

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 Bonds (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. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds 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.

\$12,415,000
COUNTY OF MIDDLESEX
STATE OF NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2018A
Consisting of:
\$7,570,000 General Improvement Bonds, Series 2018A
\$2,970,000 County Vocational-Technical Schools Bonds, Series 2018A
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, As Amended)
and
\$1,875,000 County College Bonds, Series 2018A
CALLABLE NON-BANK-QUALIFIED

Dated: Date of Delivery

Due: November 15, as shown on the inside front cover

The \$7,570,000 General Improvement Bonds, Series 2018A (the "General Improvement Bonds"), the \$2,970,000 County Vocational-Technical Schools Bonds, Series 2018A (New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended) (the "Vocational-Technical Schools Bonds"), and the \$1,875,000 County College Bonds, Series 2018A (the "County College Bonds" and together with the General Improvement Bonds and the Vocational-Technical Schools Bonds, the "Bonds"), are each general obligations of the County of Middlesex, State of New Jersey (the "County") and 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 principal thereof and the interest thereon.

The Bonds 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 Bonds. Individual purchases of the Bonds 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.

The Bonds shall bear interest from their date of delivery, payable semi-annually on the fifteenth day of May and November of each year, commencing May 15, 2019, at such rates of interest as shown on the inside front cover hereof. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the County or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer, mailed, delivered or transmitted by the County to the registered owner thereof as of the Record Dates (as defined herein). As long as DTC is acting as securities depository for the Bonds, 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 Bonds. See "THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION" herein.

The General Improvement Bonds 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"), Bond Ordinance Number 404 of the County duly adopted on June 6, 2013, as amended by Bond Ordinance Number 436 of the County duly adopted on May 18, 2017 and published as required by law and by a resolution duly adopted by the Board of Chosen Freeholders of the County on October 4, 2018 (the "Resolution").

The Vocational-Technical Schools Bonds are authorized by and are issued pursuant to N.J.S.A. 18A:54-1 et seq., as amended and supplemented, the Local Bond Law, Bond Ordinance Number 405 of the County duly adopted on June 6, 2013 and published as required by law and by the Resolution.

The County College Bonds are authorized by and issued pursuant to N.J.S.A. 18A:64A-1 et seq., as amended and supplemented, the Local Bond Law, Bond Ordinance Number 406 of the County duly adopted on June 6, 2013 and published as required by law and by the Resolution.

Proceeds of the General Improvement Bonds will be used to provide for the permanent financing of various capital improvements and equipment acquisitions in and for the County in the amount of \$7,900,000. Proceeds of the Vocational-Technical Schools Bonds will be used to provide for the permanent financing of capital improvements and equipment acquisitions at and for the Middlesex County Vocational and Technical High Schools in the amount of \$3,100,000. Proceeds of the County College Bonds will be used to provide for the permanent financing of capital improvements and acquisition of various equipment and furniture at and for certain facilities of Middlesex County College in the amount of \$2,000,000.

The Bonds are subject to redemption prior to their stated maturities at the times and in the manner described herein. See "DESCRIPTION OF THE BONDS – Optional Redemption" herein.

The Bonds 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 Bonds 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 Bonds. It is anticipated that the Bonds will be available for delivery through DTC on or about November 20, 2018.

Citigroup

COUNTY OF MIDDLESEX, STATE OF NEW JERSEY

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

\$7,570,000 GENERAL IMPROVEMENT BONDS, SERIES 2018A

<u>Maturity November 15</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIP Numbers**</u>	<u>Maturity November 15</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIP Numbers**</u>
2019	\$405,000	5.000%	1.900%	59656ND41	2026*	\$560,000	4.000%	2.570%	59656NE32
2020	425,000	5.000	2.050	59656ND58	2027*	580,000	4.000	2.660	59656NE40
2021	440,000	5.000	2.100	59656ND66	2028	600,000	3.000	3.150	59656NE57
2022	465,000	5.000	2.180	59656ND74	2029	615,000	3.125	3.250	59656NE65
2023	485,000	5.000	2.260	59656ND82	2030	630,000	3.250	3.350	59656NE73
2024	510,000	5.000	2.350	59656ND90	2031	650,000	3.250	3.450	59656NE81
2025	535,000	5.000	2.430	59656NE24	2032	670,000	3.375	3.550	59656NE99

**\$2,970,000 COUNTY VOCATIONAL-TECHNICAL SCHOOLS BONDS, SERIES 2018A
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended)**

<u>Maturity November 15</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIP Numbers**</u>	<u>Maturity November 15</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIP Numbers**</u>
2019	\$160,000	5.000%	1.900%	59656ND41	2026*	\$220,000	4.000%	2.570%	59656NE32
2020	160,000	5.000	2.050	59656ND58	2027*	230,000	4.000	2.660	59656NE40
2021	170,000	5.000	2.100	59656ND66	2028	240,000	3.000	3.150	59656NE57
2022	180,000	5.000	2.180	59656ND74	2029	240,000	3.125	3.250	59656NE65
2023	190,000	5.000	2.260	59656ND82	2030	250,000	3.250	3.350	59656NE73
2024	200,000	5.000	2.350	59656ND90	2031	255,000	3.250	3.450	59656NE81
2025	210,000	5.000	2.430	59656NE24	2032	265,000	3.375	3.550	59656NE99

\$1,875,000 COUNTY COLLEGE BONDS, SERIES 2018A

<u>Maturity November 15</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIP Numbers**</u>	<u>Maturity November 15</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIP Numbers**</u>
2019	\$135,000	5.000%	1.900%	59656ND41	2025	\$175,000	5.000%	2.430%	59656NE24
2020	140,000	5.000	2.050	59656ND58	2026*	185,000	4.000	2.570	59656NE32
2021	150,000	5.000	2.100	59656ND66	2027*	195,000	4.000	2.660	59656NE40
2022	155,000	5.000	2.180	59656ND74	2028	200,000	3.000	3.150	59656NE57
2023	165,000	5.000	2.260	59656ND82	2029	205,000	3.125	3.250	59656NE65
2024	170,000	5.000	2.350	59656ND90					

* Priced to the first optional call date of November 15, 2025.

** 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 numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the County does not make any representation with respect to such numbers or undertake any responsibility for their 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 Bonds 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 Bonds.

**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 Bonds 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 Bonds. 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 Bonds 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 Bonds 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 Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds 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 Bonds 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

\$12,415,000 GENERAL OBLIGATION BONDS, SERIES 2018A

Consisting of:

\$7,570,000 General Improvement Bonds, Series 2018A

**\$2,970,000 County Vocational-Technical Schools Bonds, Series 2018A
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended)**

and

\$1,875,000 County College Bonds, Series 2018A

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 the County's \$12,415,000 aggregate principal amount of General Obligation Bonds, Series 2018A, consisting of \$7,570,000 aggregate principal amount of General Improvement Bonds, Series 2018A (the "General Improvement Bonds"), \$2,970,000 aggregate principal amount of County Vocational-Technical Schools Bonds, Series 2018A (New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended) (the "Vocational-Technical Schools Bonds"), and \$1,875,000 aggregate principal amount of County College Bonds, Series 2018A (the "County College Bonds" and together with the General Improvement Bonds and the Vocational-Technical Schools Bonds, the "Bonds"). 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 Bonds.

This Official Statement contains specific information relating to the Bonds, including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to these issues. 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 BONDS

The Bonds are dated the date of delivery and shall mature in the principal amounts on November 15 in each of the years set forth in each of the tables appearing on the inside front cover hereof. The Bonds shall bear interest at the rates shown on the inside front cover page hereof from their date of delivery, which interest shall be payable semiannually on the fifteenth day of May and November (each an "Interest Payment Date"), commencing May 15, 2019, in each year until maturity or earlier redemption, as applicable. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, delivered or transmitted to the registered owners of the Bonds as of each respective May 1 and November 1 preceding an Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for

that purpose by the Chief Financial Officer/Treasurer of the County, as Registrar and Paying Agent (the "Paying Agent").

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds 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 Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made directly by the County as Paying Agent, or some other paying agent as may be designated by the County, to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants (as hereinafter defined). See "THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION" herein.

Optional Redemption

The Bonds maturing prior to November 15, 2026 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after November 15, 2026 are subject to redemption at the option of the County, in whole or in part on any date on or after November 15, 2025, upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus in each case accrued interest to the date fixed for redemption.

Notice of Redemption ("Notice of Redemption") shall be given by mailing by first class mail, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption, in a sealed envelope with postage prepaid to the owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the County or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notices of Redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the County determines to redeem a portion of any maturity of the Bonds prior to maturity, such Bonds shall be redeemed by the County in inverse order of maturity and within any maturity shall be selected by the County by lot.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest thereon to the date fixed for redemption.

AUTHORIZATION FOR THE ISSUANCE OF THE BONDS

The General Improvement Bonds are authorized by and are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), a bond ordinance duly adopted by the Board of Chosen Freeholders of the County on the date set forth in the chart below and published as required by law, and by a resolution duly adopted by the Board of Chosen Freeholders of the County on October 4, 2018 (the "Resolution").

The Vocational-Technical Schools Bonds are authorized by and are issued pursuant to the provisions of N.J.S.A. 18A:54-1 et seq., as amended and supplemented, the Local Bond Law, a bond ordinance duly adopted by the Board of Chosen Freeholders of the County on the date set forth in the chart below and published as required by law, and by the Resolution.

The County College Bonds are authorized by and are issued pursuant to the provisions of N.J.S.A. 18A:64A-1 et seq., as amended and supplemented, the Local Bond Law, a bond ordinance duly adopted by

the Board of Chosen Freeholders of the County on the date set forth in the chart below and published as required by law, and by the Resolution.

The bond ordinances authorizing the Bonds 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 BOND ISSUE AND USE OF BOND PROCEEDS

Proceeds of the General Improvement Bonds will be used to provide for the permanent financing of various capital improvements and equipment acquisitions in and for the County in the amount of \$7,900,000. Proceeds of the Vocational-Technical Schools Bonds will be used to provide for the permanent financing of capital improvements and the acquisition of related capital equipment at and for the Middlesex County Vocational and Technical High Schools in the amount of \$3,100,000. Proceeds of the County College Bonds will be used to provide for the permanent financing of capital improvements and acquisition of related capital equipment and furniture at and for certain facilities of Middlesex County College in the amount of \$2,000,000. The Bonds and the improvements or purposes for which the Bonds 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:

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Ordinance Number	General Purpose and Date of Final Adoption	Amount of Bond Proceeds
<u>\$7,570,000 General Improvement Bonds</u>		
404, as amended by 436	Various 2013 capital improvements in and for the County, finally adopted June 6, 2013 (404), as amended on May 18, 2017 (436)	\$ 7,900,000
Total General Improvement Bond Proceeds		\$ 7,900,000
<u>\$2,970,000 Vocational Technical Schools Bonds</u>		
405	2013 general capital improvements and the acquisition of equipment for the Middlesex County Vocational and Technical High Schools, located within the County, finally adopted June 6, 2013 (405)	\$ 3,100,000
Total Vocational Technical Schools Bond Proceeds		\$ 3,100,000
<u>\$1,875,000 County College Bonds</u>		
406	Acquisition of capital equipment and the undertaking of various 2013 capital improvements at and for Middlesex County College, finally adopted June 6, 2013 (406)	\$ 2,000,000
Total County College Bond Proceeds		\$ 2,000,000

Security and Payment for the Bonds

The Bonds 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 the principal of and interest on the Bonds. Unless otherwise paid from other sources, the County has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the County for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount.

The County is required by law to include the total amount of principal and interest on all of its general obligation indebtedness, such as the Bonds, 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 Bonds may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "MUNICIPAL BANKRUPTCY" herein.

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

School Bond Reserve Act (1980 N.J. Laws c. 72)

The Vocational-Technical Schools Bonds are additionally secured and are entitled to the benefits of the New Jersey School Bond Reserve Act, chapter 72 of the Laws of New Jersey of 1980, as amended and supplemented.

All school bonds, including the Vocational-Technical Schools Bonds, are secured by the School Bond Reserve established in the Fund for the Support of Free Public Schools of the State of New Jersey

(the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). The recent amendments to the School Bond Reserve Act provide that the Fund will be divided into two School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued prior to July 1, 2003 (the "Old School Bond Reserve Account") and all bonds, including the Vocational-Technical Schools Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the School Bond Reserve at the required levels, the State agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the reserve.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the district, county or municipality and shall not obligate the State to make, nor entitle the district, county or municipality to receive any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

MARKET PROTECTION FOR THE BONDS

The County does not anticipate issuing additional bonds or notes during the remainder of calendar year 2018.

THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION

The Depository Trust Company ("DTC"), New York, New York will act as Securities Depository for the Bonds. The Bonds 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 Bond certificate will be issued for each maturity for each series of the Bonds, as set forth on the inside front cover hereof, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 Bonds 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 Bonds 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, Bond 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, Bond 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 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

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 Bonds 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 Bonds.

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 Bonds in order for the interest on the Bonds 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 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds. The County will represent in its tax certificates relating to the Bonds, 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 Bonds 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 Bonds maturing on November 15 in the years 2019 through 2027 (collectively, the “Premium Bonds”) were purchased at a premium (“original issue premium”) over the stated principal amounts of the Bonds. For federal income tax purposes, original issue premium generally must be amortized over the term of the Premium Bonds. Amortizable bond premium is accounted for as reducing the tax-exempt interest on the Premium Bonds 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 Bonds 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 Bonds should consult their tax advisors for an explanation of the bond premium amortization rules.

Original Issue Discount

Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on November 15 in the years 2028 through 2032 (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is treated as interest and is excludable from gross income for federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, 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 Bonds 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 Bonds and any gain realized on the sale of the Bonds 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 Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds 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 Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of delivery of the Bonds 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 Bonds 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 Bonds.

ALL POTENTIAL PURCHASERS OF THE BONDS 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 BONDS.

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 Bonds, and such Bonds 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 Bonds, 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 Bonds are subject to the approval of Bond Counsel, whose approving legal opinion with respect to the Bonds will be delivered with the Bonds substantially in the form set forth as Appendix C hereto. Certain legal matters

with respect to the Bonds 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 Bonds 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.

BONDHOLDERS' RISK

It is to be understood that the rights of the holders of the Bonds, 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 Bonds, 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 Bonds shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and certificates dated as of the date of the delivery of the Bonds, and signed by the officers who signed the Bonds, 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 Bonds, or the levy or collection of taxes to pay the Bonds or the interest thereon, as applicable, or questioning the validity of the statutes or the proceedings under which the Bonds 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, 625 Farnsworth Avenue, 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 Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds 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 Bonds, the County shall furnish an opinion of its County Counsel for the Bonds, dated the date of delivery of the Bonds, attesting to the status of litigation in the County.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE BONDS

The County has covenanted for the benefit of holders of the Bonds and the beneficial holders of the Bonds to provide certain financial information and operating data of the County and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the United States Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Disclosure Certificate") to be executed on behalf of the County by its Chief Financial Officer/Treasurer, in the form appearing in Appendix D hereto. Such Disclosure Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board (the "MSRB"). 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 Bonds 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 and 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 Bonds, by a certificate signed by an authorized officer.

Phoenix Advisors, LLC, Bordentown, New Jersey, the Municipal Advisor to the County, has participated in the review of this Official Statement but has not participated in the preparation of this Official Statement or in the collection of financial, statistical or demographic information contained in this Official

Statement nor verified the accuracy, completeness or fairness thereof, and, accordingly, takes no responsibility and expresses no opinion with respect thereto.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has assigned a rating of "AAA" to the Bonds. 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 Bonds. Except as set forth in the 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 Bonds.

UNDERWRITING

The Bonds have been purchased from the County at a public sale by Citigroup Global Markets Inc., New York, New York (the "Underwriter"), at a price of \$13,006,927.65 (the "Purchase Price") in accordance with the terms of the Notice of Sale dated October 25, 2018 (the "Notice of Sale"). The Purchase Price represents the par amount of the Bonds plus a bid premium in the amount of \$591,927.65. The Underwriter is reoffering the Bonds to the public at the initial public reoffering yields set forth on the inside 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 Bonds (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, 2017 and 2016 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, 2017, together with the Notes to the Financial Statements for the years ended December 31, 2017 and 2016, 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.

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 Bonds. 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 Bonds 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: November 1, 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. Otlowksi 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 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.

The 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 another 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. 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 service 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 fourth in Office Square Feet Authorized by Building Permits (650,571 sq. ft), third in Residential Construction Authorized by Building Permits (2,250 units) and sixth in Retail Square Feet by Square Footage (136,747 square feet). The Office Square Feet Certified for the County in November 2017 is first in the State at 455,647 square feet. 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 square foot 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 projects 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 1,860 employees. County employees are represented by twenty-five (25) labor organizations recognized by the County under the Public Employees Relations Act of 1968 (P.E.R.C.).

Twenty-three (23) labor unit agreements are settled and will expire on December 31, 2020. The remaining two (2) are currently in negotiations. The County considers relations with its unions to be good.

**TWENTY PRINCIPAL TAXPAYERS IN
MIDDLESEX COUNTY, NEW JERSEY
AS OF DECEMBER 31, 2017**

<u>TAXPAYER</u>	<u>LOCATION</u>	<u>ASSESSED VALUATION</u>
Digital Piscataway, LLC	Piscataway	\$420,710,304
Princeton HD Owners, LLC (formerly Scudders Holdings, LLC)	Plainsboro	253,054,208
Buckeye Perth Amboy Terminal, LLC	Perth Amboy	171,457,600
Trustees of Princeton University	Plainsboro	168,406,800
Johnson & Johnson	Milltown, New Brunswick, North Brunswick, South Brunswick, South Plainfield	166,695,700
Federal Business Centers, Inc.	Carteret, Edison, Monroe, Woodbridge	158,663,200
Whale Ventures, LLC	Piscataway	150,994,500
US Real Estate Holdings	Piscataway	146,470,000
Shopping Center Association	Edison	144,909,796
ER Squibb & Sons	North Brunswick	144,262,100
GATX Kinder Morgan	Carteret	134,172,000
Quail Ridge Acquisitions, LLC	Plainsboro	134,160,000
Colgate Palmolive	Piscataway	124,873,600
Costco Wholesale Corp.	Edison, Jamesburg, Monroe	122,725,096
Hunters Glen	Plainsboro	120,000,000
Firmenich	Plainsboro	115,693,400
Pleasant View Gardens, LLC	Piscataway	114,200,000
Forsgate Industrial Complex	South Brunswick	113,126,400
Fox Run Plains, LLC	Plainsboro	103,208,896
Azure HGI Crest	Plainsboro	100,700,000

Source: The County

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

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

Source: Middlesex County Department of Economic Business Development, March 2018.

**MIDDLESEX COUNTY, NEW JERSEY
LABOR FORCE**

Year	Labor Force	Employment	Unemployment	County	New Jersey	Nationwide
				Unemployment	Unemployment	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 UNITS BY OCCUPANCY, STATUS, AND TENURE**

	<u>Census 2010</u>		<u>Estimated 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%

Source: ESRI ACS Housing Profile.

OWNER OCCUPIED HOUSING UNITS BY VALUE

	<u>2017</u>		<u>Estimated 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, 2018 to June 25, 2018, see “Subsequent Events” in Note 21 in the County’s Audit for the year ended December 31, 2017.

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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)**

<u>Year</u>	Equalized		Percentage Gross Debt		Percentage Net Debt
	<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 (\$1,087,399,848) ²	1.055%
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, 2017 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, 2017, the MCUA had \$132,306,638 aggregate principal amount of debt outstanding relating to the Waste Water Division Component and \$24,388,835 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 of the MCUA exists on the part of the County.

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

<u>Municipality</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Tax Rate Per \$100 Valuation*</u>	<u>2016 Percent of Collection **</u>
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, 2017¹**

<u>Municipality</u>	<u>School</u>	<u>Gross Debt</u>		<u>Statutory Deductions¹</u>			<u>Net Debt</u>	<u>Averaged Equalized Valuations</u>	<u>% of Net Debt</u>
		<u>Self-Liquidating</u>	<u>General</u>	<u>School</u>	<u>Self-Liquidating</u>	<u>General</u>			
Carteret	\$9,690,000.00	-	\$102,178,659.48	\$9,690,000.00	-	\$46,765,205.16	\$55,413,454.32	\$2,256,729,328.33	2.455%
Cranbury	2,125,000.00	-	22,491,910.00	2,125,000.00	-	2,735,982.00	19,755,928.00	1,544,242,978.67	1.279
Dunellen	7,035,000.00	262,371.30	7,562,560.51	7,035,000.00	262,371.30	57.48	7,562,503.03	592,024,920.00	1.277
East Brunswick	77,136,480.00	34,290,000.00	54,543,822.00	77,136,480.00	34,290,000.00	22,053,000.00	32,490,822.00	7,279,612,105.67	0.446
Edison	3,480,000.00	14,247,222.95	108,087,193.82	3,480,000.00	14,247,222.95	100,158.00	107,987,035.82	15,965,388,062.33	0.676
Helmetta	2,022,244.10	1,164,961.20	1,350,000.00	2,022,244.10	1,164,961.20	-	1,350,000.00	205,124,363.33	0.658
Highland Park	21,080,000.00	2,731,409.58	18,137,231.00	21,080,000.00	-	-	20,868,640.58	1,291,796,465.67	1.615
Jamesburg	1,640,000.00	-	-	1,640,000.00	-	-	-	437,473,345.00	-
Metuchen	17,735,000.00	311,600.00	16,849,650.00	17,735,000.00	311,600.00	-	16,849,650.00	2,283,177,975.67	0.738
Middlesex	2,265,000.00	1,266,000.00	18,174,660.92	2,265,000.00	1,266,000.00	64,317.08	18,110,343.84	1,447,436,931.67	1.251
Milltown	3,992,000.00	26,339,467.36	15,998,771.94	3,992,000.00	26,339,467.36	-	15,998,771.94	875,808,120.33	1.827
Monroe	122,300,000.00	55,870,860.05	84,593,425.05	122,300,000.00	55,870,860.05	17,770,273.00	66,823,152.05	8,356,824,743.00	0.800
New Brunswick	21,840,000.00	50,690,048.06	457,828,620.16	21,840,000.00	50,690,048.06	400,820,184.95	57,008,435.21	3,244,038,682.67	1.757
North Brunswick	114,973,000.00	42,621,702.81	80,788,641.00	114,973,000.00	42,621,702.81	19,230,271.00	61,558,370.00	4,459,794,369.00	1.380
Old Bridge	30,480,000.00	1,268,350.00	42,752,616.20	30,480,000.00	-	-	44,020,966.20	7,635,848,004.67	0.577
Perth Amboy	3,245,000.00	85,625,567.82	101,638,098.03	3,245,000.00	85,625,567.82	427,307.86	101,210,790.17	3,100,474,389.67	3.264
Piscataway	16,490,000.00	3,935,000.00	93,301,971.08	16,490,000.00	3,935,000.00	-	93,301,971.08	6,887,321,009.00	1.355
Plainsboro	16,461,971.11	-	42,677,179.00	16,461,971.11	-	1,652,877.46	41,024,301.54	4,296,008,401.00	0.955
Sayreville	40,305,000.00	22,408,985.35	44,853,599.00	40,305,000.00	22,408,985.35	-	44,853,599.00	4,580,657,499.33	0.979
South Amboy	7,480,000.00	-	20,783,736.85	7,480,000.00	-	-	20,783,736.85	851,086,261.33	2.442
South Brunswick	50,110,000.00	56,593,450.80	47,884,634.70	50,110,000.00	56,593,450.80	-	47,884,634.70	8,611,466,597.00	0.556
South Plainfield	4,460,000.00	610,523.00	20,748,177.71	4,460,000.00	259,523.00	23,194.67	21,075,983.04	3,742,541,483.67	0.563
South River	10,446,656.18	9,455,000.00	27,930,497.44	10,446,656.18	9,455,000.00	-	27,930,497.44	1,357,418,287.00	2.058
Spotswood	16,047,405.00	6,584,500.00	7,092,186.99	16,047,405.00	6,584,500.00	-	7,092,186.99	778,015,312.33	0.912
Woodbridge	<u>119,733,113.00</u>	<u>118,296,500.00</u>	<u>162,429,074.00</u>	<u>119,733,113.00</u>	<u>117,196,500.00</u>	<u>7,085,000.00</u>	<u>156,444,074.00</u>	<u>10,876,424,828.67</u>	1.438
Total:	\$722,572,869.39	\$534,573,520.28	\$1,600,676,916.88	\$722,572,869.39	\$529,122,760.70	\$518,727,828.66	\$1,087,399,847.80	\$102,956,734,465.01	

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:	<hr/>	<hr/>
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	<hr/> \$ 487,694,743	<hr/> \$ 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	<hr/> \$ 487,694,743	<hr/> \$ 469,920,000

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

	Audited <u>2015</u>	Audited <u>2016</u>	Audited <u>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>116,723,093</u>
Total Funds	<u>502,284,235</u>	<u>525,876,454</u>	<u>551,254,341</u>
EXPENDITURES AND TAX REQUIREMENTS:			
Total Expenditures and Tax Requirements	<u>460,041,404</u>	<u>471,775,265</u>	<u>487,208,056</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, 2017

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**COUNTY OF MIDDLESEX
NEW JERSEY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

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

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COUNTY OF MIDDLESEX, NEW JERSEY

PART I

INDEPENDENT AUDITOR'S REPORTS
AND
FINANCIAL STATEMENTS – REGULATORY BASIS

HODULIK & MORRISON, P.A.
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REGISTERED MUNICIPAL ACCOUNTANTS
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OBERT S. MORRISON, CPA, RMA, PSA

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

INDEPENDENT AUDITOR'S REPORT

Honorable 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, 2017 and 2016 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, 2017 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, 2017 and 2016, 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, 2017 and 2016 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, 2017, 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 25, 2018 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 25, 2018

HODULIK & MORRISON, P.A.
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NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

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, 2017, 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 25, 2018. 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 25, 2018

COUNTY OF MIDDLESEX, NEW JERSEY
FINANCIAL STATEMENTS – REGULATORY BASIS

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017 AND DECEMBER 31, 2016

	REF.	<i>As of December 31,</i>	
		2017	2016
<u>ASSETS</u>			
Regular Fund:			
Cash and Investments	A - 4	\$ 71,709,384	\$ 74,166,939
Cash - Change Fund	Reserve	600	600
Local Grants Receivable	A - 5	648,360	39,999
State and Federal Grants Receivable	A - 6	49,937,120	41,439,944
<i>Total Regular Fund Assets</i>		<u>122,295,464</u>	<u>115,647,482</u>
Receivables and Other Assets with Full Reserves:			
Inventory	A - 7	1,918,800	992,192
Added & Omitted Taxes Receivable	A - 8	194,352	140,178
Revenue Accounts Receivable	A - 9	1,454,596	214,969
<i>Total Receivables and Other Assets with Full Reserves</i>		<u>3,567,748</u>	<u>1,347,339</u>
Total Assets		<u>\$ 125,863,212</u>	<u>\$ 116,994,821</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3,A-10	\$ 6,354,429	\$ 13,559,427
Reserve for Encumbrances	A - 11	10,639,108	9,243,660
Accounts Payable	A - 12	1,912,964	3,437,539
Payroll Deductions	A - 13	1,713,412	1,372,004
Unappropriated Reserves	A - 15	1,211	164,623
Reserve for Local Grants:			
Appropriated	A - 14	1,951,041	1,336,289
Unappropriated	A - 18	1,760,134	1,003,900
Reserve for Federal & State Grants:			
Appropriated	A - 16	33,599,612	30,936,134
Unappropriated	A - 17	317,268	492,717
<i>Total Liabilities and Reserve for Grants</i>		<u>58,249,179</u>	<u>61,546,293</u>
Reserve for Receivables	Reserve	3,567,748	1,347,339
Fund Balance	A - 1	64,046,285	54,101,189
Total Liabilities, Reserves and Fund Balance		<u>\$ 125,863,212</u>	<u>\$ 116,994,821</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, 2017 AND DECEMBER 31, 2016

	REF.	<i>For the year ended December 31,</i>	
		2017	2016
Revenues:			
Miscellaneous Revenue Anticipated	A - 2	\$ 110,593,790	\$ 106,662,312
Receipts from Current Taxes	A - 2	380,430,059	368,963,000
Receipts from Added and Omitted Taxes	A - 2	2,769,203	2,420,468
Miscellaneous Revenues Not Anticipated	A - 2	2,080,344	4,565,631
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A - 10	1,049,729	998,006
Accounts Payable Cancelled	A - 12	223,513	3,552
Local Grants Appropriated - Cancellations (Net)	A - 14	-	20,654
Federal & State Grants Appropriated - Cancellations (Net)	A - 16	6,014	-
Federal & State Grants Unappropriated - Cancellations (Net)	A - 17	500	-
<i>Total Income</i>		<u>497,153,152</u>	<u>483,633,623</u>
Expenditures:			
Budget Appropriations:			
Salaries and Wages	A - 3	121,069,454	115,924,363
Other Expenses	A - 3	222,442,217	213,232,610
Public and Private Programs	A - 3	41,410,511	44,669,243
Debt Service	A - 3	61,386,693	67,171,813
Capital Improvements	A - 3	13,806,109	4,100,000
Deferred Charges and Statutory Expenditures	A - 3	27,093,072	26,613,807
Other Debits to Income:			
Federal & State Grants Receivable - Cancellations (Net)	A - 6	-	63,429
<i>Total Expenditures</i>		<u>487,208,056</u>	<u>471,775,265</u>
<i>Excess in Revenue</i>		9,945,096	11,858,358
Fund Balance, January 1	A	<u>54,101,189</u>	<u>42,242,831</u>
Fund Balance, December 31	A	<u>\$ 64,046,285</u>	<u>\$ 54,101,189</u>

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT A-2
PAGE 1 OF 7

<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REVENUES CANCELLED</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Miscellaneous Revenues:					
Local Revenues:					
County Clerk	\$ 9,728,628			\$ 10,413,016	\$ 684,388
Surrogate	1,125,021			1,106,098	(18,923)
Sheriff	2,453,535			3,119,907	666,372
Fines	306,331			525,650	219,319
Interest on Invests. and Deposits	471,471			1,052,341	580,870
Mental Health Clinics:					
Other Revenue	2,688,432			2,902,541	214,109
Adult Correction Facility - Work Release Fees	480			90	(390)
Adult Correction Facility Inmate Medical Co-Pay	10,075			8,584	(1,491)
Adult Correction Facility Inmate Processing Fees	259,432			213,877	(45,555)
Adult Correction Facility SSA Inmate Finders Fee	34,000			26,607	(7,393)
Archives and Records Management Service Fees	49,393			50,043	650
Bail Bond Forfeitures	342,201			559,566	217,365
County Auction	183,091			216,034	32,943
Custody Charges - State Inmates in County Institutions	47,380			80,922	33,542
Discovery Fees and Reproduction Costs	19,703			21,012	1,309
Fire Academy Fees	280,123			322,800	42,677
MCI/A Skating Rink	106,447			100,108	(6,339)
Microfilm and Printing Fees	47,854			34,527	(13,327)
Municipal School District Share of Election Expense	94,225			914,508	820,283
N. J. Department of Education-Child Nutrition Program	7,888			131,799	123,911
Parks Department - Fees and Permits	399,150			409,348	10,198
Plays in the Park Admissions	177,064			220,951	43,887
Property Rentals	374,210			415,145	40,935
Road Opening Fees	134,022			160,866	26,844
Sale of Plans and Specifications	12,842			14,520	1,678
Subdivision and Site Plan Review Fees	391,876			419,887	28,011
State Aid:					
County College Bonds (N.J.S.A. 18:64A-22.6)	1,827,859			1,697,821	(130,038)
State Assumption of Costs:					
Social and Welfare Services (C. 66, P.L. 1990):					
Supplemental Social Security Income	1,184,062			1,170,852	(13,210)
Federal and State Revenues Offset with Appropriations:					
Workforce - DHS	\$ 7,001,588			7,001,588	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

REF.	ADOPTED BUDGET	SPECIAL N.J.S.40A:4-87	REVENUES CANCELLED	REALIZED	EXCESS (DEFICIT)
U.S. Department of Health and Human Services:					
A-6	3,063,025	1,543,878		4,606,903	
A-6		129,350		129,350	
A-6		32,000		32,000	
A-6	233,252			233,252	
U.S. Department of Health and Human Services Direct Program:					
A-6		2,841,355		2,841,355	
U.S. Department of Housing and Urban Development:					
A-6		94,681		94,681	
A-6		45,940		45,940	
A-6		59,090		59,090	
A-6		702,317		702,317	
U.S. Department of Transportation:					
A-6		182,571		182,571	
A-6	170,000	5,351,100		5,351,100	
A-6				170,000	
U.S. Department of Justice:					
Pass-through State Department of Law and Public Safety					
Division of Criminal Justice:					
A-6		291,692		291,692	
A-6		18,256		18,256	
A-6		6,446		6,446	
A-6		15,444		15,444	
A-6		250,000		250,000	
A-6		87,323		87,323	
A-6		152,217		152,217	
A-6		87,755		87,755	
Division of Highway and Traffic Safety:					
A-6		97,500		97,500	
Comprehensive Traffic Safety					
Juvenile Justice Commission:					
A-6	249,823			249,823	
A-6	124,000			124,000	
A-6	453,049			453,049	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REVENUES CANCELLED</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
U.S. Department of Justice (continued):						
Pass-through State Department of Law and Public Safety (continued):						
Division of State Police:						
Advanced HazMat Training	A-6		79,977		79,977	
Sexual Assault Advocacy	A-6		35,623		35,623	
Office of Homeland Security:						
Homeland Security Grant	A-6		441,254		441,254	
Urban Areas Security Initiative	A-6		530,000		530,000	
N.J. Department of Environmental Protection:						
Clean Communities Program	A-6		98,527		98,527	
Environmental Health Act	A-6	351,262			351,262	
Recycling Enhancement Act - Interest	A-6	6,236			6,236	
Section 604B Water Quality Management	A-6		100,000		100,000	
N.J. Department of Children and Family Services						
Division of Youth and Family Service	A-6	47,550			47,550	
Youth Incentive Program	A-6	317,261			317,261	
Human Services Council						
N.J. Department of Health & Senior Services:						
Breast & Cervical Cancer Education & Early Detection	A-6		749,527		749,527	
DYFS - Area Wide Transportation Grant	A-6	185,382			185,382	
DYFS - Services to the Homeless	A-6		345,538		345,538	
DYFS - Community-Based Program - JINS	A-6	469,937			469,937	
GO Program - Global Options	A-6	95,000			95,000	
JACC Program	A-6	62,000			62,000	
Respite Program - Home Care Services	A-6	387,164			387,164	
Preparedness & Response for Bioterrorism	A-6		306,238		306,238	
Special Child Early Intervention	A-6		202,529		202,529	
Tuberculosis Program - State	A-6		219,121		219,121	
Tuberculosis Program - Federal	A-6				189,845	
Worker and Community Right-to-Know Act	A-6	189,845			189,845	
Personal Attendant Demonstration Project	A-6	78,000			78,000	
Comprehensive Cancer Control	A-6		29,950		29,950	
N.J. Department of Education:						
North Brunswick - Title I Funds Compensatory Education	A-6	204,187			204,187	
Juvenile Education	A-6	299,250			299,250	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REVENUES CANCELLED</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
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. Department of Transportation: Bridge 5-B-131	A-6		1,000,000		1,000,000	
Culvert 2-C-504	A-6		1,000,000		1,000,000	
Bridge 2-B-157	A-6		1,000,000		1,000,000	
Bridge 2-B-160	A-6		1,000,000		1,000,000	
Bridge 2-B-81	A-6		1,000,000		1,000,000	
N.J. Transit Corporation: Senior Citizens & Disabled Res. Transportation Ass. FTA - Section 5310	A-6 A-6	1,253,851 280,000			1,253,851 280,000	
N.J. Council on the Arts: Folk Art Program	A-6		17,353		17,353	
Local Arts Program - Service to Field	A-6	173,696			173,696	
N.J. Historical Commission Service	A-6	148,820			148,820	
East Jersey Cottage Research	A-6		13,800		13,800	
Local Revenues Offset with Appropriations: Miscellaneous:						
NJ Trans. Planning Auth. Internship Program	A-5	15,000	15,000		30,000	
Fares, Donation & Adv. Transportation	A-5	60,000	162,000		222,000	
Interlocal Service Trans. Sayreville	A-5	232,097			232,097	
Interlocal Service Trans. Woodbridge	A-5		311,588		311,588	
Johnson & Johnson, New Brunswick	A-5	35,000			35,000	
MC Nutrition Client Fee	A-5	50,000	180,000		230,000	
MCMAP Client Cost Share	A-5	8,000	10,000		18,000	
MCUA - Solid Waste Mgmt Svcs.	A-5	271,300			271,300	
MCUA - Solid Waste Contract	A-5	434,969			434,969	
Medicare Reimbursement Flu	A-5	41,000	2,581		43,581	
RESPIRE Cost Share Program	A-5	4,000	27,000		31,000	
S. Plainfield & Edison Traffic Sign Project	A-5		547,414		547,414	
Miscellaneous Revenues:						
Open Space Trust Fund	A-9	12,964,217			12,964,217	
Lease Purchase BSS Building	A-9	1,683,450			1,683,450	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT A-2
PAGE 5 OF 7

REF.	ADOPTED BUDGET	SPECIAL N.J.S.40A:4-87	REVENUES CANCELLED	REALIZED	EXCESS (DEFICIT)
Other Special Items:					
A-9	394,698			489,522	94,824
A-9	2,439,151			2,402,556	(36,595)
A-9	169,089			169,089	
A-9	107,971			116,049	8,078
A-8	140,178				(140,178)
A-9	2,282,024			2,442,559	160,535
A-9	1,704,999			2,168,071	463,072
A-9	883,945			869,077	(14,868)
A-9	3,000,000			3,000,000	
A-9	1,627,191			1,394,443	(232,748)
A-9	1,059,337			1,059,337	
A-9	109,277			49,339	(59,938)
A-9	190,154			53,158	(136,996)
A-9	120,000			165,208	45,208
A-9	14,495			12,750	(1,745)
A-9	273,591			313,226	39,635
A-9	2,216,032			2,240,696	24,664
A-9	20,000			20,000	
A-9	171,093			200,245	29,152
A-9	70,000			70,000	
A-9	3,502,947			3,502,947	
A-9	789,640			18,566	(771,074)
A-9	1,643,603			1,727,125	83,522
A-9	2,300,004			2,108,334	(191,670)
A-9	1,038,294			1,038,294	
A-9	65,000			64,999	(1)
Other Special Items (continued):					
A-9	41,000			41,294	294
A-9	201,921			202,105	184
A-9	208,493			208,493	
A-9	1,200,000			1,600,000	400,000
A-9	1,400,000			1,400,000	
A-9	204,135			204,135	
A-9	304,081			313,994	9,913
A-9	604,744			607,957	3,213
A-15	163,436			163,436	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT A-2
PAGE 6 OF 7

REF.	ADOPTED BUDGET	SPECIAL N.J.S.40A:4-87	REVENUES CANCELLED	REALIZED	EXCESS (DEFICIT)
A-1	78,058,941	29,205,743	-	110,593,790	3,329,106
A-1,A-8	<u>380,430,059</u>			<u>380,430,059</u>	
Budget Totals	458,489,000	29,205,743	-	491,023,849	3,329,106
Non-Budget Revenue:					
Added and Omitted Taxes				2,769,203	2,769,203
Miscellaneous Revenue Not Anticipated				<u>2,080,844</u>	<u>2,080,844</u>
Total Revenue	<u>\$ 458,489,000</u>	<u>\$ 29,205,743</u>	<u>\$ -</u>	<u>\$ 495,873,896</u>	<u>\$ 8,179,153</u>
REF.	A-3	A-3	A-3	A-1	
Non-Budget Revenue:					
Miscellaneous Revenue Not Anticipated:					
Other Fees:				\$	
Garnishees				2,553	
Autopsy Reports				15,030	
Sheriff's Car Storage				400	
Fire District for Election Board				3,235	
Appeal Fees				1,100	
Community Labor Fees - Adult Correction				5,511	
Ranger User Fees				805	
Pilot				252,711	
Green Acres Farm Lease				4,390	
MCIA Rollerblade Rink				3,291	
Vending Machines				8,720	
Office on Aging				38,000	
Health & Inspection Fees				37,360	
Plan Performance Guarantee Retirement Fees				5,000	
Pipeline Installation Fee				90,000	

COUNTY OF MIDDLESEX, NEW JERSEY
 CURRENT FUND
 STATEMENT OF REVENUES-REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2017

REF.	ADOPTED BUDGET	SPECIAL N.J.S. 40A:4-87	REVENUES CANCELLED	REALIZED	EXCESS (DEFICIT)
Reimbursements:					
Prosecutor's & State Prison Reimbursements				6,742	
Insurance Refunds				1,070	
Salary Returns				1,923	
Road Opening Fees				134,664	
M. Health Administrator				141,318	
Return Check Charges				300	
Federal Tax Refund				580	
Copies				499	
Utility Tech Comm. On Verizon Refund				516	
Prudential Dividend				1,764	
FEMA - Hurricane Sandy				1,027,193	
Municipal Agreements for Road Paving				51,722	
Shared Services:					
NJBHA New Brunswick Bus Transportation				128,958	
Various Settlements:					
Nationwide Settlement				49	
Other Misc. Revenue not Anticipated:					
Extension Service - Solar Panels Revenue				4,688	
Prior Year Voids				15,032	
Lost Cards/Pagers				1,104	
TD Wealth - Close Out Account				20,055	
Previous Years Grants Write-off				30,842	
Scrap Brass Shell Casings				32,828	
Other Misc. Receipts				10,391	
Miscellaneous Revenues Not Anticipated					
				\$ 2,080,344	

A-1, A-4

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED 2017		RESERVED	CANCELLED
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED		
GENERAL GOVERNMENT						
ADMINISTRATION AND EXECUTIVE:						
Board of Chosen Freeholders:						
Salaries and Wages	\$ 151,000	\$ 149,207	\$ 149,207	\$ 87	\$ 179	
Other Expenses	18,560	18,260	17,994			
County Administrator:						
Salaries and Wages	344,000	341,632	341,631		1	
Other Expenses	1,253,205	1,024,550	907,504	99,689	17,357	
Office of the Communication:						
Salaries and Wages	258,000	262,317	262,316		1	
Other Expenses	536,300	382,400	311,660	68,284	2,456	
Secretarial Help:						
Salaries and Wages	117,000	130,146	130,146			
Advertising	2,000	1,200	1,086	50	64	
Audit	110,000	110,000			110,000	
Enterprise Software Applications						
Salaries and Wages	539,000	510,583	510,583		21,084	
Other Expenses	2,041,122	1,936,122	1,406,432	508,606		
Information Technology:						
Salaries and Wages	796,000	898,729	898,728		1	
Other Expenses	2,648,382	2,489,482	1,809,587	643,860	36,035	
Department of Real Estate:						
Salaries and Wages	212,000	211,860	211,860			
Other Expenses	5,741,055	5,775,055	5,774,257		798	
Department of Insurance:						
Salaries and Wages	99,000	45,106	45,106			
Other Expenses						
Department of Finance:						
Salaries and Wages	388,000	392,961	392,961			
County Comptroller's Office:						
Salaries and Wages	1,005,000	960,210	960,210			
Other Expenses	112,647	71,022	43,928	26,205	889	
County Treasurer's Office:						
Salaries and Wages	245,000	244,979	244,978		1	
Other Expenses	4,910	2,910	825	752	1,333	
Legal Department:						
County Counsel:						
Salaries and Wages	1,045,000	1,032,278	1,032,278		1	
Other Expenses	232,200	229,200	221,205	7,685	310	
County Adjuster's Office:						
Salaries and Wages	424,000	411,552	411,446		106	
Other Expenses	47,825	46,311	41,384	3,781	1,146	
Clerk of the Board:						
Salaries and Wages	163,000	162,139	162,139			
Other Expenses	21,225	9,830	7,306	2,124	400	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED 2017		RESERVED	CANCELLED
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED		
GENERAL GOVERNMENT						
ADMINISTRATION AND EXECUTIVE (continued):						
Personnel Department:						
Salaries and Wages	641,000	623,649	623,648		1	
Other Expenses	112,024	108,904	93,526	12,117	3,261	
County Clerk:						
Salaries and Wages	1,515,000	1,515,000	1,467,236	3,852	47,764	
Other Expenses	49,440	48,440	41,977		2,611	
Prosecutor's Office:						
Salaries and Wages	17,383,000	17,383,000	17,148,297	128,307	234,703	
Other Expenses	880,289	798,832	461,246		209,279	
Purchasing Department:						
Salaries and Wages	781,000	734,898	734,897	1,583	1,608	
Other Expenses	17,135	17,135	13,944			
Building & Grounds:						
Salaries and Wages	2,005,000	2,050,671	2,049,837		834	
Other Expenses	3,643,606	3,703,606	3,641,768	50,894	10,944	
Central Vehicle Maintenance and Repair:						
Salaries and Wages	1,528,000	1,669,563	1,669,562	72,767	1	
Other Expenses	309,700	436,700	363,401		532	
Office of Economic Development:						
Salaries and Wages	410,000	417,504	417,504			
Other Expenses	5,025,740	4,908,358	3,780,378	1,127,980		
Economic Commissioner:						
Other Expenses	9,800	9,800	9,800			
Central Mail, and Reproduction:						
Salaries and Wages	645,000	665,220	646,353		18,867	
Other Expenses	433,930	432,530	410,698	20,510	1,322	
Div. Of Archives & Record Mgt.:						
Salaries and Wages	436,000	414,916	414,915	12,324	1	
Other Expenses	38,856	31,060	12,408		6,328	
Insurance:						
Group Insurance Plan for Employees	60,175,945	62,535,945	62,530,422		5,523	
Worker's Compensation	1,500,000	2,365,000	2,365,000			
Surety Bond Premiums	13,000	13,000	7,675		5,325	
Other Insurance Premiums	2,400,000	3,274,000	3,274,000			
Temporary Disability Insurance	150,000	152,500	152,043		457	
State Unemployment Insurance		-				
TOTAL GENERAL GOVERNMENT	118,658,876	122,160,273	118,627,292	2,791,457	741,524	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED 2017		RESERVED	CANCELLED
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED		
JUDICIARY						
County Surrogate:						
Salaries and Wages	706,000	706,000	582,990		123,010	
Other Expenses	9,673	9,673	6,230	1,070	2,373	
Psychiatric and Legal Counsel Fees for Involuntary Civil Commitments (Admin. Office of the Court Rules 4:74-7):						
Salaries and Wages		102,000	80,270	730	21,000	
Other Expenses		817,673	669,490	1,800	146,383	
TOTAL JUDICIARY	85,000	102,000	80,270	730	21,000	-
	800,673	817,673	669,490	1,800	146,383	-
UTILITIES & BULK PURCHASES						
Utilities	4,967,000	6,108,353	6,101,637	2,786	3,930	
Central Inventory Control	1,700,000	1,975,000	1,854,465		120,535	
TOTAL UTILITIES & BULK PURCHASES	6,667,000	8,083,353	7,956,102	2,786	124,465	-
REGULATION						
Sheriff's Office:						
Salaries and Wages	19,528,000	19,528,000	18,751,359		776,641	
Other Expenses	458,307	445,510	239,967	134,970	70,573	
Weights and Measures Department:						
Salaries and Wages	217,000	208,901	199,587	522	9,314	
Other Expenses	8,741	5,741	5,189		30	
Board of Taxation:						
Salaries and Wages	266,000	266,000	223,439		42,561	
Other Expenses	10,860	10,860	9,923	795	142	
County Medical Examiner:						
Salaries and Wages	2,574,000	2,335,545	2,335,472		73	
Other Expenses	838,823	904,173	741,187	125,060	37,926	
Board of Elections:						
Salaries and Wages	1,522,000	1,595,571	1,595,570		1	
Other Expenses	1,602,900	1,667,900	1,607,420	55,859	4,621	
Elections (County Clerk)						
Salaries and Wages	276,000	276,000	228,930		47,070	
Other Expenses	844,700	837,200	828,069	2,138	6,993	
Office of Emergency Management:						
Salaries and Wages	156,000	184,772	182,606		2,166	
Other Expenses	58,525	53,978	40,051	11,774	2,153	
County Planning Board (R.S. 40:27-3)						
Salaries and Wages	1,493,000	1,548,981	1,548,981		3,371	
Other Expenses	36,950	25,870	19,225	3,274		
Construction Board of Appeals						
Other Expenses	3,500	3,500	95		3,405	
TOTAL REGULATION	29,895,306	29,898,502	28,557,070	334,392	1,007,040	-

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED 2017		RESERVED	CANCELLED
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED		
ROADS AND BRIDGES						
Highways and Bridges:						
Salaries and Wages	4,982,000	5,014,997	4,954,069		60,928	
Other Expenses	657,924	315,734	205,823	76,216	33,695	
Engineering Department:						
Salaries and Wages	1,729,000	1,829,216	1,828,672		544	
Other Expenses	138,559	116,970	112,158	1,681	3,131	
TOTAL ROADS AND BRIDGES	7,507,483	7,276,917	7,100,722	77,897	98,298	-
CORRECTIONAL AND PENAL						
Adult Correction and Facility:						
Salaries and Wages	25,599,436	25,619,220	25,475,070	133,820	10,330	
Other Expenses	9,900,000	9,746,700	6,200,326	628,909	2,917,465	
Juvenile Detention Center:						
Salaries and Wages	6,239,000	5,785,194	5,783,913	93,413	1,281	
Other Expenses	793,834	662,334	512,678		56,243	
Office of Consumer Affairs						
Salaries and Wages	333,000	329,696	329,065		631	
Other Expenses	1,515	1,260	1,031	208	21	
TOTAL CORRECTIONAL AND PENAL	42,866,785	42,144,404	38,302,083	856,350	2,985,971	-
HEALTH AND WELFARE						
Dept. of Public Safety & Health:						
Salaries and Wages	389,000	341,778	341,727		51	
Other Expenses	13,650	2,815	1,907		908	
Public Health Service - Interlocal Agreement:						
Salaries and Wages	2,757,000	2,803,750	2,735,260	55,820	68,490	
Other Expenses	672,757	141,757	74,787		11,150	
Environmental Health Act (CH. 443, P.L. 1977):						
Salaries and Wages	280,000	262,016	261,857		159	
Other Expenses	30,000	25,000	21,356		3,644	
Specialty Challenged Children						
Salaries and Wages	913,000	826,434	826,434			
Environmental Health						
Salaries and Wages	837,000	471,638	466,274	21,236	5,364	
Other Expenses	63,756	45,888	22,291		2,361	
Dept. of Community Services						
Salaries and Wages	211,000	207,088	207,087	10,037	1	
Other Expenses	12,550	12,550	1,368		1,145	
HS - County Wide Referral System						
Haz Mat Division						
Salaries and Wages	975,000	929,803	891,968	30,474	37,835	
Other Expenses	89,000	113,000	81,596		930	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED 2017		
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED
HEALTH AND WELFARE (continued):					
Raritan Bay Mental Health Clinic (N.J.S.A. 40:5-2.9):					
Salaries and Wages	4,832,000	4,662,682	4,554,960		107,722
Other Expenses	565,755	308,048	245,992	32,008	30,048
Raritan Bay Mental Health Center - Partial Care Program	288,850	248,070	146,921	97,541	3,608
Alcohol Services					
Other Expenses	185,611	186,611	186,131	147	333
Roosevelt Care Center:					
Other Expenses	10,500,000	10,500,000	10,334,805		165,195
Mental Health Administrator:					
Other Expenses	620,200	620,200	410,476	209,121	603
Social Hygiene Clinic:					
Other Expenses	13,610	13,610	6,796	5,356	1,458
Board of Social Services:					
Administration	14,070,344	14,070,344	14,070,344		
Services	776,132	776,132	776,132		
Assistance to Supplemental Security Income Recipients	1,184,062	1,184,062	1,184,062		
Temporary Assistance for Needy Families	221,403	221,403	221,403		
War Veterans Burial and Grave Decorations:					
Other Expenses	42,000	42,000	41,670		330
MC Mid School After School	50,000	12,500		12,500	
Department of Human Services:					
Salaries and Wages	1,156,000	810,637	810,637		
Other Expenses	171,152	169,152	139,696	27,278	2,178
Home Care for the Elderly (N.J.S.A. 30:4D-3)					
Salaries and Wages	57,000	117,250	117,249		1
Other Expenses	1,308,760	1,308,760	1,072,162	193,652	42,946
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	2,500,000	2,500,000		
Maintenance of Patients in State Institutions for Mental Diseases					
Local Share	7,648,815	7,354,663	7,354,663		
MC Indigent Res. - Other County	700,000	600,000	111,694		488,306
Bus Service - Board of Social Services Clients - Contractual					
Salaries and Wages	172,000	160,646	160,645		1
Other Expenses	23,852	23,852	23,852		
Aid to Various Agencies	939,879	939,879	744,021	195,858	
TOTAL HEALTH AND WELFARE	55,271,138	53,014,018	51,148,223	891,028	974,767
					CANCELLED

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED 2017		RESERVED	CANCELLED
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED		
EDUCATION						
Office of County Superintendent of Schools:						
Salaries and Wages	327,000	326,136	326,135		1	
Other Expenses	12,380	7,880	3,074		1,431	
Vocational School	25,704,048	25,704,048	25,704,048	3,375		
County Extension Services - Farm and Home Demonstrations:						
Salaries and Wages	506,000	501,826	494,019		7,807	
Other Expenses	31,350	17,454	13,835	2,717	902	
Middlesex County College	16,014,662	16,014,662	16,014,662			
Reimbursement for Residents Attending Out-Of-County, Two-Year Colleges (N.J.S.A. 18A:64A-23)	190,000	170,000	163,777		6,223	
Reimbursement for Residents Attending Out-Of-County, Vocational Schools (N.J.S.A. 18A:64A-23.4)	1,000					
Middlesex County Heritage Commission (N.J.S.A. 40:33A-6)						
Salaries and Wages	429,000	388,605	388,604		1	
Other Expenses	124,450	124,450	72,095	51,740	615	
Fire Inspection Bureau:						
Salaries and Wages	171,000	157,605	157,605		75	
Other Expenses	3,100	700	625			
Fire Training Academy:						
Salaries and Wages	996,000	1,199,048	1,156,548		42,500	
Other Expenses	543,790	440,626	371,095	69,513	18	
East Jersey Olde Towns:						
Salaries and Wages	397,000	457,314	456,761		553	
Other Expenses	98,885	94,885	74,676	19,977	232	
TOTAL EDUCATION	45,549,665	45,605,239	45,397,559	147,322	60,358	-
RECREATION						
Infrastructure Management						
Salaries and Wages	341,000	333,328	333,328			
Other Expenses	50,178	37,721	35,325	61	2,335	
County Parks Department:						
Salaries and Wages	6,393,000	5,909,781	5,862,523		47,258	
Other Expenses	740,334	645,334	467,685	177,116	533	
TOTAL RECREATION	7,524,512	6,926,164	6,698,861	177,177	50,126	-

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED 2017		CANCELLED
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	
UNCLASSIFIED					
Solid Waste Management					
Salaries and Wages	6,720	3,880	2,464		1,416
Other Expenses	160,000	130,721	120,576		9,000
Garbage and Trash Removal (Contractual)	302,797	5,000	5,000	1,145	
Matching Fund for Grants	300,000	300,000	300,000		
Supplemental Compensation at Retirement	53,000	53,000	53,000		
Life Support Program - New Brunswick - Contractual	363,850	363,850	317,596	39,986	6,268
Intoxicated Driver Resource Center Fees	80,000	115,000	114,202		798
Employee Child Care	1,547,369	1,547,369	1,535,630		
Civic Square III Lease / Purchase	3,423,457	3,423,457	3,163,384		
Civic Square II Lease / Purchase	790,926	790,926	790,926		
M.C. Improvement Authority - Capital Lease Purchase	12,964,217	12,964,217	12,964,217		
Open Space Trust Bonds					11,739
Dept. of Transportation:					260,073
Salaries and Wages	230,000	166,311	166,310		1
City-Wide Equip. Veh. Hard and Software	1,400,000	400,000	323,150	76,850	
Salary & Wage Adjustment	3,679,564	3,579,564	3,579,564		
Civic Square IV Lease / Purchase	3,044,275	3,044,275	3,042,275		2,000
TOTAL UNCLASSIFIED	28,346,175	26,887,570	26,478,294	117,981	17,483

PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES

U.S. Dept. of Labor:					
Work Force Investment Act		7,001,588	7,001,588		
U.S. Dept. of Justice:					
Pass-through N.J. Dept. of Public Safety					
Division of Criminal Justice:					
Body Armor Program - Sheriff	15,444	15,444	15,444		
Body Armor Replacement Program - Corrections	18,256	18,256	18,256		
Body Armor Replacement Program - Prosecutors	6,446	6,446	6,446		
Multi-Jurisdictional Task Force (RJAG-1-12-IT-09C)	87,323	87,323	87,323		
National Children's Alliance	2,000	2,000	2,000		
SARTISANE Project	87,755	87,755	87,755		
Stop Violence Grant	35,623	35,623	35,623		
U.S. Dept. of Homeland Security & Preparedness:					
Homeland Security Grant	441,254	441,254	441,254		
Urban Areas Security Initiative	530,000	530,000	530,000		
U.S. Dept. of Housing & Urban Development:					
Leasing Program I & II	702,317	702,317	702,317		
Rapid Re-Housing Program	45,940	45,940	45,940		
Continuum of Care Program	59,090	59,090	59,090		
Middlesex County HMIS	94,681	94,681	94,681		

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED 2017		
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES (continued):					
U.S. Dept. of Health and Human Services:					
Senior Meals of Middlesex County	1,685,092	2,457,503	2,457,503		
Area Plan Grant for Program on Aging - Title III	2,344,870	3,116,337	3,116,337		
Rape Crisis Intervention		291,692	189,845		
Tuberculosis Program	189,845	189,845	189,845		
MC Area Wide S.H.I.P. Grant		32,000	32,000		
PH-Preparation & Response - Bioterror		306,238	306,238		
U.S. Dept. of Health and Human Services Direct Program:					
HIV Emergency Relief Program		2,841,355	2,841,355		
U.S. Dept. of Transportation:					
Pass-through N.J. Dept. of Law and Public Safety:					
MC Comprehensive Traffic Safety		97,500	97,500		
Insurance Fraud Reimbursement Program		250,000	250,000		
Job Access Reverse Commute	170,000	170,000	170,000		
Subregional Transportation Planning		182,571	182,571		
2015 Capital Transportation Program		5,351,100	5,351,100		
FTA - Section 5310	280,000	280,000	280,000		
Advanced HazMat Training		79,977	79,977		
U.S. Dept. of Education:					
MC Youth Services Title I	204,187	204,187	204,187		
N.J. Dept. of Law and Public Safety:					
Juvenile Justice Commission:					
Juv. Justice Detention Education	506,250	506,250	506,250		
State/Community Partnership Grant Program	453,049	453,049	453,049		
Family Court Service	249,823	249,823	249,823		
Juvenile Detention Alternative (JDAI)	124,000	124,000	124,000		
N.J. Department of Environmental Protection:					
Clean Communities Program		98,527	98,527		
Recycling Enhancement Act - Interest	6,236	6,236	6,236		
Environmental Health Act	649,059	649,059	649,059		
Water Management (WPM)		100,000	100,000		
N.J. Department of Health & Senior Services:					
Comprehensive Cancer Control		29,950	29,950		
Childhood Lead Poisoning Prevention		129,350	129,350		
NJ Children's Alliance CAC's		150,217	150,217		
Area Wide Transportation Grant	900,059	900,059	900,059		
DYFS - Services to the Homeless		345,538	345,538		
Public Health Priority Funding	233,252	233,252	233,252		
DYFS - Home Care Services - Respite Program	387,164	387,164	387,164		
Global Options - GO Program	95,000	95,000	95,000		
Worker and Community Right to Know Act		18,119	18,119		
Breast & Cervical Cancer Education & Early Detection		749,527	749,527		
DYFS - Maintenance of Children in Institutions - JINS	469,937	469,937	469,937		
Youth Incentive Program	47,550	47,550	47,550		
Human Services Council	333,161	333,161	333,161		

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED 2017			CANCELLED
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES (continued):						
N.J. Department of Health & Senior Services (continued):						
Special Child Health Services - Early Intervention		202,529	202,529			
Tuberculosis Control Program		219,121	219,121			
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						
Bridge ~ 5-B-131		1,000,000	1,000,000			
Bridge ~ 2-B-157		1,000,000	1,000,000			
Culvert ~ 2-C-504		1,000,000	1,000,000			
Bridge ~ 2-B-160		1,000,000	1,000,000			
Bridge ~ 2-B-81		1,000,000	1,000,000			
N.J. Transit:						
Senior Citizens & Disabled Res.	1,253,852	1,253,852	1,253,852			
N.J. Council on the Arts:						
Local Arts Program	173,696	173,696	173,696			
Folk Art Program	17,353	17,353	17,353			
NJ Historical Commission	157,320	157,320	157,320			
N.J. Historic Trust:						
NJDS- NJ Historical Comm Services		13,800	13,800			
N.J. Department of Defense:						
Transport Disabled Veterans		22,000	22,000			
Local Revenue Miscellaneous:						
Johnson & Johnson, New Brunswick	35,000	35,000	35,000			
Medicare Reimbursement Flu Vaccine Grant		2,581	2,581			
SSP Internship Program	15,000	30,000	30,000			
Fares, Donation & Adv. Transportation	60,000	222,000	222,000			
MCIA - Paint Recycling Program	271,300	271,300	271,300			
Interstate Rt 516 & Owens Road, O.B.	41,000	41,000	41,000			
Middlesex City Multi-Assist Cost Share Program	8,000	18,000	18,000			
Respite Cost Share Program	4,000	31,000	31,000			
MCUA - Environmental Health	434,969	434,969	434,969			
MC Nutrition Client Fee	50,000	230,000	230,000			
Interlocal Service Trans. Sayreville	232,097	232,097	232,097			
Interlocal Service Trans. Woodbridge		311,588	311,588			
Township of S. Plainfield & Edison Traff Sign Proj.		547,414	547,414			
TOTAL PUBLIC AND PRIVATE PROG. OFFSET BY REVENUES	12,204,768	41,410,511	41,410,511	-	-	273,812

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED 2017			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
Total Operations	355,292,381	384,224,624	372,346,207	5,398,190	6,206,415	273,812
Contingent	971,370	971,370	686,476	140,828	144,066	
Total Operations including Contingent	356,263,751	385,195,994	373,032,683	5,539,018	6,350,481	273,812
Detail:						
Salaries & Wages	122,799,000	121,069,454	119,241,056	133,820	1,694,578	-
Other Expenses (Including Contingent)	233,464,751	264,126,540	253,791,627	5,405,198	4,655,903	273,812
CAPITAL IMPROVEMENTS						
Capital Improvement Fund	13,556,109	13,806,109	13,806,109			
TOTAL CAPITAL IMPROVEMENTS	13,556,109	13,806,109	13,806,109			
COUNTY DEBT SERVICE						
Payment of Bond Principal:						
County College Bonds	3,390,000	3,390,000	3,390,000			
State Aid-County College Bonds (N.J.S. 18A:64A-22.6)	1,400,000	1,400,000	1,400,000			
Vocational School Bonds	4,680,000	4,680,000	4,680,000			
Other Bonds	32,535,000	32,535,000	32,535,000			
MCIA Bond Principal	8,028,333	8,028,333	8,028,333			
Payment of Refunding Notes Principal:						
Interest on Bonds:						
County College Bonds	843,681	843,681	843,681			
State Aid-County College Bonds (N.J.S. 18A:64A-22.6)	427,860	427,860	427,860			
Vocational School Bonds	749,017	749,017	749,017			
Other Bonds	8,011,076	8,011,076	7,798,201			212,875
MCIA Bond Interest	791,552	791,552	791,552			
Interest on Notes	678,112	678,112	678,112			
Green Trust Loan Program:						
Loan Repayment for Principal and Interest	64,937	64,937	64,937			
TOTAL COUNTY DEBT SERVICE	61,599,568	61,599,568	61,386,693			212,875

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED 2017			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
STATUTORY EXPENDITURES						
Contributions To:						
Defined Contribution Retirement Plan	25,722	45,722	44,900		822	
Public Employees' Retirement System	9,090,227	9,090,227	9,090,227			
Social Security System (O.A.S.I.)	9,450,000	9,453,500	9,450,374		3,126	
Police and Firemen's Retirement System	8,503,623	8,503,623	8,503,623			
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	27,069,572	27,093,072	27,089,124		3,948	
TOTAL GENERAL APPROPRIATIONS	\$ 458,489,000	\$ 487,694,743	\$ 475,314,609	\$ 5,539,018	\$ 6,354,429	\$ 486,687

REF. A-2 A-1 A-1, A-11 A, A-1

Budget

Budget	\$ 458,489,000	\$ 458,489,000
Added By 40A-4-87		29,205,743
		487,694,743

Cash Transferred to:

Reserve for Federal and State Grants Appropriated	\$ 433,899,098
Reserve for Local Grants Appropriated	39,008,562
	<u>2,406,949</u>
	\$ 475,314,609

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
TRUST FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2017 AND DECEMBER 31, 2016

	REF.	<i>As of December 31,</i>	
		2017	2016
<u>ASSETS</u>			
Cash and Investments	B - 1	\$ 62,690,115	\$ 75,472,994
Motor Vehicle Fines	B - 2	346,856	345,592
Federal Aid Receivable:			
Housing and Community Development Act 1974	B - 3	6,097,101	6,368,754
Federal Aid Receivable:			
Section 8 Housing Assistance Payments Prog.	B - 4	-	4,905
State Aid Receivable: Alcoholism Rehabilitation Program	B - 5	2,070,780	825,717
Section 8 Housing Assistance Prepayments	B - 6	654,931	585,312
Open Space Program Receivable	B - 11	16,068	11,626
Community Development Block Grant: Urban Housing Preservation Program Loans - Mortgages Receivable	B - 27	1,213,570	1,317,418
Total Assets		<u>\$ 73,089,421</u>	<u>\$ 84,932,318</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Reserve for Motor Vehicle Fines Receivable	B - 2	\$ 346,856	\$ 345,592
Environmental Quality	B - 7	553,066	707,389
Motor Vehicle Fines - Road Fund	B - 8	125,500	4,116,895
Reserve for Encumbrances	B - 9	5,678,498	11,757,802
Performance and Escrow Deposits	B - 10	-	412,060
Reserve for Open Space Program Receivable	B - 11	16,068	11,626
Worker's Compensation Self-Insurance Fund	B - 12	1,836,082	981,796
Supplemental Compensation at Retirement	B - 13	83,006	67,466
Unemployment Compensation Fund	B - 14	230,338	234,514
Reserve for Alcoholism Rehabilitation Program	B - 15	161,627	12,589
Reserve for Housing and Community Development Expenditures	B - 16	4,963,697	5,514,048
Reserve for CDBG Funds on Hand	B - 17	692,735	361,364
Reserve for Refundable Consumer Affairs Deposits	B - 18	74,243	72,392
Reserve for Section 8 Housing Assistance Payments Program	B - 19	765,032	937,919
Road Opening Bonds	B - 20	947,307	34,210
Self-Insurance Liability Trust Fund	B - 21	3,080,433	1,121,572
Miscellaneous Trust Accounts	B - 22	5,957,155	6,340,846
Dedicated Revenue by Statute	B - 23	1,501,654	1,339,834
Prosecutor's Office - Dedicated Funds	B - 24	2,523,921	2,615,335
State Seized Assets	B - 25	3,537,211	3,052,250
Reserve for Debt Service - Open Space and Farmland Preservation	B - 26	13,684,029	12,964,218
Reserve for Urban Housing & Preservation Program Loans	B - 27	1,213,570	1,317,418
Reserve for BSS Building Lease Purchase Payments	B - 28	1,400,282	1,155,857
Escheated Seized Funds	B - 29	4,622	4,622
Reserve for Open Space and Farmland Preservation	B - 30	23,712,490	29,452,704
Total Liabilities, Reserves and Fund Balance		<u>\$ 73,089,422</u>	<u>\$ 84,932,318</u>

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET- REGULATORY BASIS
DECEMBER 31, 2017 AND DECEMBER 31, 2016

	REF.	<i>As of December 31,</i>	
		2017	2016
<u>ASSETS</u>			
Cash and Investments	C- 2	\$ 566,235	\$ 3,719,591
Leases Receivable	C- 5	8,938,069	9,588,069
Loans/Other Accounts Receivable	C-14	10,804,453	11,605,740
Deferred Charges to Future Taxation:			
Funded	C- 6	287,599,000	322,869,000
Funded Loans	C- 6	28,126,648	29,438,697
Funded - Capital Leases	C- 6	141,520,994	156,867,814
Unfunded	C- 7	179,802,059	179,616,778
Total Assets		<u>\$ 657,357,458</u>	<u>\$ 713,705,689</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	C- 8	\$ 217,359,000	\$ 251,559,000
Capital Transportation Grant Reserves	C- 9	11,913,361	12,965,474
County College Bonds	C-10	30,935,000	30,625,000
County College Bonds (Ch. 12, P.L. 1971)	C-11	14,775,000	14,475,000
Vocational School Bonds	C-12	24,530,000	26,210,000
Bond Anticipation Notes	C-13	34,000,000	34,000,000
MCIA Loans Payable	C-19	23,102,445	23,736,058
Green Acres Loan Payable	C-20	5,024,203	5,702,639
Capital Leases Payable	C-21	141,520,994	156,867,814
Improvement Authorizations:			
Funded	C-15	27,431,103	27,560,875
Unfunded	C-15	39,755,713	41,642,298
Capital Improvement Fund	C-16	878,027	774,096
Reserve For:			
Payment of Debt Service	C-4	-	204,135
Leases Receivable	C-5	8,938,069	9,588,069
Bond Issue Costs	C-17	115,704	309,757
Encumbrances	C-18	64,471,016	61,841,427
Loans/Other Accounts Receivable	C-14	10,804,453	11,605,740
Fund Balance	C- 1	1,803,370	4,038,307
Total Liabilities, Reserves and Fund Balance		<u>\$ 657,357,458</u>	<u>\$ 713,705,689</u>
Bonds and Notes Authorized but not Issued	C-22	<u>\$ 145,802,059</u>	<u>\$ 145,616,778</u>

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
 GENERAL CAPITAL FUND
 STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>		
Balance - December 31, 2016	C		\$ 4,038,307
Increased by:			
Premium on Sale of Bonds And BANs	C - 2	506,629	
MCIA Loan Ordinance Premium	C - 2	185,281	
Funded Improvement Authorizations Cancelled	C -15	<u>1,111,447</u>	
			<u>1,803,357</u>
Total Available			5,841,664
Decreased by:			
Anticipated Revenue Realized in Current Fund	C - 2		4,038,294
			<u>4,038,294</u>
Balance - December 31, 2017	C		<u><u>\$ 1,803,370</u></u>

See accompanying notes.

EXHIBIT D

COUNTY OF MIDDLESEX, NEW JERSEY
 GOVERNMENTAL FIXED ASSET
 STATEMENT OF GOVERNMENTAL FIXED ASSETS
DECEMBER 31, 2017

	<i>As of December 31,</i> <u>2017</u>
GOVERNMENTAL FIXED ASSETS:	
Land	\$ 380,743,309
Buildings and Improvements	297,954,504
Machinery and Equipment	32,320,509
Moving Vehicles	37,296,413
MCIA Lease Purchase Agreements Moving Vehicles	8,634,289
MCIA Lease Purchase Agreements	18,037,202
MCIA Capital Improvement/Construction Fund	<u>14,787,545</u>
Total Governmental Fixed Assets	<u><u>\$ 789,773,771</u></u>
Investments in Governmental Fixed Assets	<u><u>\$ 789,773,771</u></u>

See Accompanying Notes

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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, 2017 AND DECEMBER 31, 2016

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, 2017 AND DECEMBER 31, 2016

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, 2017 AND DECEMBER 31, 2016

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, 2017 and 2016 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, 2017 AND DECEMBER 31, 2016

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. 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

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. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

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. The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

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 requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB issued Statement No. 84 "Fiduciary Activities" in January 2017. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB issued Statement No. 85 "Omnibus 2017" in March 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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

Basis of Accounting (Cont'd)

Recent Accounting Standards (Cont'd.)

GASB issued Statement No. 86 “Certain Debt Extinguishment Issues” in May 2017. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB issued Statement No. 87 “Leases” in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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 2016 financial statements to conform to classifications in 2017.

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.

COUNTY OF MIDDLESEX, NEW JERSEY
 NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

3) DEFERRED COMPENSATION TRUST FUND (Con't)

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 2017</u>	<u>Year 2016</u>
Issued:		
General Bonds and Notes	\$321,599,000	\$356,869,000
Loans	<u>28,126,648</u>	<u>29,438,697</u>
 Net Debt Issued	 349,725,648	 386,307,697
Authorized but not issued:		
General Bonds and Notes	<u>145,802,059</u>	<u>145,616,778</u>
Bonds and Notes Issued and Authorized but not Issued	495,527,707	531,924,475
Less: Bonds issued and authorized but not Issued – County College CH. 12	14,775,000	14,722,500
MCIA Loans	1,639,127	1,962,660
Accounts Receivable/Redevelopment Bonds	<u>2,175,000</u>	<u>2,275,000</u>
 Net Bonds and Notes Issued and Authorized but not issued	 <u>\$476,938,580</u>	 <u>\$512,964,315</u>

COUNTY OF MIDDLESEX, NEW JERSEY
 NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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

Summary of Statutory Debt Condition - Annual Debt Statement - Current Year 2017

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 0.463%.

	Gross Debt	Deductions	Net Debt
General Debt	\$ 690,097,707	\$ 213,159,127	\$ 476,938,580

Net Debt of \$476,938,580 divided by the Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended of 103,041,069,382 equals 0.463%.

Equalized Valuation Basis

2015 Equalized Valuation Basis of Real Property	\$ 101,405,813,888
2016 Equalized Valuation Basis of Real Property	102,340,805,085
2017 Equalized Valuation Basis of Real Property	105,376,589,174
Average Equalized Valuation Basis	\$ 103,041,069,382

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

2% of Average Equalized Valuation Basis	\$ 2,060,821,388
Net Debt	476,938,580
Remaining Borrowing Power	\$ 1,583,882,808

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

Schedule of Debt Service as of December 31, 2017

Year	Total Principal *	Total Interest *	Total Debt Service
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
2023-2027	74,100,000	9,553,343	83,653,343
2028-2032	25,941,500	1,538,945	27,480,445
2033-2037	960,000	55,646	1,015,646
	\$ 272,824,000	\$ 39,326,770	\$ 312,150,770

* Excludes \$14,775,000 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, 2017 AND DECEMBER 31, 2016

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, 2017.

Bonds Issued	Amount Issued	Amount Outstanding	Interest Rates	Final Maturity
<u>General Improvement Debt</u>				
ERI-Refunding Bonds of 2004	\$ 10,315,000	\$ 4,465,000	5.16% to 5.44%	2033
General Improvement Bonds of 2008	18,000,000	1,550,000	3.75%	2018
General Improvement Bonds of 2008 501c	2,500,000	200,000	3.625%	2018
General Improvement Bonds of 2008	16,000,000	1,220,000	3.50%	2018
General Improvement Bonds of 2009	22,000,000	3,600,000	3.00%	2019
Redev. General Improvement Bonds 2009	9,027,000	1,375,000	3.00% to 3.50%	2019
General Improvement Bonds of 2010	41,000,000	9,750,000	3.00%	2020
Genl. Oblig. Redev Bonds Series 2011	47,440,000	10,160,000	3.00% to 4.625%	2021
General Improvement Bonds of 2013	40,839,000	32,839,000	2.00% to 3.00%	2028
Genl. Improve. Refunding Nontaxable Bonds of 2013	8,260,000	5,000,000	4.00%	2020
Genl. Oblig. Refunding Nontaxable Bonds of 2013	2,445,000	1,470,000	3.00%	2020
Genl. Oblig. Redev Bonds Series 2014 a	19,405,000	15,530,000	4.00%	2021
Genl. Oblig. Redev Bonds Series 2014 b	16,545,000	13,825,000	1.50% to 4.00%	2022
General Improvement Bonds of 2014	6,960,000	2,110,000	2.00%	2019
Genl. Oblig. Ref. Redev Bonds Series 2015 a	6,455,000	6,455,000	2.00% to 5.00%	2021
Genl. Oblig. Ref. 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 Ref. 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	31,700,000	2.00% to 2.125%	2029
General Improvement Ref. Bonds of 2017	12,720,000	12,720,000	3.00% to 4.00%	2024
Genl. Redev. Ref. Bonds Series 2017	24,615,000	24,615,000	4.00% to 5.00%	2031
Total General Improvement Debt		<u>217,359,000</u>		
<u>County College Bonds</u>				
County College Bonds Ch. 12 of 2009	6,500,000	675,000	3.00% to 3.50%	2019
County College Bonds of 2010	4,000,000	1,200,000	3.00%	2020
County College Bonds Ch. 12 of 2010	1,176,500	707,500	3.00% to 3.50%	2025
County College Bonds Ch. 12 of 2012	4,250,000	2,995,000	2.00% to 3.00%	2027
County College Bonds of 2013	2,000,000	1,465,000	2.00% to 3.00%	2025
County College Bonds Ch. 12 of 2013	750,000	590,000	2.00% to 3.00%	2027
County College Bonds Ch. 12 of 2013	305,000	180,000	2.00% to 3.00%	2020
County College Bonds of 2014	2,000,000	1,675,000	2.00% to 3.00%	2026
County College Bonds of 2014	3,400,000	2,950,000	2.00% to 3.00%	2028
County College Bonds Ch. 12 of 2014	2,125,000	1,825,000	2.00% to 3.00%	2028
County College Bonds of 2015	2,000,000	1,725,000	2.00% to 3.00%	2026
County College Bonds Ch. 12 of 2015	1,600,000	1,475,000	2.00% to 3.50%	2033
County College Ref. Bonds of 2015	445,000	445,000	4.00%	2019
County College Bonds of 2016	5,000,000	4,700,000	2.00%	2028
County College Bonds Ch. 12 of 2016	1,500,000	1,400,000	2.00%	2028
County College Ref. Bonds Series 2016	3,227,500	3,227,500	4.00% to 5.00%	2029
County College Bonds of 2017	2,000,000	2,000,000	2.00% to 3.00%	2031
County College Bonds Ch. 12 of 2017	1,700,000	1,700,000	2.00% to 3.00%	2034
Total County College Bonds		<u>30,935,000</u>		

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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

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

County College Bonds of 2009	6,500,000	675,000	3.00% to 3.50%	2019
County College Bonds of 2010	1,176,500	707,500	3.00% to 3.50%	2025
County College Bonds of 2012	4,250,000	2,995,000	2.00% to 3.00%	2027
County College Bonds of 2013	750,000	590,000	2.00% to 3.00%	2027
County College Bonds of 2013	305,000	180,000	2.00% to 3.00%	2020
County College Bonds of 2014	2,125,000	1,825,000	2.00% to 3.00%	2028
County College Bonds of 2015	1,600,000	1,475,000	2.00% to 3.50%	2033
County College Bonds of 2016	1,500,000	1,400,000	2.00%	2028
County College Bonds of 2016	3,227,500	3,227,500	4.00% to 5.00%	2029
County College Bonds of 2017	1,700,000	1,700,000	2.00% to 3.00%	2034

Total County College Bonds (Ch. 12, P.L. 71) 14,775,000

Vocational School Bonds

Vocational School Bonds of 2008	2,690,000	315,000	3.50%	2018
Vocational School Bonds of 2010	6,100,000	2,750,000	2.50% to 3.10%	2022
Vocational School Refunding Bonds of 2012	1,140,000	665,000	3.00% to 4.00%	2023
Vocational School Bonds of 2013	3,100,000	2,585,000	2.00%	2027
Vocational School Refunding Bonds of 2013	6,650,000	4,090,000	4.00%	2020
Vocational School Bonds of 2014	3,100,000	2,575,000	1.00% to 2.375%	2026
Vocational School Bonds of 2015	3,100,000	2,800,000	2.00% to 3.00%	2030
Vocational School Bonds of 2016	6,100,000	5,750,000	2.00%	2028
Vocational School Bonds of 2017	3,000,000	3,000,000	2.00% to 3.00%	2032

Total Vocational School Bonds 24,530,000

Bond Anticipation Notes Issued

Bond Anticipation Notes due 06/13/18	34,000,000	34,000,000	2.00%	2018
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Total Bond Anticipation Notes 34,000,000

(A) MCIA Loan Payable

County Loan from MCIA 2008	9,185,892	389,704	4.20% to 4.80%	2023
County Loan from MCIA 2009	9,000,036	791,425	3.00% to 3.25%	2024
County Loan from MCIA 2013	8,670,604	1,845,176	4.00%	2018
County Loan from MCIA 2014	13,071,920	5,417,138	3.00%	2019
County Loan from MCIA 2015	4,870,650	2,999,930	3.00% to 4.00%	2020
County Loan from MCIA 2016	5,266,105	4,264,353	3.00% to 4.00%	2021
County Loan from MCIA 2017	7,394,719	7,394,719	3.00%	2022

23,102,445

Green Acres Loans Issued

Sewaren Marine Park Development 1997	1,000,000	218,451	2.00%	2021
Bank of China Property Acquisition 2003	2,250,000	535,281	2.00%	2021
Old Bridge Park Acquisition 2005	3,244,264	690,751	2.00%	2020
Old Bridge Park Acquisition 2009	750,000	477,002	2.00%	2029
New Brunswick Landing Lane Project 2010	1,600,000	1,025,640	0.00%	2030
New Brunswick Landing Lane Project 2015	800,000	748,873	2.00%	2035
New Brunswick Landing Lane Project 2016	1,400,000	1,328,205	0.00%	2036

Total Green Trust Program Loan 5,024,203

Total Debt Issued and Outstanding \$ 349,725,648

(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, 2017 AND DECEMBER 31, 2016

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

Summary of Statutory Debt Condition - Annual Debt Statement - Prior 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%.

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

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	102,577,013,839
Average Equalized Valuation Basis	\$ 100,244,478,674

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

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

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

Schedule of Debt Service as of December 31, 2016

Year	Total Principal *	Total Interest *	Total Debt Service
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
	\$ 308,394,000	\$ 47,940,087	\$ 356,334,087

* 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, 2017 AND DECEMBER 31, 2016

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	<u>33,900,000</u>	2.00% to 2.125%	2029
Total General Improvement Debt		<u>251,559,000</u>		
<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	<u>3,227,500</u>	4.00% to 5.00%	2029
Total County College Bonds		<u>30,625,000</u>		

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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	<u>3,227,500</u>	4.00% to 5.00%	2029

Total County College Bonds (Ch. 12, P.L. 71) 14,475,000

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	<u>6,100,000</u>	2.00%	2028

Total Vocational School Bonds 26,210,000

Bond Anticipation Notes Issued

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

(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	<u>5,266,105</u>	2.00% to 4.00%	2021

23,736,058

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	<u>1,400,000</u>	0.00%	2036

Total Green Trust Program Loan 5,702,639

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.

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

General Obligation Refunding Bonds, Series 2017

The County issued \$37,335,000 in General Obligation Refunding Bonds, Series 2017, dated August 24, 2017. Included in the \$37,335,000 aggregate principal amount is \$12,720,000 General Improvement Refunding Bonds, Series 2017 and \$24,615,000 Redevelopment General Improvement Refunding Bonds, Series 2017. 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 \$39,000,000 with maturities from 2021 through 2031. The interest rates range from 3.100% - 3.500% for the General Improvement Bonds Series 2010 A and from 4.000% - 4.625%, for the General Obligation Redevelopment Bonds Series 2011.

As a result, the County will realize a total of \$2,131,816 in debt service savings through 2031. The debt service savings provided for net present value costs of 5.469% of the refunded principal. The interest rates range from 3.000% to 4.000% for the General Obligation Refunding Bonds, Series 2017 from 2021 to maturity on January 15, 2024, and 4.000%-5.000% for the General Redevelopment Refunding Bonds, Series 2017 from 2022 to maturity on January 15, 2031.

The outstanding debt service with respect to the County's 2017 General Obligation Refunding Bonds, Series 2017 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018		\$ 1,334,513	\$ 1,334,513
2019		1,496,650	1,496,650
2020		1,496,650	1,496,650
2021	\$ 3,190,000	1,448,800	4,638,800
2022	5,625,000	1,304,375	6,929,375
2023	5,610,000	1,111,475	6,721,475
2024	5,610,000	890,750	6,500,750
2025	2,460,000	704,850	3,164,850
2026	2,480,000	581,350	3,061,350
2027	2,495,000	456,975	2,951,975
2028	2,495,000	344,700	2,839,700
2029	2,480,000	245,200	2,725,200
2030	2,455,000	146,500	2,601,500
2031	2,435,000	48,700	2,483,700
	<u>\$ 37,335,000</u>	<u>\$ 11,611,488</u>	<u>\$ 48,946,488</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, 2017 was reported in the amount of \$64,046,285, of which \$0 was appropriated and included as anticipated revenue for the year ending December 31, 2018.

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.

6) INVENTORY – MATERIALS AND SUPPLIES

For the years ended 2017 and 2016, 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>2017</u>	<u>2016</u>
Inventory (Current Fund)		
Materials & Supplies	\$ <u>1,918,800</u>	\$ <u>992,192</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.

COUNTY OF MIDDLESEX, NEW JERSEY
 NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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

Deposits (Cont'd)

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.

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, 2017, based upon the insured balances as provided by FDIC and NJGUDPA coverage, no amount of the County's bank balance of \$145,685,417 was considered exposed to custodial risk.

An Analysis of the County's cash, cash equivalents and investments at December 31, 2017 and 2016, by Fund/Category (Type) is as follows:

By Fund:

<u>Fund</u>	<u>2017 Amount</u>	<u>2016 Amount</u>
Current	\$71,709,984	\$74,167,539
Trust	62,465,805	75,472,994
General Capital	<u>566,235</u>	<u>3,719,591</u>
Total Cash, Cash Equivalents & Investments	<u>\$134,742,024</u>	<u>\$153,360,124</u>

By Category (Type)

<u>Cash & Cash Equivalents:</u>	<u>2017 Amount</u>	<u>2016 Amount</u>
Change Fund	\$ 600	\$ 600
Demand Accounts	86,786,966	96,688,615
Savings, Money Market / N.O.W.	<u>27,243,488</u>	<u>36,294,223</u>
Total Cash & Cash Equivalents	<u>\$114,031,054</u>	<u>\$132,983,438</u>
<u>Investments:</u>		
Certificates of Deposit	<u>20,710,970</u>	<u>20,376,686</u>
Total Cash, Cash Equivalents & Investments	<u>\$134,742,024</u>	<u>\$153,360,124</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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, 2017 and 2016, 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.

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NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
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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, 2017, the County did not have any investments on deposit with the New Jersey Cash Management Fund.

As of December 31, 2016, 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, 2017 AND DECEMBER 31, 2016

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, 2017:

Inactive plan members or beneficiaries currently receiving benefits	170,124
Inactive plan members entitled to but not yet receiving benefits	650
Active plan members	<u>254,685</u>
 Total	 <u>425,459</u>

Contributing Employers – 1,705

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, 2017 the County's total payroll for all employees was \$132,740,606. Total PERS covered payroll was \$70,217,695. 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. 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
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

9) PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

The member contribution rate was 7.20% for State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. 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, 2016 and 2017 were \$8,773,215 and \$9,090,227, 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, 2016 and 2017 consisted of the following:

	<u>2016</u>	<u>2017</u>
Normal Cost	\$ 1,485,269	\$ 1,414,976
Amortization of Accrued Liability	<u>6,842,091</u>	<u>7,200,965</u>
Total Pension	8,327,360	8,615,941
NCGI Premiums	<u>445,855</u>	<u>430,008</u>
Total Pension & NCGI	8,773,215	9,045,949
LTD Expense	<u>0</u>	<u>44,278</u>
Total PERS Payment	<u>\$ 8,773,215</u>	<u>\$ 9,090,227</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 age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

COUNTY OF MIDDLESEX, NEW JERSEY
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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, 2017, the PERS reported a net pension liability of \$23,278,401,588 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 \$241,640,527 or 1.038046%. At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 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 \$301,575,159 or 1.018246%.

Actuarial Assumptions - The collective total pension liability in the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 that was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases: Through 2026	1.65-4.15% Based on age
Thereafter	2.65-5.15 Based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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
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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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate – The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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)

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS participating employers as of June 30, 2017, 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:

	At 1% Decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
State	\$29,818,581,732	\$25,645,622,797	\$22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
PERS Plan Total	<u>\$58,697,018,759</u>	<u>\$48,924,024,385</u>	<u>\$40,792,456,582</u>
County's proportionate share of the net pension liability	<u>\$299,771,474</u>	<u>\$241,640,527</u>	<u>\$193,210,245</u>

Components of Net Pension Liability – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2017 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$32,535,896,852	\$44,852,367,051	\$77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$25,645,622,797</u>	<u>\$23,278,401,588</u>	<u>\$48,924,024,385</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>
2018	\$5,839,449
2019	8,661,227
2020	5,716,011
2021	(6,015,116)
2022	<u>(4,555,766)</u>
Total	<u>\$9,645,805</u>

Changes in Proportion - The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts are recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015 and 2014 amounts, respectively.

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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, 2017:

Inactive plan members or beneficiaries currently receiving benefits	43,011
Inactive plan members entitled to but not yet receiving benefits	47
Active plan members	<u>40,789</u>
Total	<u>83,847</u>

Contributing Employers – 586

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, 2017 the County’s total payroll for all employees was \$132,740,606. Total PFRS covered payroll was \$35,252,942. 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 was 10.0% in State fiscal year 2017. 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, 2016 and 2017 were \$8,403,471 and \$8,503,623, 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, 2016 and 2017 consisted of the following:

	<u>2016</u>	<u>2017</u>
Normal Cost	\$ 2,824,265	\$ 2,901,723
Amortization of Accrued Liability	<u>5,204,068</u>	<u>5,231,728</u>
Total Pension	8,028,333	8,133,451
NCGI Premiums	<u>375,138</u>	<u>370,172</u>
Total PFRS Payment	<u>\$ 8,403,471</u>	<u>\$ 8,503,623</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.

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

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

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.

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, 2017, the PFRS reported a net pension liability of \$15,438,066,691 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 \$157,823,692, or 1.022302%. 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%.

Actuarial Assumptions - The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary Increases: Through 2026	2.10-8.98% Based on age
Thereafter	3.10-9.98% Based on age
Investment rate of return	7.00%

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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

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9) PENSION PLANS (CONT'D):

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

The long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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.

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate – The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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9) PENSION PLANS (CONT'D):

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

Sensitivity of Net Pension Liability – The following presents the collective net pension liability of the participating employers as of June 30, 2017, 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:

	<u>At 1% Decrease</u> <u>(5.14%)</u>	<u>At current discount rate</u> <u>(6.14%)*</u>	<u>At 1% increase</u> <u>(7.14%)</u>
State	\$ 5,202,348,756	\$ 4,395,743,141	\$ 3,734,560,750
Local	<u>22,619,279,081</u>	<u>17,167,260,198</u>	<u>12,687,806,745</u>
PFRS Plan Total	<u>\$27,821,627,837</u>	<u>\$21,563,003,339</u>	<u>\$16,422,367,495</u>

*- Local Share includes \$1,729,193,507 of Special Funding Situation allocated to the State of NJ as a non-employer.

Components of Net Pension Liability – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2017 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 5,939,531,281	\$41,471,190,457	\$47,410,721,738
Plan Fiduciary Net Position	<u>1,543,788,140</u>	<u>24,303,930,259</u>	<u>25,847,718,399</u>
Net PFRS Pension Liability	<u>\$ 4,395,743,141</u>	<u>\$17,167,260,198</u>	<u>\$21,563,003,339</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>
2018	\$1,182,213
2019	4,579,857
2020	(613,908)
2021	(7,751,126)
2022	<u>(3,572,704)</u>
Total	<u>\$ (6,175,667)</u>

Changes in Proportion - The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts are recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.59, 5.58, 5.53, and 6.17 years for the 2017, 2016, 2015 and 2014 amounts, respectively.

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 NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
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9) PENSION PLANS (CONT'D):

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.

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, 2017 the County’s total payroll for all employees was \$132,740,606. Total DCRP covered payroll was \$1,121,661. 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, 2017 were \$34,140 and \$62,407, 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	\$ 241,640,527	\$60,357,912	\$50,712,107	\$17,646,646
PFRS	<u>157,823,692</u>	<u>25,861,905</u>	<u>32,037,574</u>	<u>13,556,546</u>
Total	<u>\$ 399,464,219</u>	<u>\$86,219,817</u>	<u>\$82,749,681</u>	<u>\$31,203,192</u>

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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.

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, 2017 and 2016, the estimated cost of unused sick pay is calculated to be \$10,288,268 and \$10,045,977 respectively. At December 31, 2017 and 2016, the estimated cost of unused accrued vacation pay is calculated to be \$12,853,749 and \$12,258,094 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 2017 and 2016, \$243,904 and \$540,000, respectively was appropriated and added to the fund and \$228,364 was disbursed to employees during 2017 while \$491,219 was disbursed to employees during 2016.

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>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>
2018	\$3,095,674	\$3,038,205
2019	2,404,033	1,899,917
2020	2,031,910	1,530,129
2021	1,796,580	1,303,958
2022	1,470,242	

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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, 2017 for the respective funds.

The Commissioners assessed the following participants for 2017 and 2016, as follows:

<u>AGENCY</u>	<u>2017</u> <u>TOTAL</u>	<u>2016</u> <u>TOTAL</u>
County College	\$400,088	\$396,115
Board of Social Services	45,903	41,737
County Improvement Authority	<u>69,338</u>	<u>31,714</u>
	<u>\$515,329</u>	<u>\$469,566</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, 2017 and 2016 totaled \$3,401,368 and \$2,577,441, respectively. The County has appropriated funds in the 2017 and 2016 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, 2017 and 2016, was as follows:

Limits of Insurance:	<u>2017</u>	<u>2016</u>
Each Accident or Occurrence Limit	\$ 10,000,000	\$10,000,000
Policy Aggregate Limit	20,000,000	20,000,000
Self-Insured Limit Retention	1,000,000	750,000

COUNTY OF MIDDLESEX, NEW JERSEY
 NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

12) RISK MANAGEMENT (CONT'D)

During 2017 and 2016, 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, 2017

The estimated liability, as established by the third party administrator, for claims incurred and reported for the Worker’s Compensation Fund at December 31, 2017 is \$6,343,261. 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, 2017 were as follows:

	<u>Balance</u> <u>12/31/16</u>	<u>Increases to</u> <u>Reserves</u>	<u>Decrease to</u> <u>Reserves</u>	<u>Balance</u> <u>12/31/17</u>
Self-Insurance Fund	\$1,121,572	\$4,848,327	\$2,889,466	\$3,080,433
Workers’ Compensation Fund	981,796	4,703,660	3,849,374	1,836,082
Unemployment Compensation Fund	234,514	184,737	188,913	230,338

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12) RISK MANAGEMENT (CONT'D)

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, 2017 were as follows:

	<u>Balance</u> <u>12/31/15</u>	<u>Increases to</u> <u>Reserves</u>	<u>Decrease to</u> <u>Reserves</u>	<u>Balance</u> <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

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 4,599 and 4,653 retirees, cobra participants and active employees as of December 31, 2017 and 2016 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.

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12) RISK MANAGEMENT (CONT'D)

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

<u>Fund</u> <u>Year</u>	<u>At December 31,</u>	
	<u>2017</u> Fund Balance	<u>2016</u> Fund Balance
2017	\$7,542,080	
2016	414,457	\$(5,969,891)
2015		3,615,954

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, 2017 and 2016.

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, 2017, approximately 1,070 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 \$29,812,108.

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.

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.

COUNTY OF MIDDLESEX, NEW JERSEY
 NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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

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 2017 and 2016, the County's annual OPEB cost (expense) of \$96,751,000 and \$86,898,000, respectively was less than the ARC. In 2015, the County's annual OPEB cost (expense) of \$83,633,000 was less than the ARC.

	2017 Total	2016 Total	2015 Total
Net OPEB obligation – beginning of year	\$442,270,000	\$381,793,000	\$322,123,000
Annual required contribution (ARC)	104,001,000	93,156,000	88,913,000
Interest on Net OPEB Obligation	19,902,000	17,181,000	14,496,000
Adjustment to the ARC	(27,152,000)	(23,439,000)	(19,776,000)
Annual OPEB Cost	96,751,000	86,898,000	83,633,000
Less: Contributions	<u>27,816,000</u>	<u>26,421,000</u>	<u>23,963,000</u>
Net OPEB obligation – end of year	<u>\$511,205,000</u>	<u>\$442,270,000</u>	<u>\$381,793,000</u>

The funded status of the plan for the County as of January 1, 2017, is as follows:

	Total
Actuarial accrued liability (AAL)	\$1,157,999,000
Actuarial value of plan assets	- 0 -
Unfunded actuarial accrued liability (UAAL)	\$1,157,999,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$132,740,606
UAAL as a percentage of covered payroll	872.38%

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.

COUNTY OF MIDDLESEX, NEW JERSEY
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 FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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

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, 2016 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.

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

2017

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, 2017 amounted to \$194,570,000, and are listed below:

	<u>Original Issue Amount</u>	<u>Bonds Payable Dec. 31, 2017</u>
Capital Equipment Lease Revenue Bonds,		
Series 2008	\$13,100,000	\$545,000
Series 2009	13,115,000	1,435,000
Series 2012	11,815,000	1,470,000
Series 2013	13,840,000	3,755,000
Series 2014	17,275,000	7,160,000
Series 2015	8,080,000	5,100,000
Series 2016	7,075,000	5,730,000
Series 2017	10,915,000	10,915,000
Heldrich Bond Issue, Series 2007	3,000,000	2,000,000
Middlesex County Educational Svcs. Comm., Series 2008	40,000,000	1,290,000
Open Space Refunded Bonds, Series 2008	29,545,000	4,840,000
Open Space Trust Revenue Bonds, Series 2009	20,265,000	7,840,000
The Meadows at Middlesex Golf Course, Series 2009 (Ref Bonds)	4,755,000	2,770,000
Middlesex County Educational Services Comm., Series 2010	5,300,000	1,255,000
Open Space Refunded Bonds, Series 2011 (Ref Bonds)	46,830,000	30,735,000
The Meadows at Middlesex Golf Course, Series 2013 (Ref Bonds)	11,875,000	9,850,000
Middlesex County Educational Services Comm., Series 2014	9,385,000	7,250,000
Middlesex County Educational Services Comm., Series 2014 A	30,170,000	29,870,000
Open Space Refunded Bonds, Series 2016 (Ref Bonds)	19,160,000	19,160,000
Middlesex County Educational Svcs. Comm., Series 2017	13,170,000	13,170,000
New Brunswick Cultural Center	28,430,000	<u>28,430,000</u>
		<u>\$194,570,000</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)

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:

	<u>Original Issue Amount</u>	<u>Bonds Payable 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
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

15) LEASE PAYMENTS - 2017

The County participated in the following lease purchase agreements:

	2018	2019	2020	2021	2022	2023 - End	Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
MCIA 2013 Capital Equipment Lease Program	\$ 309,712						309,712	11,912	297,800	Aug. 15, 18	4.00%
MCIA 2014 Capital Equipment Lease Program	286,492	286,492					572,984	24,790	548,194	Jul. 15, 19	3.00%
Sub Total of MCIA Capital Lease Programs	\$ 596,204	\$ 286,492	\$ -	\$ -	\$ -	\$ -	\$ 882,696	\$ 36,702	\$ 845,994		
	2018	2019	2020	2021	2022	2023 - End	Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
MCIA 2008 Open Space Trust Fund Program	3,737,150	1,407,000					5,144,150	304,150	4,840,000	Sep. 15, 19	3.00%-5.00%
MCIA 2009 Open Space Trust Fund Program	2,158,600	2,159,800	2,158,000	2,163,200		-	8,639,600	799,600	7,840,000	Nov. 1, 21	4.00%
MCIA 2011 Open Space Trust Ref Bonds (2003 Series)	5,870,888	5,872,825	5,880,825	5,890,950	5,891,800	5,886,450	35,293,738	4,558,738	30,735,000	Sep. 15, 23	3.00%-5.153%
MCIA 2016 Open Space Trust Ref Bonds (2009 Series)	711,506	711,506	711,506	711,507	2,776,506	19,400,425	25,022,956	5,862,956	19,160,000	Dec. 15, 29	2.125%-5.00%
Sub Total of MCIA Open Space Trust Fund Programs	\$ 12,478,144	\$ 10,151,131	\$ 8,750,331	\$ 8,765,657	\$ 8,668,306	\$ 25,286,875	\$ 74,100,444	\$ 11,525,444	\$ 62,575,000		
Sub Total of MCIA Programs	\$ 13,074,348	\$ 10,437,623	\$ 8,750,331	\$ 8,765,657	\$ 8,668,306	\$ 25,286,875	\$ 74,983,140	\$ 11,562,146	\$ 63,420,994		

COUNTY OF MIDDLESEX, NEW JERSEY
 NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

15) LEASE PAYMENTS - 2017

The County participated in the following lease purchase agreements:

	Future Minimum Lease Payments					2023 - End	Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2018	2019	2020	2021	2022						
<u>Civic Square Project Certificates of Participation:</u>											
Civic Square II Project, Series 1998	\$ 1,542,756	\$ 720,000	\$ 930,000	\$ 930,000	\$ 545,000	\$ 2,250,000	\$ 5,375,000	\$ -	\$ 5,375,000	Jun. 1, 25	N/A
Civic Square III, Series 1998 (Refunded in 2009)		1,541,031	1,540,319	1,541,619	1,546,019	9,256,696	16,968,440	3,478,440	13,490,000	Jun. 15, 28	Var.
Civic Square IV, Series 2001	3,037,250	3,035,500	3,035,000	3,035,500	3,036,750	27,312,500	42,482,500	12,447,500	30,045,000	Oct. 1, 31	Var.
2011 Civic Square II - Refunded COP	3,410,000	2,702,850	2,702,800	2,697,200	3,070,775	24,148,525	38,732,050	8,907,050	29,825,000	Jun. 1, 29	Var.
Sub Total of Civic Square Projects	\$ 7,990,006	\$ 7,999,481	\$ 8,207,919	\$ 8,204,319	\$ 8,198,544	\$ 62,967,721	\$ 103,567,980	\$ 24,832,990	\$ 78,735,000		

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, 2017 AND DECEMBER 31, 2016

15) LEASE PAYMENTS - 2016

The County participated in the following lease purchase agreements:

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

	Future Minimum Lease Payments					2022 - End	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2017	2018	2019	2020	2021				
MCIA 2008 Open Space Trust Fund Program	3,733,650	3,737,150	1,407,000			8,877,800	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	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	5,880,950	41,155,625	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	25,734,463	19,180,000	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	\$ 86,667,088	\$ 72,010,000		
Sub Total of MCIA Programs	\$ 13,256,790	\$ 13,074,349	\$ 10,437,623	\$ 8,750,331	\$ 8,765,657	\$ 88,239,930	\$ 73,592,815		

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NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

15) LEASE PAYMENTS - 2016

The County participated in the following lease purchase agreements:

	Future Minimum Lease Payments					2022 - End	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						
<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	\$ -	\$ 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	1,541,519	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	\$ 7,950,006	\$ 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
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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, 2017 and 2016:

<u>Lessee</u>	<u>2017 Amount Recorded</u>	<u>2016 Amount Recorded</u>	<u>Final Payment Date</u>
City of New Brunswick, NJ	<u>\$ 8,938,069</u>	<u>9,588,069</u>	May 1, 2029
	<u>\$ 8,938,069</u>	<u>\$ 9,588,069</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, 2017 the receivable balance to the County of Middlesex from the City of New Brunswick Civic Square II was \$8,938,069.

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, 2017 the receivable balance to the County of Middlesex from the MCIA was \$276,591.

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, 2017, the receivable balance to the County of Middlesex from the Heldrich Center Hotel Project, in the form of Senior Revenue Bonds, Series A, was \$2,175,000, 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, 2017 AND DECEMBER 31, 2016

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, 2017 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, 2017 the receivable balance to the County of Middlesex from the MCIA was \$791,424.

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, 2017 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, 2017 the receivable balance to the County of Middlesex from the MCIA was \$40,517.

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, 2017 the receivable balance to the County of Middlesex from the MCIA was \$100,344.

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, 2017 the receivable balance to the County of Middlesex from the MCIA was \$352,206.

The 2017 loan agreement between the MCIA and the County of Middlesex for acquisitions through the lease purchase financing program was for an original amount of \$78,045 with payments beginning in 2018 and final payment in 2022. At December 31, 2017 the receivable balance to the County of Middlesex from the MCIA was \$78,045.

18) HEALTH AND HOSPITALS

The County provides certain medical and health services to residents through the George J. Otlowski 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, 2017 AND DECEMBER 31, 2016

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 2017, the County collected \$252,711 in PILOT payments. County taxes that otherwise would have been due on these long-term exemptions amounted \$2,696,562 based upon the assessed valuation of the long-term tax exempt properties.

20) COMMITMENTS AND CONTINGENCIES

At 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, 2017 and 2016 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, 2017 AND DECEMBER 31, 2016

21) SUBSEQUENT EVENTS

– **March 15, 2018** –

The County’s 2018 operating budget was adopted.

– **May 17, 2018** –

The Board of Chosen Freeholders finally adopted a Bond Ordinance providing for the acquisition of capital equipment and the undertaking of various 2018 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 2018 capital improvements for County Vocational and Technical Schools, appropriating \$3,100,000 therefore and authorizing the issuance of \$3,100,000 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 2018 capital improvements at and for certain facilities of Middlesex County College, appropriating \$3,700,000 therefore and authorizing the issuance of \$3,700,000 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 2018 general capital improvements by, in and for the County of Middlesex, appropriating \$35,000,000 therefore and authorizing the issuance of \$16,625,000 bond or notes, and \$18,375,000 will be funded from the Capital Improvement Fund to pay for the part of the cost therefore.

– **June 12, 2018** –

The County closed on \$39,000,000 Bonds Anticipation Notes.

COUNTY OF MIDDLESEX, NEW JERSEY

PART II

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF MIDDLESEX
 SCHEDULE OF THE COUNTY'S SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
County's Proportion of the Net Pension Liability	1.011596%	1.020460%	1.018246%	1.038046%
County's Proportionate Share of the Net Pension Liability	\$189,398,427	\$229,072,712	\$301,575,159	\$241,640,527
County's Covered-Employee Payroll	\$68,569,645	\$ 69,969,026	\$ 70,908,896	\$ 70,217,695
County's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	276.21%	327.39%	425.30%	344.13%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	52.08%	47.93%	40.14%	48.10%

* Amounts presented for each fiscal year were determined as of June 30.

COUNTY OF MIDDLESEX
 SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 7,817,226	\$ 8,213,826	\$ 8,773,215	\$ 9,090,227
Contribution in Relation to Contractually Required Contribution	<u>\$(7,817,226)</u>	<u>\$(8,213,826)</u>	<u>\$(8,773,215)</u>	<u>\$(9,090,227)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's Proportionate Share of the Payroll	\$68,569,645	\$69,969,026	\$70,908,896	\$70,217,695
Contributions as a percentage of Covered Employee Payroll	11.40%	11.74%	12.37%	12.95%

* Amounts presented for each fiscal year were determined as of June 30.

COUNTY OF MIDDLESEX
 SCHEDULE OF THE COUNTY'S SHARE OF THE NET PENSION LIABILITY
POLICE AND FIREMEN RETIREMENT SYSTEM
 (Non-State, Non-Special Funding Situation Employer Member Group)

Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the Non-State, Non-Special Funding Situation Employer Group Net Pension Liability attributable to the County	1.058742%	1.033827%	1.042953%	1.022302%
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State, Non-Special Funding Situation Employer Group	\$133,179,878	\$172,199,531	\$199,230,791	\$157,823,692
County's Covered-Employee Payroll	\$32,462,626	\$ 33,125,129	\$ 33,988,773	\$ 35,252,942
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State, Non-Special Funding Situation Employer Group as a percentage of the County's Covered-Employee Payroll	410.26%	519.85%	586.17%	447.69%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	52.08%	47.93%	40.14%	48.10%

* Amounts presented for each fiscal year were determined as of June 30.

Note: Percentages shown are Plan-wide, and include NPL and PFNP data that include employees of the State of New Jersey.

COUNTY OF MIDDLESEX
 SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
POLICE AND FIREMEN RETIREMENT SYSTEM
 (Non-State, Non-Special Funding Situation Employer Member Group)

Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 7,663,312	\$ 8,131,867	\$ 8,403,471	\$ 8,503,623
Contribution in Relation to Contractually Required Contribution	<u>\$ (7,663,312)</u>	<u>\$ (8,131,867)</u>	<u>\$ (8,403,471)</u>	<u>\$ (8,503,623)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's Proportionate Share of the Payroll	\$32,462,626	\$33,125,129	\$33,988,773	\$35,252,942
Contributions as a percentage of Covered Employee Payroll	23.61%	24.55%	24.72%	24.12%

* Amounts presented for each fiscal year were determined as of June 30.

COUNTY OF MIDDLESEX, NEW JERSEY

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
DECEMBER 31, 2017

NOTE 1. CHANGES IN ASSUMPTIONS

The following information is as abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2017, dated March 29, 2018. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

PERS

Changes in benefit terms - None

Changes in assumptions - For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

PFRS

Changes in benefit terms - In 2017, Chapter 26, P.L. 2016 increased the accidental death benefit payable to children if there is no surviving spouse to 70% of final compensation.

Changes in assumptions - For 2017, the discount rate changed to 6.14% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65% from 7.90%, and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

COUNTY OF MIDDLESEX, NEW JERSEY

REQUIRED SUPPLEMENTARY INFORMATION
 POSTEMPLOYMENT HEALTH BENEFITS
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Year	Actuarial Value of Assets	Actuarial accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
(1) 01/01/15	2015	-	\$ 985,000,000	\$ 985,000,000	0.00%	\$ 114,694,939	858.80%
(1) 01/01/15	2016	-	1,036,007,000	1,036,007,000	0.00%	129,524,049	799.86%
(2) 01/01/17	2017	-	1,157,999,000	1,157,999,000	0.00%	132,740,606	872.38%

Note:

- (1) The above information was abstracted from the November 2015 Actuarial Valuation report.
- (2) The above information was abstracted from the November 2017 Actuarial Valuation report.

APPENDIX C

FORM OF APPROVING LEGAL OPINION FOR THE BONDS

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

November __, 2018

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

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of \$12,415,000 aggregate principal amount of General Obligation Bonds, Series 2018A, consisting of \$7,570,000 aggregate principal amount of General Improvement Bonds, Series 2018A (the "General Improvement Bonds"), \$2,970,000 aggregate principal amount of County Vocational-Technical Schools Bonds, Series 2018A (New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended) (the "Vocational-Technical Schools Bonds"), and \$1,875,000 aggregate principal amount of County College Bonds, Series 2018A (the "County College Bonds" and together with the General Improvement Bonds and the Vocational-Technical Schools Bonds, the "Bonds") of the County of Middlesex (the "County"), a body politic and corporate of the State of New Jersey (the "State").

The General Improvement Bonds are authorized by and are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), Bond Ordinance Number 404 duly adopted by the Board of Chosen Freeholders of the County on June 6, 2013, as amended by Bond Ordinance Number 436 duly adopted by the Board of Chosen Freeholders of the County on May 18, 2017, both published as required by law, and by a resolution duly adopted by the Board of Chosen Freeholders of the County on October 4, 2018 (the "Resolution").

The Vocational-Technical Schools Bonds are authorized by and are issued pursuant to the provisions of N.J.S.A. 18A:54-1 et seq., as amended and supplemented, the Local Bond Law, Bond Ordinance Number 405 duly adopted by the Board of Chosen Freeholders of the County on June 6, 2013 and published as required by law, and by the Resolution.

The County College Bonds are authorized by and are issued pursuant to the provisions of N.J.S.A. 18A:64A-1 et seq., as amended and supplemented, the Local Bond Law, Bond Ordinance Number 406 duly adopted by the Board of Chosen Freeholders of the County on June 6, 2013 and published as required by law, and by the Resolution.

Proceeds of the General Improvement Bonds will be used to provide for the permanent financing of various capital improvements and equipment acquisitions in and for the County in the amount of \$7,900,000.

Proceeds of the Vocational-Technical Schools Bonds will be used to provide for the permanent financing of capital improvements and the acquisition of related capital equipment at and for the Middlesex County Vocational and Technical High Schools in the amount of \$3,100,000.

Proceeds of the County College Bonds will be used to provide for the permanent financing of capital improvements and acquisition of related capital equipment and furniture at and for certain facilities of Middlesex County College in the amount of \$2,000,000.

The Bonds 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. One certificate shall be issued for the aggregate principal amount of the Bonds of each series maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, 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 Bonds, payments of the principal of and interest on the Bonds will be made by the County as Paying Agent (or a duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the fifteenth day of May and November (each an "Interest Payment Date"), commencing May 15, 2019, in each year until maturity or earlier redemption, as applicable. The Bonds shall mature on November 15 in each of the years, in the principal amounts and at the interest rates as follows:

\$7,570,000 GENERAL IMPROVEMENT BONDS, SERIES 2018A

<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>
2019	\$ 405,000	5.000%	2026	\$ 560,000	4.000%
2020	425,000	5.000	2027	580,000	4.000
2021	440,000	5.000	2028	600,000	3.000
2022	465,000	5.000	2029	615,000	3.125
2023	485,000	5.000	2030	630,000	3.250
2024	510,000	5.000	2031	650,000	3.250
2025	535,000	5.000	2032	670,000	3.375

\$2,970,000 COUNTY VOCATIONAL-TECHNICAL SCHOOLS BONDS, SERIES 2018A
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended)

<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>
2019	\$ 160,000	5.000%	2026	\$ 220,000	4.000%
2020	160,000	5.000	2027	230,000	4.000
2021	170,000	5.000	2028	240,000	3.000
2022	180,000	5.000	2029	240,000	3.125
2023	190,000	5.000	2030	250,000	3.250
2024	200,000	5.000	2031	255,000	3.250
2025	210,000	5.000	2032	265,000	3.375

\$1,875,000 COUNTY COLLEGE BONDS, SERIES 2018A

<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>
2019	\$ 135,000	5.000%	2025	\$ 175,000	5.000%
2020	140,000	5.000	2026	185,000	4.000
2021	150,000	5.000	2027	195,000	4.000
2022	155,000	5.000	2028	200,000	3.000
2023	165,000	5.000	2029	205,000	3.125
2024	170,000	5.000			

The Bonds maturing on or after November 15, 2026 are subject to optional redemption prior to their stated maturities as set forth in each of the Bonds.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the New Jersey Statutes, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the County enforceable in accordance with their terms, and (iii) the County has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, 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 Bonds.

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 Bonds 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 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The County will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, under existing law, and assuming continuing compliance by the County with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax imposed on individuals by Section 55 of the Code.

The Bonds maturing on November 15 in the years 2019 through 2027 (collectively, the "Premium Bonds") were purchased at a premium ("original issue premium") over the stated principal amounts of the Bonds. For federal income tax purposes, original issue premium generally must be amortized over the term of the Premium Bonds. Amortizable bond premium is accounted for as reducing the tax-exempt interest on the Premium Bonds 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 Bonds 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 Bonds should consult their tax advisors for an explanation of the bond premium amortization rules.

We are also of the opinion that the difference between the stated principal amount of the Bonds maturing on November 15 in the years 2028 through 2032 (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is treated as interest and is excludable from gross income for federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds 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 Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds 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 Bonds 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.

We have examined one of the General Improvement Bonds, one of the Vocational-Technical Schools Bonds, and one of the County College Bonds, as executed by the County, and, in our opinion, the form of each such Bond and its execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

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CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated as of November 20, 2018 (the "Disclosure Certificate") is executed and delivered by the County of Middlesex, State of New Jersey (the "County" or the "Issuer") in connection with the issuance of its \$12,415,000 aggregate principal amount of General Obligation Bonds, Series 2018A, consisting of (i) \$7,570,000 aggregate principal amount of General Improvement Bonds, Series 2018A (the "General Improvement Bonds"), (ii) \$2,970,000 aggregate principal amount of County Vocational-Technical Schools Bonds, Series 2018A (New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended) (the "Vocational-Technical Schools Bonds"), and (iii) \$1,875,000 aggregate principal amount of County College Bonds, Series 2018A (the "County College Bonds" and together with the General Improvement Bonds and the Vocational-Technical Schools Bonds, the "Bonds"), all such Bonds being dated November 20, 2018. The Bonds are being issued pursuant to various bond ordinances duly adopted by the Board of Chosen Freeholders of the County and published as required by law, and a resolution entitled, "Resolution Determining the Form and Other Details of the Offering of \$13,000,000 General Obligation Bonds, Series 2018A of the County of Middlesex, State of New Jersey, Consisting of \$7,900,000 General Improvement Bonds, Series 2018A, \$3,100,000 County Vocational-Technical Schools Bonds, Series 2018A (New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended) and \$2,000,000 County College Bonds, Series 2018A and Providing for the Sale of such Bonds, and Determining Certain Matters with Respect Thereto" (the "Bond Resolution"), such Bond Resolution being duly adopted by the Board of Chosen Freeholders of the County on October 4, 2018. The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Beneficial Owners of the Bonds to assist the Underwriter(s) in complying with the Rule (as defined below). The County acknowledges it is an "Obligated Person" under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for Federal income tax purposes.

"Continuing Disclosure Information" shall mean, collectively, (i) each Annual Report, (ii) any notice required to be electronically filed by the County with the MSRB through EMMA pursuant to Section 3 of this Disclosure Certificate, and (iii) any notice of a

Listed Event required to be filed by the County with the MSRB through EMMA pursuant to Section 5 of this Disclosure Certificate.

"Disclosure Representative" shall mean the Chief Financial Officer/Treasurer of the County or his or her designee, or such other person as the County shall designate in writing from time to time for the purposes of this Disclosure Certificate.

"Dissemination Agent" shall mean, initially, Phoenix Advisors, LLC, or any Dissemination Agent subsequently designated in writing by the County which has filed with the County a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location where investors can obtain municipal bond information including disclosure documents. The County or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of New Jersey.

"Underwriter(s)" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The County shall provide or cause to be provided to the Dissemination Agent not later than September 15 of each year, commencing September 15, 2019 (for the calendar year ending December 31, 2018), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the County are not available by September 15 of each year, the County shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the County, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the County.

(b) Not later than September 30 of each year (commencing September 30, 2019), the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the County does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot forward the Annual Report to EMMA in accordance with subsection (b) above, the Dissemination Agent shall send, in a timely manner, a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the County (if the Dissemination Agent is not the County).

(d) Each year the Dissemination Agent shall file a report with the County (if the Dissemination Agent is not the County), certifying that the Annual Report has been filed with EMMA pursuant to this Disclosure Certificate, and stating the date it was provided.

(e) If the fiscal year of the County changes, the County shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the County, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. (a) The County's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the County (as of the preceding December 31).

The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, State Department of Community Affairs (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State.

2. The most current annual debt statement of the County (as of the preceding December 31); and

3. The general financial information and operating data of the County consistent with the information set forth in Appendices A and B to the Official Statement dated November 1, 2018, prepared in connection with the sale of the Bonds (the "Official Statement"), and in the forepart thereof under the heading entitled, "LITIGATION".

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the County is an "Obligated Person" (as defined by the Rule), which have been filed with the MSRB, through the EMMA system, or the SEC. If the document incorporated by

reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable:

1. Principal and interest payment delinquencies;
2. Nonpayment 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 Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
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; and

14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material.

The County shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB, through the EMMA system, in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5 that require a materiality determination, the County may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the County has or obtains knowledge of the occurrence of any of the Listed Events that require a materiality determination, the County shall, as soon as possible, determine if such event would constitute information material, if applicable, to the Beneficial Owners of the Bonds.

(c) If the County (i) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (ii) determines that the occurrence of a Listed Event requiring a materiality determination would be material to the Beneficial Owners of the Bonds, the County shall promptly notify the Dissemination Agent in writing (if the County is not the Dissemination Agent) and the County shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the County determines that the occurrence of a Listed Event requiring a materiality determination would not be material to the Beneficial Owners of the Bonds, the County shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the County) and the Dissemination Agent (if the Dissemination Agent is not the County) shall be instructed by the County not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the County to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB, through the EMMA system, in a timely manner not in excess of ten (10) business days after the occurrence thereof, with a copy to the County (if the Dissemination Agent is not the County). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Bondholders of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the County is no longer an "Obligated Person"

(as defined in the Rule). The County shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with the MSRB, through the EMMA system, in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. Except as noted below, as of the date hereof, 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 EMMA, 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 to serve as its continuing disclosure agent. As of the date hereof, the County is now in compliance with all existing continuing disclosure agreements in all material respects. This covenant is being made by the County to assist the purchasers of the Bonds in complying with the Rule.

SECTION 8. Dissemination Agent; Compensation. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Phoenix Advisors, LLC. The County shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the County to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the County, such determination being supported by an opinion of counsel expert in Federal securities laws, or by the approving vote of a majority of Beneficial Owners of the Bonds at the time of the amendment. The County shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which

notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions 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 Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the County agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the County) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the County further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the

County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Underwriter(s), and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by electronic mail or facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the County

Mr. Giuseppe Pruiti
Chief Financial Officer/Treasurer
County of Middlesex
Middlesex County Administration Building, Third Floor
John F. Kennedy Square
75 Bayard Street
New Brunswick, New Jersey 08901
Telephone: (732) 745-3173
Email: joe.pruiti@co.middlesex.nj.us

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds:

initially: Anthony P. Inverso
Senior Managing Director
Phoenix Advisors, LLC
625 Farnsworth Avenue
Bordentown, New Jersey 08505
Telephone: (609) 291-0130
Email: ainverso@muniadvisors.com

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the County and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the County and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and

agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State, as applicable.

COUNTY OF MIDDLESEX

**GIUSEPPE PRUITI,
Chief Financial Officer/Treasurer**

**Acknowledged and Accepted by:
PHOENIX ADVISORS, LLC,
as Dissemination Agent**

AUTHORIZED SIGNATORY

EXHIBIT A

NOTICE TO MSRB VIA EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Middlesex, State of New Jersey

Name of Bond Issue: \$7,570,000 General Improvement Bonds, Series 2018A
Dated November 20, 2018
(CUSIP Number 59656NE99)

\$2,970,000 County Vocational-Technical Schools Bonds,
Series 2018A (New Jersey School Bond Reserve Act, 1980
N.J. Laws c. 72, as Amended)
Dated November 20, 2018
(CUSIP Number 59656NE99)

\$1,875,000 County College Bonds, Series 2018A
Dated November 20, 2018
(CUSIP Number 59656NE65)

Date of Issuance: November 20, 2018

NOTICE IS HEREBY GIVEN that the above designated County has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate dated as of November 20, 2018 executed by the County.

DATED: _____

DISSEMINATION AGENT
(on behalf of the County)

cc: County of Middlesex