements at and for certain facilities of Middlesex County College, appropriating \$3,400,000 therefore and authorizing the issuance of \$3,400,000 bond or notes of the County of Middlesex, State of New Jersey, for financing such appropriation, the principal of and interest on the aggregate principal amount of which will be entitled to state aid, pursuant to Chapter 12 of the laws of New Jersey of 1971.

The Board of Chosen Freeholders finally adopted a Bond Ordinance providing for 2017 general capital improvements by, in and for the County of Middlesex, appropriating \$16,500,000 from The Capital Improvement Fund to pay for the cost therefore.

– June 14, 2017 –

The County closed on \$8,400,000 aggregate principal amount of General Obligation Bonds, consisting of, \$3,000,000 Vocational-Technical School Bonds, Series 2017, and \$2,000,000 County College Bonds, Series 2017, \$3,400,000 County College Bonds, Series 2017 (County College Bond Act, 1971 N.J. Laws C 12, as Amended).

The County also closed on \$34,000,000 Bonds Anticipation Notes.

BALANCE SHEET - CURRENT FUND

	<u>YEAR 2014</u>	<u>YEAR 2015</u>	<u>YEAR 2016</u>	(Unaudited) <u>YEAR 2017</u>
<u>ASSETS</u>				
Regular Fund:				
Cash and Investments	\$ 70,378,281	\$ 69,258,442	\$ 74,166,939	\$ 71,709,384
Cash - Change Fund	600	600	600	600
Local Grants Receivable	484,508	9,643	39,999	648,360
State and Federal Grants Receivable	<u>48,637,511</u>	<u>37,938,751</u>	<u>41,439,944</u>	<u>49,937,120</u>
Total Regular Fund Assets	<u>119,500,900</u>	<u>107,207,436</u>	<u>115,647,482</u>	<u>122,295,464</u>
Receivables and Other Assets with Full Reserves:				
Inventory	1,550,644	855,182	992,192	1,918,800
Added & Omitted Taxes Receivable	215,744	204,826	140,178	194,352
Revenue Accounts Receivable	392,095	483,121	214,969	1,454,596
Pre-Paid Rent	<u>300,619</u>			
Total Receivables and Other Assets with Full Reserves	<u>2,459,102</u>	<u>1,543,129</u>	<u>1,347,339</u>	<u>3,567,748</u>
Total Assets	\$ <u>121,960,002</u>	\$ <u>108,750,565</u>	\$ <u>116,994,821</u>	\$ <u>125,863,212</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>				
Regular Fund:				
Liabilities:				
Appropriation Reserves	\$ 12,761,636	\$ 15,827,658	\$ 13,559,427	\$ 6,354,429
Reserve for Encumbrances	19,626,375	14,757,481	9,243,660	10,639,108
Accounts Payable	582,778	677,815	3,437,539	1,912,964
Payroll Deductions	1,166,906	1,660,477	1,372,004	1,713,412
Unappropriated Reserves	140,608	135,278	164,623	1,211
Reserve for Local Grants:				
Appropriated	2,174,584	1,269,048	1,336,289	1,951,041
Unappropriated	1,067,671	808,728	1,003,900	1,760,134
Reserve for Federal & State Grants:				
Appropriated	46,326,069	29,044,709	30,936,134	33,599,612
Unappropriated	<u>1,037,067</u>	<u>783,411</u>	<u>492,717</u>	<u>317,268</u>
Total Liabilities and Reserve for Grants	<u>84,883,694</u>	<u>64,964,605</u>	<u>61,546,293</u>	<u>58,249,179</u>
Reserve for Receivables	2,459,102	1,543,129	1,347,339	3,567,748
Fund Balance	<u>34,617,206</u>	<u>42,242,831</u>	<u>54,101,189</u>	<u>64,046,285</u>
Total Liabilities, Reserves and Fund Balance	\$ <u>121,960,002</u>	\$ <u>108,750,565</u>	\$ <u>116,994,821</u>	\$ <u>125,863,212</u>

Source: County Reports of Audit, 2017 Unaudited Annual Financial Statements

BALANCE SHEET - TRUST FUND

		<u>YEAR 2014</u>	<u>YEAR 2015</u>	<u>YEAR 2016</u>	(Unaudited) <u>YEAR 2017</u>
<u>ASSETS</u>					
Cash and Investments	\$	67,025,086	\$ 69,859,043	\$ 75,472,994	\$ 62,690,116
Motor Vehicle Fines		549,627	374,604	345,592	346,856
Federal Aid Receivable:					
Housing and Community Development Act 1974		5,625,144	6,125,360	6,368,754	6,097,101
Federal Aid Receivable:					
Section 8 Housing Assistance Payments Prog.		781	128,049	4,905	
State Aid Receivable: Alcoholism Rehabilitation Program		248,121	856,970	825,717	2,070,780
Section 8 Housing Assistance Repayments		618,173	598,399	585,312	654,931
Open Space Program Receivable		18,109	16,841	11,626	16,068
Community Development Block Grant: Urban Housing					
Preservation Program Loans - Mortgages Receivable		1,511,063	1,511,063	1,317,418	1,213,570
MCIA Open Space Program Receivable		<u>16,527,332</u>			
Total Assets	\$	<u><u>92,123,436</u></u>	\$ <u><u>79,470,329</u></u>	\$ <u><u>84,932,318</u></u>	\$ <u><u>73,089,422</u></u>

LIABILITIES, RESERVES AND FUND BALANCE

Reserve for Motor Vehicle Fines Receivable	\$	549,627	\$ 374,604	\$ 345,592	\$ 346,856
Environmental Quality		606,918	652,945	707,389	553,066
Motor Vehicle Fines - Road Fund		6,775,855	2,276,767	4,116,895	125,500
Reserve for Encumbrances		34,631,907	1,497,581	11,757,802	5,678,498
Performance and Escrow Deposits		3,207,508	3,194,287	412,060	
Reserve for Road Drainage Project		846,410			
Reserve for Open Space Program Receivable		18,109	16,841	11,626	16,068
Worker's Compensation Self-Insurance Fund		750,016	871,859	981,796	1,836,082
Supplemental Compensation at Retirement		141,947	18,685	67,466	83,006
Unemployment Compensation Fund		160,162	461,625	234,514	230,338
Reserve for Alcoholism Rehabilitation Program		5,941	1,467	12,589	161,627
Reserve for Housing and Community Development Expenditures		1,703,233	6,009,200	5,514,048	4,963,697
Reserve for CDBG Funds on Hand		192,577	192,577	361,364	692,735
Rental Rehabilitation Program		26,812			
Reserve for Refundable Consumer Affairs Deposits		80,208	83,045	72,392	74,243
Reserve for Section 8 Housing Assistance Payments Program		543,287	927,778	937,919	765,032
Road Opening Bonds		1,722,416	1,555,721	34,210	947,307
Self-Insurance Liability Trust Fund		2,504,859	525,901	1,121,572	3,080,433
Miscellaneous Trust Accounts		6,219,386	7,713,127	6,340,846	5,957,155
Dedicated Revenue by Statute		1,012,330	1,092,832	1,339,834	1,501,654
Prosecutor's Office - Dedicated Funds		1,801,706	2,572,851	2,615,335	2,523,921
State Seized Assets		3,293,898	2,732,311	3,052,250	3,537,211
Reserve for Debt Service - Open Space & Farmland Preservation		14,005,329	13,603,305	12,964,218	13,684,029
Reserve for Urban Housing & Preservation Program Loans		1,511,063	1,511,063	1,317,418	1,213,570
Reserve for BSS Building Lease Purchase Payments		670,388	912,007	1,155,857	1,400,282
Escheated Seized Funds		7,089	4,622	4,622	4,622
Reserve for Open Space & Farmland Preservation		<u>9,134,455</u>	<u>30,667,328</u>	<u>29,452,704</u>	<u>23,712,490</u>
Total Liabilities, Reserves and Fund Balance	\$	<u><u>92,123,436</u></u>	\$ <u><u>79,470,329</u></u>	\$ <u><u>84,932,318</u></u>	\$ <u><u>73,089,422</u></u>

Source: County Reports of Audit, 2017 Unaudited Annual Financial Statements

BALANCE SHEET - GENERAL CAPITAL FUND

	<u>YEAR 2014</u>	<u>YEAR 2015</u>	<u>YEAR 2016</u>	(Unaudited) <u>YEAR 2017</u>
<u>ASSETS</u>				
Cash and Investments	\$ 4,557,638	\$ 636,683	\$ 3,719,591	\$ 566,235
Leases Receivable	11,762,021	10,701,568	9,588,069	8,938,069
Loans/Other Accounts Receivable	14,230,410	11,977,441	11,605,740	10,804,453
Deferred Charges to Future Taxation				
Funded	361,947,000	323,532,000	322,869,000	287,599,000
Funded Loans	36,905,646	31,788,962	29,438,697	28,126,648
Funded - Capital Leases	188,134,800	172,991,869	156,867,814	141,520,994
Unfunded	<u>199,910,679</u>	<u>194,498,683</u>	<u>179,616,778</u>	<u>179,802,059</u>
Total Assets	\$ <u>817,448,194</u>	\$ <u>746,127,206</u>	\$ <u>713,705,689</u>	\$ <u>657,357,458</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>				
General Serial Bonds	\$ 291,646,000	\$ 255,856,000	\$ 251,559,000	\$ 217,359,000
Capital Transportation Grant Reserves		12,965,474	12,965,474	11,913,361
County College Bonds	28,345,500	27,578,000	30,625,000	30,935,000
County College Bonds (Ch. 12. P.L. 1971)	14,880,500	14,843,000	14,475,000	14,775,000
Vocational School Bonds	25,830,000	24,630,000	26,210,000	24,530,000
Bond Anticipation Notes	34,200,000	34,200,000	34,000,000	34,000,000
Open Space Bonds	1,245,000	625,000		
MCIA Loans Payable	32,270,159	26,906,727	23,736,058	23,102,445
Green Acres Loan Payable	4,635,487	4,882,235	5,702,639	5,024,203
Capital Leases Payable	188,134,800	172,991,869	156,867,814	141,520,994
Improvement Authorizations:				
Funded	43,854,256	38,078,701	27,560,875	27,431,103
Unfunded	75,502,886	48,645,360	41,642,298	39,755,713
Capital Improvement Fund		1,080,001	774,096	878,027
Reserve for:				
Payment of Debt Service	640,757	422,446	204,135	
Leases Receivable	11,762,021	10,701,568	9,588,069	8,938,069
Bond Issue Costs	507,441	314,187	309,757	115,704
Encumbrances	48,654,734	58,441,713	61,841,427	64,471,016
Loans/Other Accounts Receivable	14,230,410	11,977,441	11,605,740	10,804,453
	<u>1,108,243</u>	<u>987,484</u>	<u>4,038,307</u>	<u>1,803,370</u>
Total Liabilities, Reserves and Fund Balance	\$ <u>817,448,194</u>	\$ <u>746,127,206</u>	\$ <u>713,705,689</u>	\$ <u>657,357,458</u>
Bonds and Notes Authorized but not Issued	\$ <u>165,710,679</u>	\$ <u>160,298,683</u>	\$ <u>145,616,778</u>	\$ <u>145,802,059</u>

Source: County Reports of Audit, 2017 Unaudited Annual Financial Statements

SUMMARY OF COUNTY OPERATIONS

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>YEAR 2014</u>	<u>YEAR 2015</u>	<u>YEAR 2016</u>	(Unaudited) <u>YEAR 2017</u>
Miscellaneous Revenues Anticipated	\$ 105,794,651	\$ 101,543,629	\$ 106,662,312	\$ 110,593,790
Receipts from Current Taxes	348,338,454	357,505,000	368,963,000	380,430,059
Receipts from Added and Omitted Taxes	1,910,689	2,758,159	2,420,468	2,769,203
Non-Budget Revenue	2,399,891	3,717,971	4,565,631	2,080,344
Other Credits to Income:				
Unexpected Balances of Approp. Reserves	983,781	1,440,832	998,006	1,049,729
Other	<u>927,825</u>	<u>701,438</u>	<u>24,206</u>	<u>230,027</u>
 Total Revenues	 <u>460,355,291</u>	 <u>467,667,029</u>	 <u>483,633,623</u>	 <u>497,153,152</u>
 <u>EXPENDITURES AND OTHER CHARGES</u>				
Budget Appropriations	453,143,356	459,871,477	471,711,836	487,208,056
Other	<u>560,208</u>	<u>169,927</u>	<u>63,429</u>	
 Total Expenditures	 <u>453,703,564</u>	 <u>460,041,404</u>	 <u>471,775,265</u>	 <u>487,208,056</u>
 Excess (Deficit) in Revenue	 6,651,727	 7,625,625	 11,858,358	 9,945,096
 Statutory Excess to Fund Balance	 6,651,727	 7,625,625	 11,858,358	 9,945,096
 Balance - January 1	 <u>27,965,479</u>	 <u>34,617,206</u>	 <u>42,242,831</u>	 <u>54,101,189</u>
 Balance - December 31	 \$ <u><u>34,617,206</u></u>	 \$ <u><u>42,242,831</u></u>	 \$ <u><u>54,101,189</u></u>	 \$ <u><u>64,046,285</u></u>

Source: County Reports of Audit, 2017 Unaudited Annual Financial Statement

APPENDIX C

FORM OF APPROVING LEGAL OPINION FOR THE NOTES

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90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

June __, 2018

Director and Members of the
Board of Chosen Freeholders of the
County of Middlesex
New Brunswick, New Jersey

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of Chosen Freeholders of the County of Middlesex, State of New Jersey (the "County") and other proofs submitted to us relative to the issuance and sale of the

\$39,000,000
BOND ANTICIPATION NOTES

COUNTY OF MIDDLESEX
STATE OF NEW JERSEY

Dated: June 12, 2018

The \$39,000,000 aggregate principal amount of Bond Anticipation Notes (the "Notes") of the County are dated June 12, 2018, mature on June 11, 2019 and bear interest at the rate of three and zero hundredths percentum (3.00%) per annum. The Notes are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Purchases of the Notes will be made in book-entry only form in principal denominations of \$5,000 each or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the County or a duly designated paying agent directly to Cede & Co., as nominee for DTC.

The Notes are not subject to redemption prior to maturity.

The bonds in anticipation of which the Notes are issued have been authorized pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the Board of Chosen Freeholders of the County and published as required by law, and by a resolution duly adopted by the Board of Chosen Freeholders on June 7, 2018.

The Notes are being issued to provide for (i) the current refunding of prior Bond Anticipation Notes of the County issued in the aggregate principal amount of \$34,000,000 on June 14, 2017 and maturing on June 13, 2018 (the "Prior Notes"), which Prior Notes were originally issued on June 16, 2016 in the amount of \$34,000,000 to temporarily finance the cost of various capital improvements in and for the County, (ii) the temporary financing of various capital improvements in and for the County in the amount of \$5,000,000, and (iii) the payment of the costs of issuance of the Notes.

We are of the opinion that: (i) such proceedings and proofs show lawful authority for the issuance and sale of the Notes pursuant to the Local Bond Law, (ii) the Notes are valid and legally binding obligations of the County, and (iii) the County has pledged its full faith and credit for the payment of the principal of and interest on the Notes, and, unless paid from other sources, all the taxable property within the County is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Notes.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Notes in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Notes to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Notes. The County will represent in its tax certificate relating to the Notes that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, assuming continuing compliance by the County with the aforementioned covenants in its tax certificate, under existing statutes, regulations, rulings and court decisions, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. The Notes are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Notes will not be treated as a preference item for purposes of computing the Federal alternative minimum tax on individuals.

The Notes are not designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B)(ii) of the Code.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

Except as stated in the preceding paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Notes.

Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is rendered on the basis of Federal law and the laws of the State of New Jersey as enacted and construed on the date hereof.

We have examined the form of the unexecuted Notes and, in our opinion, the form is regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

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APPENDIX D

FORM OF CERTIFICATE OF COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES

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CERTIFICATE OF COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES

I, GIUSEPPE PRUITI, Chief Financial Officer/Treasurer of the County of Middlesex (the "County"), a body politic and corporate organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY on behalf of Jefferies LLC, New York, New York, the purchaser (the "Purchaser") of \$39,000,000 aggregate principal amount of Bond Anticipation Notes of the County dated June 12, 2018 and maturing June 11, 2019 (the "Notes"), in connection with the issuance of the Notes, that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the County will provide notice of certain events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a PDF file to www.emma.msrb.org, of any of the following events with respect to the Notes herein described, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of Note holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances of the Notes; (10) release, substitution or sale of property securing repayment of the Notes, if material; (11) rating changes relating to the Notes; (12) bankruptcy, insolvency, receivership or similar event of the County; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or (14) appointment of a successor or additional trustee for the Notes or the change of name of a trustee for the Notes, if material.

Whenever the County (i) has or obtains knowledge of the occurrence of any of the aforementioned listed events not requiring a materiality determination, or (ii) determines that the occurrence of an aforementioned listed event requiring a materiality determination would be material to the holders of the Notes, the County shall file a Notice of each such occurrence with the MSRB via EMMA on a timely basis not in excess of ten (10) business days after the occurrence of any of the aforementioned events.

The County's obligations under this Certificate shall terminate upon the defeasance, prior redemption or payment in full of the Notes.

In the event the County fails to comply with any provision of this Certificate, any Noteholder may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. Notwithstanding the above, the remedy for a breach of the provisions of this Certificate or the County's failure to perform hereunder shall be limited to bringing an action to compel specific performance.

This Certificate shall inure solely to the benefit of the County, the Purchaser and the holders from time to time of the Notes, and shall create no further rights in any other person or entity hereunder.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the County this 12th day of June, 2018.

COUNTY OF MIDDLESEX

GIUSEPPE PRUITI,
Chief Financial Officer/Treasurer