

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

**COUNTY OF MIDDLESEX
STATE OF NEW JERSEY**

\$36,478,000 BOND ANTICIPATION NOTES

**Dated Date: June 4, 2020
Maturity Date: June 3, 2021**

**Coupon: 2.00%
Yield: 0.400%
CUSIP: 59656NJ94***

The \$36,478,000 aggregate principal amount of Bond Anticipation Notes, dated June 4, 2020 (the "Notes") are general obligations of the County of Middlesex, State of New Jersey (the "County"), payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid or if not paid from other sources, pledge the full faith and credit of the County to levy *ad valorem* taxes on all taxable property within the County without limitation as to rate or amount for the payment of the Notes and the interest thereon.

The Notes will be in fully registered book-entry only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Notes. Individual purchases of the Notes may be made in the principal amount of \$5,000 or any integral multiple thereof, except that those Notes in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants.

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

The Notes are authorized by and are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), various bond ordinances of the County duly adopted on the dates set forth herein and published as required by law and by a resolution duly adopted by the Board of Chosen Freeholders of the County on May 7, 2020 (the "Resolution").

The Notes are being issued to provide for the current refunding of a \$36,478,000 principal portion of \$37,739,000 Bond Anticipation Notes of the County dated June 6, 2019 and maturing June 5, 2020 (the "Prior Notes"), which Prior Notes were originally issued to temporarily finance the cost of various capital improvements in and for the County (the remaining portion of such Prior Notes is being paid by a 2020 budgetary appropriation of the County in the amount of \$1,261,000).

The Notes are not subject to redemption prior to maturity.

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

The Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the County in connection with the issuance of the Notes. It is anticipated that the Notes will be available for delivery through DTC on or about June 4, 2020.

BNY Mellon Capital Markets, LLC

Dated: May 20, 2020

* A registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP number listed above is being provided solely for the convenience of Noteholders only at the time of issuance of the Notes and the County does not make any representation with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Notes as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Notes.

**COUNTY OF MIDDLESEX
STATE OF NEW JERSEY**

THE BOARD OF CHOSEN FREEHOLDERS

Ronald G. Rios, Freeholder Director
Kenneth Armwood, Deputy Freeholder Director
Claribel A. Azcona-Barber, Freeholder
Charles Kenny, Freeholder
Leslie Koppel, Freeholder
Shanti Narra, Freeholder
Charles E. Tomaro, 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.,
a division of PKF O'Connor Davies, LLP
Cranford, New Jersey

BOND COUNSEL

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

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

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

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

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

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

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

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

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

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

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

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OFFICIAL STATEMENT
OF THE
COUNTY OF MIDDLESEX
STATE OF NEW JERSEY
RELATING TO
\$36,478,000 BOND ANTICIPATION NOTES

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the County of Middlesex (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$36,478,000 aggregate principal amount of Bond Anticipation Notes of the County (the "Notes"). This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared on behalf of the County by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the County ("Bond Counsel") and the Chief Financial Officer/County Treasurer of the County and has been authorized by the County to be distributed in connection with the sale and issuance of the Notes.

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

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

DESCRIPTION OF THE NOTES

The Notes comprise an issue of general obligation bond anticipation notes of the County in the aggregate principal amount of \$36,478,000, which Notes are being issued in anticipation of the issuance of bonds. The Notes shall be dated and shall bear interest from and shall mature as shown on the cover of this Official Statement. The Notes shall bear interest at the rate shown on the cover of this Official Statement, which interest is payable upon the maturity date as shown on the cover of this Official Statement. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. The Notes are not subject to redemption prior to maturity.

The Notes will be issued as fully registered notes in book-entry only form, and when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the County or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, except that those Notes in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not

receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the County or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Notes. See "THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION" herein.

AUTHORIZATION FOR THE ISSUANCE OF THE NOTES

The Notes have been authorized and are issued pursuant to: (i) Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), (ii) the bond ordinances duly adopted by the Board of Chosen Freeholders of the County on the dates set forth in the chart below, and (iii) a resolution duly adopted by the Board of Chosen Freeholders of the County on May 7, 2020. The bond ordinances authorizing the Notes were published in full or in summary, as applicable, after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the County.

PURPOSE OF NOTE ISSUE AND USE OF NOTE PROCEEDS

The Notes are being issued to provide for the current refunding of a \$36,478,000 principal portion of \$37,739,000 Bond Anticipation Notes of the County dated June 6, 2019 and maturing June 5, 2020 (the "Prior Notes"), which Prior Notes were originally issued to temporarily finance the cost of various capital improvements in and for the County (the remaining portion of such Prior Notes is being paid by a 2020 budgetary appropriation of the County in the amount of \$1,261,000). The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the Board of Chosen Freeholders of the County on the dates set forth in the following table and published as required by law:

Ordinance Number	General Purpose and Date of Final Adoption	Amount of Prior Notes Being Refunded	Amount of New Money	Amount of Paydown
357, as amended by 357(a), as amended by 357(b), as amended by 372, as amended by 357(c), as amended by 436	Various 2005 capital improvements by and in the County, finally adopted March 17, 2005 (357), as amended on March 2, 2006 (357(a)), December 7, 2006 (357(b)), May 1, 2008 (372), June 24, 2010 (357(c)) and May 18, 2017 (436)	\$1,131,616	\$0	\$42,960
361	Improvements and upgrades to the 800mhz system in and for the County, finally adopted December 1, 2005 (361)	\$593	\$0	\$590

Ordinance Number	General Purpose and Date of Final Adoption	Amount of Prior Notes Being Refunded	Amount of New Money	Amount of Paydown
362 as amended by 362(a), as amended by 372, as amended by 362(b), as amended by 386, as amended by 436	Various capital improvements in and for the County, finally adopted March 2, 2006 (362), as amended on August 17, 2006 (362(a)), May 1, 2008 (372), November 24, 2008 (362(b)), March 4, 2010 (386) and May 18, 2017 (436)	\$543,864	\$0	\$22,420
366 as amended by 366(a), as amended by 366(b), as amended by 343(e), as amended by 436	Various capital improvements in and for the County, finally adopted March 1, 2007 (366), as amended on July 12, 2007 (366(a)), November 24, 2008 (366(b)), May 17, 2012 (343(e)) and May 18, 2017 (436)	\$3,587,452	\$0	\$127,490
372 as amended by 372(a), as amended by 372(b), as amended by 343(e), as amended by 353(c), as amended by 436	Various capital improvements in and for the County, finally adopted May 1, 2008 (372), as amended on December 18, 2008 (372(a)), June 24, 2010 (372(b)), May 17, 2012 (343(e)), June 6, 2013 (353(c)) and May 18, 2017 (436)	\$4,429,273	\$0	\$160,020
375, as amended by 17-004	Reconstruction and remediation of Medwick Park in and for the County, finally adopted August 21, 2008 (375), as amended on December 21, 2017 (17-004)	\$3,083,506	\$0	\$114,210
383, as amended by 383(a), as amended by 436, as amended by 17-004	Various capital improvements in and for the County, finally adopted June 25, 2009 (383), as amended on June 6, 2013 (383(a)), May 18, 2017 (436) and December 21, 2017 (17-004)	\$4,458,479	\$0	\$183,030

Ordinance Number	General Purpose and Date of Final Adoption	Amount of Prior Notes Being Refunded	Amount of New Money	Amount of Paydown
390, as amended by 436, as amended by 17-004	Various capital improvements in and for the County, finally adopted May 20, 2010 (390), as amended on May 18, 2017 (436) and December 21, 2017 (17-004)	\$19,243,217	\$0	\$610,280
SUBTOTALS		<u>\$36,478,000</u>	<u>\$0</u>	<u>\$1,261,000</u>
TOTAL NOTES		<u>\$36,478,000</u>		

SECURITY FOR THE NOTES

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

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

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

RECENT HEALTHCARE DEVELOPMENTS

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States, and to each state within the United States, including the State, has been declared a Public Health Emergency of International Concern by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The outbreak of COVID-19 across the United States has caused the federal government to declare a national state of emergency. The State has likewise declared a state of emergency. While the potential impact on the State cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the finances of the State and the County (collectively, the "Affected Entities").

The degree of any such impact to the Affected Entities' respective operations and finances, is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the Affected Entities and their respective economies.

MARKET PROTECTION FOR THE NOTES

In addition to the issuance of the Notes, on or about July 9, 2020, the County anticipates issuing \$5,500,000 General Obligation Bonds, Series 2020, consisting of \$3,500,000 County Vocational-Technical Schools Bonds, Series 2020 (New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended) and \$2,000,000 County College Bonds, Series 2020 (collectively, the "Series 2020 Bonds"). Such Series

2020 Bonds are expected to be sold via a competitive sale on or about June 23, 2020. The County also anticipates issuing bonds through, and guaranteeing one or more issues of bonds to be undertaken by, the Middlesex County Improvement Authority for various capital projects during calendar year 2020. The County may issue obligations to refund certain existing obligations during calendar year 2020, subject to market conditions.

THE DEPOSITORY TRUST COMPANY (“DTC”) INFORMATION

The Depository Trust Company (“DTC”), New York, New York will act as Securities Depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes, in the aggregate principal amount of the issue of Notes, as set forth on the 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners

will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

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

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

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

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

The County, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other

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

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

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

Short-Term Financing

Local governmental units, including counties, may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter unless an amount of such notes, at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

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

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

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

Statutory Debt Limitation

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

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

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

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

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

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

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the

Registered Municipal Accountant for the local unit. Such Annual Financial Statement reflects the results of operations for the year of the current and utility funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget.

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

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

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including counties, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget must be certified as approved by the Director prior to final adoption of the budget by a county Board of Chosen Freeholders. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and, in the case of a county, the Director is required to review the adequacy of such appropriations. Among other restrictions, the Director must examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and nondisbursement items. The Director is empowered to permit a higher level of anticipation, however, should there be sufficient statutory or other evidence to substantiate that such anticipation is reasonable.

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

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

Limitation on Expenditures ("CAP Law")

N.J.S.A. 40A:4-45.4 places limits on county tax levies and expenditures, this law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the County shall limit any increase in

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

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

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

Deferral of Current Expenses

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

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

Budget Transfers

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

Anticipation of Real Estate Taxes

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

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

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

Collection of County Taxes

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

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

Anticipation of Miscellaneous Revenues

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

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

Debt Statements

The County must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a

refunding debt authorization. Before January 31 of each fiscal year, the County must file with the Division an Annual Debt Statement which is dated as of the last day of the preceding fiscal year. This report is made under oath and states the authorized, issued and unissued debt of the County as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the County's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

CAPITAL IMPROVEMENT PROGRAM

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

TAX MATTERS

Federal Income Taxation

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

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

Original Issue Premium

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

Additional Federal Income Tax Consequences

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Notes, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and

certain S corporations. Prospective purchasers of the Notes should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

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

Prospective Tax Law Changes

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

Other Tax Consequences

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

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

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

LEGALITY FOR INVESTMENT

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

MUNICIPAL BANKRUPTCY

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

impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

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

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

NOTEHOLDERS' RISK

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

CERTIFICATES OF THE COUNTY

Upon the delivery of the Notes, the original purchaser shall receive certificates, in form satisfactory to Bond Counsel and signed by officials of the County, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the County from that set forth in or contemplated by this Official Statement. In addition, the original purchaser of the Notes shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Notes and receipt of payment therefor, and certificates dated as of the date of the delivery of the Notes, and signed by the officers who signed the Notes, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Notes, or the levy or collection of taxes to pay

the Notes or the interest thereon, as applicable, or questioning the validity of the statutes or the proceedings under which the Notes are issued, as applicable, and that neither the corporate existence or boundaries of the County, nor the title of any of the said officers to the respective offices, is being contested.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the County of Middlesex, Middlesex County Administration Building, Third Floor, John F. Kennedy Square, 75 Bayard Street, New Brunswick, New Jersey 08901, Giuseppe Pruitt, Chief Financial Officer/County 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 Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the County or the title of any of the present officers. Further, to the knowledge of the County Counsel, no litigation is presently pending or threatened that, in the opinion of the County Counsel, would have a material adverse impact on the financial condition of the County if adversely decided. Upon the delivery of the Notes, the County shall furnish an opinion of its County Counsel for the Notes, dated the date of delivery of the Notes, attesting to the status of litigation in the County.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES

The County has covenanted for the benefit of noteholders to provide notices of the occurrence of certain enumerated events with respect to the Notes (the "Notices"), as set forth in section (b)(5)(i)(C) of Rule 15c2-12 (the "Rule") promulgated by the United States Securities and Exchange Commission (the "SEC"). The Notices will be filed by the County with the Municipal Securities Rulemaking Board (the "MSRB") and with a state information depository, if any. The specific nature of the Notices will be detailed in a certificate to be executed on behalf of the County by its Chief Financial Officer/County Treasurer, in the form appearing in Appendix D hereto (the "Note Disclosure Certificate"). Such Note Disclosure Certificate shall be delivered concurrently with the delivery of the Notes.

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

PREPARATION OF OFFICIAL STATEMENT

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

Phoenix Advisors, LLC, Municipal Advisor to the County, has participated in the 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., a division of PKF O'Connor Davies, LLP, Auditor to the County, has not participated in the review or preparation of this Official Statement and has not verified the accuracy or completeness thereof and accordingly, expresses no opinion or other assurance or assumes any responsibility with respect thereto, but has prepared the financial statements described below under the heading entitled "FINANCIAL STATEMENTS" and contained in Appendix B to this Official Statement and hereby states that the descriptions, statements and financial and statistical information contained therein, are true and correct in all material respects and it will confirm same to the purchaser of the Notes, by a certificate signed by an authorized officer.

RATING

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

UNDERWRITING

The Notes have been purchased from the County at a public sale by BNY Mellon Capital Markets, LLC, New York, New York (the "Underwriter"), at a price of \$37,037,656.42 (the "Purchase Price") in accordance with the terms of the Notice of Sale dated May 13, 2020 (the "Notice of Sale"). The Purchase Price represents the par amount of the Notes in the amount of \$36,478,000.00 plus a bid premium in the amount of \$559,656.42. The Underwriter is reoffering the Notes to the public at the initial public reoffering yield set forth on the front cover page of this Official Statement, which may subsequently change without notice.

MUNICIPAL ADVISOR

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

FINANCIAL STATEMENTS

The balance sheets – regulatory basis of the various funds and governmental fixed assets of the County as of and for the years ended December 31, 2018 and 2017 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, 2018, together with the Notes to the Financial Statements for the years ended December 31, 2018 and 2017, are presented in Appendix B to this Official Statement. The financial statements referred to above have been audited by Hodulik & Morrison, P.A., a division of PKF O'Connor Davies, LLP, Cranford, New Jersey, independent auditor, as stated in its report appearing in Appendix B. Also, included in Appendix B are unaudited balance sheets – regulatory basis of the various funds of the County as of December 31, 2019 and the related unaudited statement of operations and changes in fund balance – regulatory basis for the year ended December 31, 2019, without accompanying note disclosures. The unaudited financial statements referred to above have been abstracted from the annual financial statement (unaudited) of the County for the year ended December 31, 2019, as stated in the accountant's compilation report.

MISCELLANEOUS

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

COUNTY OF MIDDLESEX

/s/ Giuseppe Pruiti

GIUSEPPE PRUITI

Chief Financial Officer/County Treasurer

DATED: May 20, 2020

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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. Otlowski 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 2,760 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 \$565.5 million positive impact 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 11,158 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-four (34) Conservation Areas and Preserves, totaling 8,145 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. In 2018, the County completed 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. New playgrounds were installed at Alvin Williams Memorial Park in Woodbridge Township and John A. Phillips Park in Old Bridge Township. New energy efficient lighting, hand dryers and water saving fixtures were installed at comfort stations in Johnson Park and Donaldson Park with new epoxy flooring to follow in the fall of this year.

Middlesex County has preserved 55 farms through the Open Space, Recreation and Farmland and Historic Preservation Trust Fund, totaling 4,943 acres. Overall, more than 5,488 acres of farmland have been preserved throughout the County. That number includes preservation easements purchased through the County Farmland Preservation Program, as well as purchases made directly by the State, the municipalities, non-profit organizations and land donated to the County. The County is currently in the process of working to preserve a farm in Monroe Township totaling 36.8 acres, with additional farmland preservation applications in the pipeline.

New projects in 2019 includes construction of new and replacement pathway lighting at Spring Lake Park in the Borough of South Plainfield. Design of tennis, basketball and handball court resurfacing at Thompson Park and Spring Lake Park will be completed with construction anticipated in early 2020. The County will continue 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 57 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.

Phase I construction is underway 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. Phase II construction is expected to be awarded in 2019 with an anticipated opening in 2020. The County expects to continue open space acquisition, with due diligence, of properties in Edison Township, , Borough of Metuchen and North Brunswick Township.

Transportation. The County is one of the most heavily traveled regions in New Jersey. Located at the crossroads of the Northeast Corridor, the County is traversed by the New Jersey Turnpike, the Garden State Parkway, Interstate 287 and U.S. Routes 1, 9, and 130. There are also other arterial roads, including State Routes 18, 27, 28, 32, 33, 34, and 35, in addition to the 500 and 600 series of County routes which traverse the County and provide access to numerous residential, shopping, educational, medical, and recreational facilities. The Northeast Corridor rail line provides both Amtrak and NJ Transit commuter rail service (five stops within the County), and there also is regular NJ Transit service on both the North Jersey Coast Line (four stops within the County) and the Raritan Valley line which has a stop in Dunellen. Intercity rail service is also provided by Amtrak. These routes run through the County and have regular stops at Metropark and limited stops at New Brunswick City. The Acela Express and Northeast Regional trains operate between Boston and Washington D.C., as the Keystone operates between Harrisburg, Pennsylvania and New York Penn Station. The County also has a number of existing freight railroad lines that facilitated much of the growth of nearby developments which are located along rail lines that constituted a major transportation infrastructure in the late 19th and 20th century. Presently, the freight lines are in transition, evolving to serve the developing opportunities provided by container ports, oil, car transport, and other commodities unique to the County's big box distribution supply centers and warehouses.

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

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

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

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

Economy

The County has been a leader in new construction for many years. According to the December 2018 issue of the New Jersey Department of Community Affairs' Construction Reporter, the County, with \$1,632,867,885 in total dollar amount of Construction Authorized by Building Permits, is second (of the 21 counties) in the State overall; third in Estimated Cost of Residential Construction Authorized by Building Permits with \$736,035,152 and first in the Nonresidential Construction Authorized by Building Permits with \$896,832,733.

The December 2018 report ranks the County 1st in Office Square Feet Authorized by Building Permits (786,137 sq. ft), third in Residential Construction Authorized by Building Permits (2,238 units) and 136,747 square feet in Retail Square Feet by Square Footage. The 2018 median household income was as follows: County: 85,912; State \$80,088; US \$62,450¹

Highlights for 2018 for the County include:

- Rockefeller Group and PCCP LLC have filled a second building at their planned 2.1 million-square-foot industrial park in Piscataway, signing a 155,000-square-foot lease with a maker of ductless heating and cooling products. The tenant, Fujitsu General America Inc., will use the new space to distribute air conditioners, heat pumps and other products to customers in the Northeast as part of a consolidation and expansion of its New Jersey operations, Rockefeller said in a news release. It is the third company to sign a lease at what's known as Rockefeller Group Logistics Center, a speculative five-building project off River Road and minutes from Interstate 287.

- Woodmont Properties is touting the lease-up of 273 new apartments in Metuchen, while also marking the addition of three retailers to the mixed-use project. The developer announced that the residential component of the project, Woodmont Metro at Metuchen Station, is now fully leased. Meantime, the community's European-style shopping plaza, The Shops at Woodmont Metro, has welcomed Dean's Café, Olive Press Eatery and Hot Yoga Revolution to its ground-floor retail space. Located at Pearl and New streets, the luxury property is only steps from an NJ Transit rail stop and has been the most high-profile redevelopment in the borough in decades.
- More than a dozen companies have combined to lease 40,000 square feet in South Plainfield, where Denholtz Associates has renovated a six-building, 140,000-square-foot business park. The landlord announced Thursday that it has signed 15 leases during 2018 at the Oak Tree Business Center, located at 900-910 Oak Tree Road.
- The New Brunswick City Council approved a measure that would put the city on the path to be 100 percent reliable on clean energy by the year 2035, 15 years ahead of Gov. Phil Murphy's 2050 goal for the entire state. At Wednesday's council meeting, members approved the measure to create the New Brunswick Community Energy Aggregation program, which calls for 30 percent of the city's electricity to come from clean, renewable sources by 2020, reaching 50 percent in 2024 and 100 percent in 2035. Officials also approved an agreement with the Middlesex Regional Education Services Commission to work as a consultant for the city on how to roll out the NBCEA program by monitoring electricity-usage trends across the city.
- After many years of lagging home prices, New Jersey's real estate market is getting much stronger. The median home value in June was \$318,300, the first time it has hit that mark since January 2005, according to Zillow, the real estate website. Home prices have increased 8.7 percent in New Jersey in the past year, compared with the 8.3 percent nationally. Cranbury is one of the highest at number 12 with a median home value of \$717,200.
- The New Brunswick Performing Arts Center made great strides in its construction in 2018 of their 22-story project that will include 207 apartments, two state-of-the-art theater venues and 36,000 square feet. It is still on track to open in the fall of 2019 and will include artists such as the American Repertory Ballet, Crossroads Theatre Company, and George Street Playhouse.

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.

Employees

The County provides services through approximately 1,841 employees. County employees are represented by twenty-four (24) labor organizations recognized by the County under the Public Employees Relations Act of 1968 (P.E.R.C.).

Twenty-four labor unit agreements are settled and will expire on December 31, 2020.

TWENTY PRINCIPAL TAXPAYERS IN MIDDLESEX COUNTY, NEW JERSEY

Taxpayer	Location(s)	Assessed Valuation
Prologis	Carteret, Cranbury, Edison, Perth Amboy, Sayreville, South Brunswick	548,144,583
Digital Piscataway, LLC	Piscataway	420,710,300
Scudders Holdings, LLC	Plainsboro	253,054,208
Kinder Morgan	Carteret, Perth Amboy	212,099,800
Buckeye (Previously Chevron Oil)	Perth Amboy	193,207,600
ER Squibb & Sons	North Brunswick, Plainsboro	192,376,900
Isaac Heller	Edison, South Brunswick	185,717,000
Johnson & Johnson	New Brunswick	166,481,898
Center Realty	Edison	159,984,400
Whale Ventures, LLC	Piscataway	150,000,000
Shopping Center Assoc. (Menlo Park)	Edison	144,909,800
Quail Ridge Acquisitions, LLC	Plainsboro	134,160,000
Colgate Palmolive	Piscataway	126,952,600
Pleasant View Gardens Owner, LLC	Piscataway	125,620,000
US Real Estate Holdings	Piscataway	125,000,000
Harbortown Terrace, LLC	Perth Amboy	124,531,400
Atlantic Realty	Woodbridge	120,075,100
Hunters Glen, LLC	Plainsboro	120,000,000
Cedarbrook Corporate Center	Cranbury	118,107,000
Firmenich, LLC	Plainsboro	115,693,400
Costco Wholesale Corp.	Monroe	114,732,900
Fox Run Plains, LLC	Plainsboro	103,208,900

Source: Twenty largest taxpayers as reported by each municipality within the County, as of December 31, 2018.

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

<u>COMPANY</u>	<u>LOCATION EMPLOYEE SIZE</u>
1. Robert Wood Johnson University Hospital	5,000 – 5,249
2. Novo Nordisk	4,500 – 4,579
3. Wakefern Food Corp., Edison, NJ	3,500 – 3,749
4. J.F.K. Medical Center, Edison, NJ	3,000 – 3,369
5. Bristol-Myers Squibb	3,000 – 3,249
6. St. Peter's Healthcare System	2,750 – 2,999
7. Silverline Building Products	2,250 – 2,299
8. Johnson & Johnson	2,000 – 2,249
9. Raritan Bay Medical Center	2,000 – 2,249
10. Home Depot, Edison, NJ	1,750 – 1,999
11. United Parcel Service, Edison, NJ	1,750 – 1,999
12. Amerada Hess Corporation	1,500 – 1,749
13. Walmart Stores Inc., Edison, NJ	1,250 – 1,499
14. Ericsson	1,000 – 1,249
15. Prudential Insurance Company, Edison, NJ	1,000 – 1,249
16. Aetna/US Healthcare	1,000 – 1,249
17. BASF Catalyst, LLC, Edison, NJ	1,000 – 1,249
18. Colgate-Palmolive	1,000 – 1,249
19. Dow Jones & Company	1,000 – 1,249
20. White Rose Inc.	750 – 1,000

Source: Middlesex County Department of Economic Business Development, May 2019

**MIDDLESEX COUNTY, NEW JERSEY
LABOR FORCE**

				County	New Jersey	Nationwide
				Unemployment	Unemployment	Unemployment
Year	Labor Force	Employment	Unemployment	Rate	Rate	Rate
2007	420,000	401,500	18,500	4.4%	5.1%	4.8%
2008	425,000	403,700	21,400	5.0	5.5	5.8
2009	426,799	389,700	37,000	8.7	9.2	9.3
2010	422,900	386,200	36,700	8.7	9.5	9.6
2011	436,200	399,500	36,200	8.8	9.3	8.9
2012	438,700	404,000	34,800	7.9	9.3	7.6
2013	443,800	410,900	32,900	7.4	8.2	7.4
2014	443,800	422,800	21,000	4.7	6.2	5.6
2015	439,800	422,900	16,900	3.8	4.4	5.0
2016	441,695	426,188	15,507	3.5	4.1	4.7
2017	458,760	439,033	19,727	4.3	4.0	4.1
2018	457,563	437,430	20,133	4.4	5.1	4.8

Source: ESRI Community Profile 2019

**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
2018	853,646	9,122,878	330,088,686
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

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

	<u>One & Two</u>	<u>Multi-Family/Mixed</u>	<u>Total Housing</u>
<u>Year</u>	<u>Family</u>	<u>Use</u>	<u>Units</u>
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
2018	744	1,464	2,238

Sources: ESRI Housing Profile, 2019

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

	Census 2010		2018		2023	
	Number	Percent	Number	Percent	Number	Percent
TOTAL UNITS	294,800	100.0%	307,092	100.0%	314,761	100.0%
Occupied	281,186	95.4%	293,110	95.4%	300,426	95.4%
Owner	187,147	63.5%	185,993	60.6%	193,448	61.5%
Renter	94,039	31.9%	107,117	34.9%	106,978	34.0%
Vacant	13,614	4.9%	13,982	4.6%	14,335	4.6%

OWNER OCCUPIED HOUSING UNITS BY VALUE

	2018		2023	
	Number	Percent	Number	Percent
TOTAL	185,937	100%	193,389	100%
Less than \$50,000	2,615	1.4	1,354	0.7
\$50,000-\$99,999	3,151	1.7	2,390	1.2
\$100,000-\$149,999	7,024	3.8	5,611	2.9
\$150,000-\$199,999	11,906	6.4	11,045	5.7
\$200,000-\$249,999	20,247	10.9	17,954	9.3
\$250,000-\$299,999	22,984	12.4	21,068	10.9
\$300,000-\$399,999	48,438	26.1	49,678	25.7
\$400,000-\$499,999	34,547	18.6	39,079	20.2
\$500,000-\$749,999	27,209	14.6	33,946	17.6
\$750,000-\$999,999	5,942	3.2	8,445	4.4
\$1,000,000 and above	1,874	1.0	2,819	1.5
Median Value	\$351,698		\$375,028	
Average Value	\$385,019		\$415,729	

Source: ESRI Housing Profile, 2019

MIDDLESEX COUNTY, NEW JERSEY
STATUTORY DEBT
AS OF DECEMBER 31, 2018¹
(UNAUDITED)

GROSS DEBT:

Issued and Outstanding:	
Bonds.....	\$ 268,224,000
Notes: Dated June 12, 2018 due June 11, 2019.....	39,000,000
Total Bonds & Notes Issues & Outstanding.....	307,224,000
Authorized but not Issued	152,542,059
County Loans from MCIA	4,335,227
Green Acres Trust Program Loans	20,600,064
Subtotal	\$484,701,350
Less:	
County College Bonds payable by	
State of New Jersey	15,387,500
Accounts Receivable from MCIA Loans	1,715,687
Accounts Receivable from Heldrich Loan	2,055,000

STATUTORY NET DEBT (includes Authorized but not Issued) ² \$465,543,163

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, 2018
(UNAUDITED)

Three Year Average Equalization Basis (2016,2017,2018)	<u>\$ 106,433,015,233</u>
Statutory Borrowing Capacity (2% of Equalized Basis)....	\$2,128,660,305
Statutory Net Debt ¹	<u>\$465,543,163</u>
Remaining Borrowing Capacity	<u>\$1,663,117,142</u>
Percentage of Net Debt to Equalized Valuation Basis	<u>0.44%</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, 2018
(UNAUDITED)

SERIES	DESCRIPTION	ISSUE DATE	ORIGINAL ISSUE AMT.	GUARANTEE BALANCE ¹
2007	Heldrich Bond Issue	June 13, 2007	\$3,000,000	\$1,900,000
2008	Capital Equipment Lease Revenue	Dec. 12, 2008	13,100,000	280,000
2008	Open Space (Refunded Bonds)	June 19, 2008	29,545,000	1,340,000
2009	Capital Equipment Lease Revenue	Sept. 30, 2009	13,115,000	1,170,000
2009	Refunding Golf Course Centers	Dec. 18, 2009	4,755,000	2,420,000
2009	Open Space Bonds (Refunding Bonds)	Dec. 23, 2009	20,265,000	5,995,000
2010	Education Services Comm. Project (Refunding)	July 8, 2010	5,300,000	635,000
2011	Open Space (Refunding Bonds)	Sept. 21, 2011	46,830,000	26,190,000
2012	Capital Equipment Lease Revenue	Sept. 15, 2012	11,815,000	1,165,000
2013	Capital Equipment Lease Revenue	Oct. 15, 2013	13,840,000	1,030,000
2013	Refunding Golf Course Centers	June 01, 2013	11,875,000	9,175,000
2014	Capital Equipment Lease Revenue	Sept. 15, 2014	17,275,000	3,630,000
2014	Education Services Comm. Project (Refunding)	May 7, 2014	9,385,000	6,465,000
2014	Education Services Comm. Project A (Refunding)	Dec. 30, 2014	30,170,000	29,770,000
2015	Capital Equipment Lease Revenue	Sept. 30, 2015	8,080,000	3,560,000
2016	Capital Equipment Lease Revenue	Sept. 29, 2016	7,075,000	4,370,000
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	9,075,000
2017	Education Services Comm. Project (ESCNJ)	Aug 31, 2017	13,170,000	13,080,000
2017	New Brunswick Cultural Center	Sept. 7, 2017	28,430,000	28,430,000
2018	Capital Equipment Lease Revenue	Sept. 15, 2018	<u>8,650,000</u>	<u>8,650,000</u>
Total:			<u>\$325,750,000</u>	<u>\$177,490,000</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, 2018
(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)	52,501
2009 Civic Square III (Refunding) COP	10,125,000
2011 Civic Square II (Refunding) COP	4,820,000
2011 Civic Square II (Refunding) COP	22,520,000
2012 Civic Square IV (Refunding) COP	28,510,000
2014 Capital Equipment Lease Revenue	278,148
2014 County Loan from MCIA (Net)	2,694,778
2015 County Loan from MCIA (Net)	2,032,585
2016 County Loan from MCIA (Net)	2,983,403
2017 County Loan from MCIA (Net)	5,938,546
2018 County Loan from MCIA (Net)	<u>5,182,564</u>
Total:	<u>\$92,537,525</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.

**MIDDLESEX COUNTY
SUBSEQUENT EVENTS**

For January 1, 2019 – June 6, 2019 see “Subsequent Events on page 79 in the Middlesex County Audit for the year ended December 31, 2018 and 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>	<u>Equalized Valuation</u>	<u>Gross Debt December 31</u>	Percentage Gross Debt		Percentage Net Debt	
			<u>Equalized Valuation</u>	<u>Net Debt December 31</u>	<u>Equalized Valuation</u>	
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	102,248,645,049	700,844,475	0.6854%	512,964,315	0.5017%	
2017	105,288,246,541	690,097,707	0.6554%	476,938,580	0.4530%	
2018	111,762,154,109	662,191,350	0.5925%	465,543,163	0.4165%	

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, 2018
(UNAUDITED)

Year	Principal ^{1,2}	Interest ³	Total Debt Service ⁴
2019	\$40,520,000	\$8,104,639	\$48,624,639
2020	40,090,000	6,641,219	46,731,219
2021	36,240,000	5,453,051	41,693,051
2022	25,590,000	4,449,890	30,039,890
2023	21,240,000	3,727,618	24,967,618
2024	19,435,000	3,076,212	22,511,212
2025	16,490,000	2,480,343	18,970,343
2026	15,585,000	1,958,768	17,543,768
2027	15,120,000	1,477,311	16,597,311
2028	14,194,000	1,025,403	15,219,403
2029	9,150,000	672,930	9,822,930
2030	5,230,000	433,100	5,663,100
2031	5,025,000	249,811	5,274,811
2032	2,505,000	120,093	2,625,093
2033	1,175,000	43,531	1,218,531
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:	\$268,224,000	\$39,942,951	\$308,166,951

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 \$15,387,500.

³ Includes State share of interest on County College Bonds in the amount of \$3,014,084.

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, 2018
(UNAUDITED)

Year	Principal ^{1,2}	Interest ³	Total Debt Service ⁴
2019	\$39,237,500	\$7,614,713	\$46,852,213
2020	38,732,500	6,216,229	44,948,729
2021	34,920,000	5,066,229	39,986,229
2022	24,245,000	4,100,995	28,345,995
2023	19,875,000	3,418,065	23,293,065
2024	18,045,000	2,808,743	20,853,743
2025	15,065,000	2,258,481	17,323,481
2026	14,235,000	1,782,974	16,017,974
2027	13,765,000	1,345,817	15,110,817
2028	13,194,000	933,835	14,127,835
2029	8,477,500	612,274	9,089,774
2030	4,885,000	391,044	5,276,044
2031	4,675,000	218,367	4,893,367
2032	2,150,000	99,600	2,249,600
2033	820,000	34,272	854,272
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:	\$252,836,500	\$36,928,867	\$289,765,367

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 \$15,387,500.

³ Includes State share of interest on County College Bonds in the amount of \$3,014,084..

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>	Aggregate Assessed Valuation of Taxable Property (in dollars)	Ratio of Assessed to True Value of Taxable Property	Equalized Valuation (in dollars)	County Equalized Tax Rate Per \$100
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	57.62%	103,467,776,130	0.3690
2018	60,988,995,814	57.22%	106,582,434,678	0.3670

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	8,163,066,431SS	7,422,592,916	3,417,544,200	59,524,779,197
2018	1,072,053,454	40,280,373,900	146,209,900	8,195,683,971	7,604,241,071	3,609,092,800	60,907,655,096
2019	1,045,955,354	41,083,968,689	145,052,100	8,298,557,471	7,956,767,871	3,696,767,871	62,226,555,185

Source: Middlesex County Board of Taxation

**MIDDLESEX COUNTY, NEW JERSEY
DEBT ANALYSIS
DECEMBER 31, 2018
(UNAUDITED)**

Full Valuation Per Capita ¹	\$124,855.54
County Net Debt (\$465,543,163) ²	0.437%
County Net Debt per Capita ¹	\$545.36
Municipal Net Debt (\$1,090,188,525) ²	1.024%
Municipal Net Debt per Capita ¹	\$1,277.10
Combined Direct Net Debt ²	1.462%
Combined Direct Net Debt per Capita ¹	\$1,822.46

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

¹ Based upon year 2018 Population of 853,646 and 2018 Aggregate True Value of \$106,582,434,678 per the 2018 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 \$106,433,015,233 (for years 2016, 2017, and 2018).

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). 2018 Aggregate True Value, year 2018 Population and December 31, 2018 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, 2018, the MCUA had \$115,703,743 aggregate principal amount of debt outstanding relating to the Waste Water Division Component and \$16,577,537 aggregate principal amount of debt outstanding relating to the Solid Waste Division Component. No actual or contingent liability for the payment of any such indebtedness exists on the part of the County.

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

Municipality	2015	2016	2017	2018	2019	Tax Rate Per \$100 Valuation	2018 Percent of Collection **
Carteret Boro	\$2,215,022,158	\$2,183,837,869	\$2,206,662,949	\$2,289,561,570	\$2,566,484,822	0.375	98.27
Cranbury Twp	1,467,820,463	1,559,947,896	1,525,848,058	1,630,433,601	1,825,460,397	0.369	99.44
Dunellen Boro	568,041,053	593,289,232	601,419,131	597,114,728	622,635,344	0.339	98.29
East Brunswick Twp	7,171,369,479	7,140,250,110	7,273,330,826	7,514,827,698	7,836,894,006	1.466	98.95
Edison Twp	14,707,968,404	15,727,414,723	15,961,613,143	16,583,245,741	17,551,031,338	0.869	99.73
Helmetta Boro	201,665,013	202,885,809	211,121,144	207,868,241	217,881,336	0.418	98.18
Highland Park Boro	1,275,352,475	1,298,309,135	1,271,362,906	1,362,134,950	1,408,215,339	0.876	99.95
Jamesburg Boro	443,277,283	435,350,540	443,026,923	446,595,618	450,458,510	0.674	98.09
Metuchen Boro	2,190,249,757	2,283,881,743	2,343,041,025	2,380,520,174	2,402,189,438	0.808	99.12
Middlesex Boro	1,407,192,360	1,416,008,849	1,459,868,096	1,487,917,062	1,558,756,387	1.127	98.42
Milltown Boro	857,046,578	858,236,200	882,224,874	892,836,364	914,675,588	0.733	97.90
Monroe Twp	7,373,011,854	8,097,648,564	8,647,586,697	8,915,617,575	9,309,723,058	0.427	99.02
New Brunswick City	3,276,893,385	3,209,818,471	3,340,868,868	3,447,263,259	3,465,543,605	0.364	99.84
North Brunswick Twp	4,488,181,475	4,535,680,708	4,498,276,710	4,591,529,090	4,653,563,648	0.662	100.22
Old Bridge Twp	7,009,317,782	7,355,860,113	7,537,644,595	8,228,233,085	8,121,067,833	0.827	99.34
Perth Amboy City	3,206,794,805	3,074,156,692	3,264,101,142	3,178,439,442	3,462,346,579	0.375	100.70
Piscataway Twp	6,362,944,683	6,992,903,827	6,992,261,473	6,982,716,964	7,900,321,863	0.373	98.99
Plainsboro Twp	3,934,558,955	4,049,537,640	4,337,221,593	4,485,181,379	4,693,534,890	0.368	98.96
Sayreville Boro	4,446,175,185	4,569,924,865	4,673,153,751	4,703,088,282	4,835,821,184	0.750	98.88
South Amboy City	829,336,800	859,767,737	842,359,951	877,872,449	930,577,455	0.370	99.78
South Brunswick Twp	7,979,299,583	8,751,413,961	8,677,593,421	8,842,349,546	10,203,328,560	0.948	99.14
South Plainfield Boro	3,832,729,139	3,813,794,648	3,723,235,606	3,843,714,759	4,006,630,876	0.999	98.73
South River Boro	1,293,849,676	1,341,187,237	1,354,166,813	1,386,482,532	1,423,394,580	1.237	98.03
Spotswood Boro	773,106,424	779,306,164	785,955,400	793,187,090	819,444,152	0.394	98.51
Woodbridge Twp	10,844,503,459	11,525,153,357	10,713,831,035	10,913,703,479	11,549,228,325	1.289	99.01
Totals	\$ 95,920,975,412	\$ 98,155,708,228	\$ 102,655,566,090	\$ 103,567,776,130	\$ 106,582,434,678		

* 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.

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

MIDDLESEX COUNTY, NEW JERSEY
GROSS AND STATUTORY DEBT OF CONSTITUENT MUNICIPALITIES
DECEMBER 31, 2018¹

<u>Municipality</u>	<u>Gross Debt</u>			<u>Statutory Deductions¹</u>			<u>Net Debt</u>	<u>Averaged</u>	<u>% of</u>
	<u>School</u>	<u>Self-Liquidating</u>	<u>General</u>	<u>School</u>	<u>Self-Liquidating</u>	<u>General</u>		<u>Equalized</u>	<u>Net</u>
								<u>Valuations</u>	<u>Debt</u>
Carteret	7,930,000.00	-	101,497,984.33	7,930,000.00	-	51,333,926.19	50,164,058.14	2,418,242,105.67	2.07
Cranbury	1,720,000.00		23,226,694.00	1,720,000.00		3,941,534.00	19,285,160.00	1,581,165,454.00	1.22
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	1.28
East Brunswick	81,421,480.00	39,125,000.00	55,455,822.00	81,421,480.00	39,125,000.00	23,907,000.00	31,548,822.00	7,508,467,456.67	0.42
Edison	2,500,000.00	13,824,954.60	112,923,902.18	2,500,000.00	13,824,954.60	-	112,923,902.18	16,533,596,122.67	0.68
Helmetta	3,222,250.20	1,141,509.64	1,300,000.00	3,222,250.20	1,141,509.64	-	1,300,000.00	209,699,995.33	0.62
Highland Park	19,750,000.00	5,611,409.58	19,012,568.75	19,750,000.00	5,611,409.58	-	19,012,568.75	1,328,596,769.00	1.43
Jamesburg	1,255,000.00			1,255,000.00	-		-	442,763,807.67	-
Metuchen	291,600.00	16,181,600.00	15,174,820.00	291,600.00	16,181,600.00	15,174,820.00	-	2,312,751,810.67	0.66
Middlesex	1,795,000.00	1,152,000.00	17,828,901.60	1,795,000.00	1,128,091.20	64,317.08	17,764,584.52	1,497,282,712.22	1.19
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	1.83
Monroe	116,320,000.00	54,421,890.06	81,429,398.83	116,320,000.00	54,421,890.06	17,208,240.00	64,221,158.83	8,761,371,331.67	0.73
New Brunswick	19,885,000.00	54,775,285.56	451,445,913.66	19,885,000.00	54,775,285.56	394,650,536.25	56,795,377.41	3,336,505,842.33	1.70
North Brunswick	111,098,000.00	43,097,563.23	81,450,750.00	111,098,000.00	43,097,563.23	18,702,468.00	62,748,282.00	4,482,877,944.00	1.40
Old Bridge	28,980,000.00	1,178,116.00	41,084,788.74	28,980,000.00	28,980,000.00	-	42,262,904.74	7,895,419,948.33	0.54
Perth Amboy	1,145,000.00	87,717,612.39	97,346,094.63	1,145,000.00	1,145,000.00	1,112,188.86	96,233,905.77	3,223,177,865.67	2.99
Piscataway	13,485,000.00	3,410,000.00	131,905,435.94	13,485,000.00	13,485,000.00	-	131,905,435.94	7,227,724,290.67	1.83
Plainsboro	147,815,000.00	-	40,419,229.00	147,815,000.00	147,815,000.00	1,813,433.15	38,605,795.85	4,525,327,883.33	0.85
Sayreville	39,273,201.00	23,297,279.24	47,418,399.00	39,273,201.00	39,273,201.00	-	47,418,399.00	4,672,462,248.33	1.02
South Amboy	7,145,000.00	-	21,403,523.39	7,145,000.00	7,145,000.00	3,420,311.00	17,983,212.39	884,922,644.67	2.03
South Brunswick	68,770,000.00	55,489,471.80	43,932,884.70	68,770,000.00	55,226,591.80	-	44,195,764.70	9,045,627,345.67	0.49
South Plainfield	31,514,000.00	600,898.00	22,739,933.04	31,514,000.00	74,740.80	-	23,266,090.24	3,800,258,684.67	0.61
South River	8,934,770.80	8,514,000.00	27,631,384.81	8,934,770.80	8,934,770.80	-	27,631,384.81	1,384,569,495.33	2.00
Spotswood	11,697,741.98	5,832,500.00	6,523,242.33	11,697,741.98	11,697,741.98	-	6,523,242.33	790,838,454.67	0.83
Woodbridge	115,073,113.00	150,866,375.00	178,074,169.00	115,073,113.00	115,073,113.00	23,236,969.00	154,837,200.00	10,918,881,912.33	1.42
	852,048,156.98	592,839,303.76	1,642,787,172.38	852,048,156.98	684,759,301.91	554,565,801.01	1,090,188,524.57	106,250,365,165.90	

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
2018 AND 2019
BUDGETS

The Board of Chosen Freeholders adopted its 2019 Budget on March 21, 2019. The 2019 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 2018 AND 2019 BUDGETS

	2018	2019
	Budget	Budget
Revenues:	(As Amended)	
Surplus Anticipated	\$ -	\$ -
State Aid, State Refunds, State Share of Costs & Federal Grants	74,884,218	47,960,646
Miscellaneous Fees, Rentals, Charges Earned by County	22,635,859	22,588,766
Interest on Investments and Deposits	1,636,942	1,590,191
Added and Omitted Taxes	194,352	429,869
Open Space Trust Fund	13,684,029	10,644,247
Amount to be Raised by Taxation-County Purpose Tax	389,875,249	401,702,000
TOTAL	\$ 502,910,649	\$ 484,915,719
Appropriations:		
General Government	\$ 117,350,615	\$ 127,967,750
Utilities and Bulk Purchases	8,320,000	8,900,000
Judiciary	813,193	951,203
Regulation	29,545,141	32,256,815
Roads and Bridges	8,377,195	7,635,400
Correctional and Penal	40,979,483	43,495,622
Health and Welfare:		
Hospitals, Mental Health, Aged, etc.	38,470,258	39,491,187
Welfare Assistance and Administration	16,403,189	16,103,583
Education	46,547,230	47,375,598
Recreation	8,144,013	8,069,000
Unclassified	24,470,080	21,420,881
Other Local State & Federal Aid Programs	45,573,039	16,576,747
Contingent Fund	736,438	950,900
Capital Improvements	29,763,493	18,000,000
Debt Service	58,337,673	59,257,720
Deferred Charges and Statutory Expenditures	28,568,288	30,963,313
TOTAL	\$ 502,637,550	\$ 484,915,719

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

	<u>Audited 2016</u>	<u>Audited 2017</u>	<u>Audited 2018</u>
Fund Balance January 1st	\$ 42,242,831	\$ 54,101,189	\$ 64,046,285
CURRENT REVENUE ON A CASH BASIS:			
Current Taxes	368,963,000	380,430,059	389,875,249
Other Revenues and Additions to Income	<u>114,670,623</u>	<u>116,723,093</u>	<u>123,113,021</u>
Total Funds	<u>\$ 483,633,623</u>	<u>\$ 497,153,152</u>	<u>\$ 512,988,270</u>
EXPENDITURES AND TAX REQUIREMENTS:			
Total Expenditures and Tax Requirements	<u>\$471,775,265</u>	<u>\$487,208,056</u>	<u>\$ 503,010,645</u>
FUND BALANCE DECEMBER 31st	<u>\$ 54,101,189</u>	<u>\$ 64,046,285</u>	<u>\$ 74,023,910</u>

**MIDDLESEX COUNTY, NEW JERSEY
2019**

**CAPITAL BUDGET
(IMPROVEMENTS AND EQUIPMENT)**

Project Title	Amount
Administration	\$ 20,100,000
Roads - Engineering	22,000,000
Bridges - Engineering	8,400,000
Road - Improvements	5,900,000
Parks	2,000,000
Education	5,100,000
TOTAL	\$ 63,500,000

Project Title	Amount
Administration	\$ 20,100,000
Roads - Engineering	22,000,000
Bridges - Engineering	8,400,000
Road - Improvements	5,900,000
Parks	2,000,000
Education	5,100,000
TOTAL	\$ 63,500,000

Source: County of Middlesex – 2019 Capital Budget.

APPENDIX B
AUDIT REPORT OF THE COUNTY FOR THE YEAR ENDED DECEMBER 31, 2018
AND UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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HODULIK & MORRISON, P.A.

A division of



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, 2018, 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 August 28, 2019. 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.
A division of PKF O'Connor Davies
Certified Public Accountants
Public School Accountants

Highland Park, New Jersey
August 28, 2019

COUNTY OF MIDDLESEX, NEW JERSEY
FINANCIAL STATEMENTS – REGULATORY BASIS

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND DECEMBER 31, 2017

	REF.	<i>As of December 31,</i>	
		2018	2017
<u>ASSETS</u>			
Regular Fund:			
Cash and Investments	A - 4	\$ 82,146,832	\$ 71,709,384
Cash - Change Fund	Reserve	600	600
Local Grants Receivable	A - 5	276,738	648,360
State and Federal Grants Receivable	A - 6	31,607,480	49,937,120
<i>Total Regular Fund Assets</i>		<u>114,031,650</u>	<u>122,295,464</u>
Receivables and Other Assets with Full Reserves:			
Inventory	A - 7	1,635,637	1,918,800
Added & Omitted Taxes Receivable	A - 8	429,870	194,352
Revenue Accounts Receivable	A - 9	965,912	1,454,596
<i>Total Receivables and Other Assets with Full Reserves</i>		<u>3,031,419</u>	<u>3,567,748</u>
Total Assets		<u>\$ 117,063,069</u>	<u>\$ 125,863,212</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3,A-10	\$ 5,410,739	\$ 6,354,429
Reserve for Encumbrances	A - 11	4,110,326	10,639,108
Accounts Payable	A - 12	588,673	1,912,964
Payroll Deductions	A - 13	1,452,156	1,713,412
Unappropriated Reserves	A - 15	2,672	1,211
Reserve for Local Grants:			
Appropriated	A - 14	1,739,899	1,951,041
Unappropriated	A - 18	1,376,725	1,760,134
Reserve for Federal & State Grants:			
Appropriated	A - 16	25,027,906	33,599,612
Unappropriated	A - 17	336,814	317,268
<i>Total Liabilities and Reserve for Grants</i>		<u>40,045,910</u>	<u>58,249,179</u>
Reserve for Receivables	Reserve	3,031,419	3,567,748
Fund Balance	A - 1	74,023,910	64,046,285
Total Liabilities, Reserves and Fund Balance		<u>\$ 117,101,239</u>	<u>\$ 125,863,212</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, 2018 AND DECEMBER 31, 2017

	REF.	<i>For the year ended December 31,</i>	
		2018	2017
Revenues:			
Miscellaneous Revenue Anticipated	A - 2	\$ 113,009,750	\$ 110,593,790
Receipts from Current Taxes	A - 2	389,875,249	380,430,059
Receipts from Added and Omitted Taxes	A - 2	2,886,069	2,769,203
Miscellaneous Revenues Not Anticipated	A - 2	4,651,279	2,080,844
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A - 10	1,459,254	1,049,729
Accounts Payable Cancelled	A - 12	611,425	223,513
Federal & State Grants Appropriated - Cancellations (Net)	A - 16	495,244	6,014
<i>Total Income</i>		<u>512,988,270</u>	<u>497,153,152</u>
Expenditures:			
Budget Appropriations:			
Salaries and Wages	A - 3	122,012,373	121,069,454
Other Expenses	A - 3	218,679,981	222,442,217
Public and Private Programs	A - 3	45,270,342	41,410,511
Debt Service	A - 3	58,337,673	61,386,693
Capital Improvements	A - 3	29,763,493	13,806,109
Deferred Charges and Statutory Expenditures	A - 3	28,568,288	27,093,072
Other Debits to Income:			
Return of Prior Year Revenue	A - 4	378,495	
<i>Total Expenditures</i>		<u>503,010,645</u>	<u>487,208,056</u>
<i>Excess in Revenue</i>		9,977,625	9,945,096
Fund Balance, January 1	A	<u>64,046,285</u>	<u>54,101,189</u>
Fund Balance, December 31	A	<u>\$ 74,023,910</u>	<u>\$ 64,046,285</u>

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT A-2
PAGE 1 OF 5

	<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Miscellaneous Revenues:					
Local Revenues:					
County Clerk	A-9	\$ 10,413,015		\$ 11,141,196	\$ 728,181
Surrogate	A-9	1,106,098		558,855	(547,243)
Sheriff	A-9	3,119,906		3,404,381	284,475
Fines	A-9	525,648		401,502	(124,146)
Interest on Invests. and Deposits	A-9	1,052,340		1,636,942	584,602
Mental Health Clinics:					
Other Revenue	A-9	2,902,540		2,201,832	(700,708)
Adult Correction Facility - Work Release Fees	A-9	90			(90)
Adult Correction Facility Inmate Medical Co-Pay	A-9	8,583		9,122	539
Adult Correction Facility Inmate Processing Fees	A-9	213,876		200,437	(13,439)
Adult Correction Facility SSA Inmate Finders Fee	A-9	26,607		35,000	8,393
Archives and Records Management Service Fees	A-9	50,043		51,448	1,405
Bail Bond Forfeitures	A-9	559,116		173,979	(385,137)
County Auction	A-9	216,033		152,247	(63,786)
Custody Charges - State Inmates in County Institutions	A-9	80,921		47,347	(33,574)
Discovery Fees and Reproduction Costs	A-9	21,011		21,946	935
Fire Academy Fees	A-9	322,800		379,557	56,757
MCIA Skating Rink	A-9	100,107		68,102	(32,005)
Microfilm and Printing Fees	A-9	34,526		44,490	9,964
Municipal School District Share of Election Expense	A-9	375,000		422,422	47,422
N. J. Department of Education-Child Nutrition Program	A-9	131,798		122,119	(9,679)
Parks Department - Fees and Permits	A-9	408,447		419,799	11,352
Plays in the Park Admissions	A-9	220,950		200,927	(20,023)
Property Rentals	A-9	415,145		405,824	(9,321)
Road Opening Fees	A-9	160,866		190,948	30,082
Sale of Plans and Specifications	A-9	14,520		15,215	695
Subdivision and Site Plan Review Fees	A-9	419,886		330,222	(89,664)
State Aid:					
County College Bonds (N.J.S.A. 18:64A-22.6)	A-9	1,697,821		1,492,537	(205,284)
State Assumption of Costs:					
Social and Welfare Services (C. 66, P.L. 1990):					
Supplemental Social Security Income	A-9	1,204,211		1,285,743	81,532
Psychiatric Facilities (C. 73, P.L. 1990):					
Board of County Patients in State and Other Institutions	A-9	266			(266)
Federal and State Revenues Offset with Appropriations:					
Workforce - DHS	A-6	211,890	\$ 6,426,927	6,638,817	
U.S. Department of Health and Human Services:					
Area Plan Grant - Program on Aging - Title III Federal	A-6	1,976,218	1,083,389	3,059,607	
MC Area Wide S.H.I.P. Grant	A-6		32,000	32,000	
Senior Meals MC	A-6	1,125,599	742,825	1,868,424	
U.S. Department of Health and Human Services Direct Program:					
HIV Emergency Relief Program	A-6		2,810,586	2,810,586	
U.S. Department of Transportation:					
2018 Annual Transportation Program (ATP)	A-6		11,115,819	11,115,819	
Job Access Reverse Commute	A-6	230,000		230,000	
Subregional Transportation Planning	A-6		182,571	182,571	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT A-2
PAGE 2 OF 5

	<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
U.S. Department of Justice:					
Pass-through State Department of Law and Public Safety					
Division of Criminal Justice:					
Arts & Wellness ~ Survivors	A-6		130,000	130,000	
Insurance Fraud Reimb.	A-6	250,000		250,000	
Midd. Victim Assist. Program	A-6		100,870	100,870	
Midd. Victim Assist. Suppl.	A-6		367,203	367,203	
Multi-Jurisdictional Task Force (RJAG-1-12-TF-09C)	A-6		373,003	373,003	
Multi-Jurisdictional Task Force (RJAG-1-12-TF-09C)	A-6		93,459	93,459	
Rape Prevention & Education	A-6		60,883	60,883	
SART/SANE Project	A-6		141,384	141,384	
Sexual Assault Advocacy & Rape Care (SAARC)	A-6		192,428	192,428	
Sexual Assault Advocacy	A-6		45,000	45,000	
Division of Highway and Traffic Safety:					
DWI Enforcement Grant	A-6		59,790	59,790	
Comprehensive Traffic Safety	A-6		117,800	117,800	
Juvenile Justice Commission:					
Family Court Services	A-6	249,823		249,823	
Juvenile Detention Alt. (JDAI)	A-6	124,000		124,000	
State/Community Partnership Grant Program	A-6	453,049		453,049	
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		73,994	73,994	
EMMA Grant - OEM -Interoperable Emergency Comm.	A-6		55,000	55,000	
Office of Homeland Security:					
Homeland Security Grant	A-6		420,905	420,905	
Urban Areas Security Initiative	A-6		373,000	373,000	
N.J. Department of Environmental Protection:					
Clean Communities Grant	A-6		94,366	94,366	
Solid Waste Service Tax	A-6		594,778	594,778	
Environmental Health Act	A-6		331,817	331,817	
REA Fund Entitlement Act - Interest	A-6	4,865		4,865	
REA Fund Entitlement Act	A-6		609,110	609,110	
N.J. Department of Children and Family Services					
Childhood Lead Poisoning Prevention	A-6		1,354,000	1,354,000	
Human Services Council	A-6	317,261		317,261	
NJDH & S CEED Program	A-6		737,882	737,882	
Public Priority Health Funding	A-6	233,252		233,252	
Special Child Health Case Management	A-6		202,581	202,581	
Tuberculosis f	A-6		219,121	219,121	
Youth Incentive Program	A-6	47,550		47,550	
N.J. Department of Education:					
DYFS - Community-Based Program - JINS	A-6	469,937		469,937	
Juvenile Education	A-6	247,500	20,626	268,126	
North Brunswick - Title I Funds Compensatory Education	A-6	280,327		280,327	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT A-2
PAGE 3 OF 5

	<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
N.J. Department of Human Services:					
Area Wide Transportation Grant	A-6	264,157		264,157	
Comprehensive Cancer Control	A-6	89,450	129,415	218,865	
DYFS - Services to the Homeless	A-6	814,104		814,104	
GO Program - Global Options	A-6	70,000		70,000	
JACC Program	A-6	63,550		63,550	
Personal Attendant Demonstration Project	A-6	78,000		78,000	
Preparedness & Response for Bioterrorism	A-6		317,092	317,092	
Residential Treatment Services	A-6	179,789		179,789	
Respite Program - Home Care Services	A-6	362,164		362,164	
Tuberculosis Program - Federal	A-6	31,830	189,846	221,676	
Worker and Community Right-to-Know Act	A-6		18,119	18,119	
N.J. Department of Military & Veterans Affairs:					
Transport Disabled Veterans	A-6		22,000	22,000	
N.J. Department of Transportation:					
Bridge 1-B-7	A-6		250,000	250,000	
Bridge 2-B-517	A-6		699,410	699,410	
N.J. Transit Corporation:					
Senior Citizens & Disabled Res. Transportation Ass.	A-6	1,296,920		1,296,920	
FTA - Section 5310	A-6		280,000	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. Historic Trust					
N.J. Historical Commission Service	A-6	148,820		148,820	
Governor's Council on Alcoholism & Drug Abuse:					
Alliance to Prevent Alcohol & Drug Abuse	A-6		750,101	750,101	
Local Revenues Offset with Appropriations: Miscellaneous:					
Empowerment Donations	A-5		5,000	5,000	
D.A.R.E. Program Grant	A-5		6,240	6,240	
Fares, Donation & Adv. Transportation	A-5	60,000	60,000	120,000	
Interlocal Service Trans. Sayreville	A-5	236,739		236,739	
Johnson & Johnson, New Brunswick	A-5	35,000		35,000	
MC Nutrition Client Fee	A-5	50,000	182,100	232,100	
MCUA - Solid Waste Contract	A-5		601,757	601,757	
MCUA - Solid Waste Mgmt Svcs.	A-5	304,065		304,065	
Medicare County Multi Assist Cost Share Program	A-5	20,000		20,000	
NJ Trans. Planning Auth. Internship Program	A-5		15,000	15,000	
RESPITE Cost Share Program	A-5	4,000	11,000	15,000	
Miscellaneous Revenues:					
Open Space Trust Fund	A-9	13,684,029		13,684,029	
Lease Purchase BSS Building	A-9	1,695,500		1,695,500	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT A-2
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	<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Other Special Items:					
Child Support Enforcement Program IV-D - Federal Aid:					
Courts and County Clerk	A-9	489,521		539,440	49,919
Health Aid - Municipalities	A-9	2,487,933		2,503,244	15,311
Intoxicated Driver Resource Center Fees	A-9	169,089		169,089	
Sheriff	A-9	116,049		245,592	129,543
Added and Omitted Taxes	A-8	194,351		194,352	1
Additional Revenue - County Clerk	A-9	2,442,559		2,613,158	170,599
Additional Revenue - Sheriff	A-9	2,168,070		2,365,756	197,686
Additional Revenue - Surrogate	A-9	869,077		434,174	(434,903)
Capital Surplus	A-9	1,111,447		1,111,447	
Central Inventory Control	A-9	1,394,443		1,572,205	177,762
Civic Square II Lease / Purchase - New Brunswick Share	A-9	1,059,627		1,059,628	1
Debt Service - ER 1&2 MCC, Vo Tech and Mosquito Commission	A-9	203,962		198,415	(5,547)
Division of Development Disabilities	A-9	121,000		96,701	(24,299)
Extension Service - General Revenue	A-9	12,550		12,350	(200)
Fire Marshall - Fire Prevention	A-9	390,086		395,522	5,436
Fringe Benefits & Indirect Costs - State and Federal Grants	A-9	2,240,696		2,401,711	161,015
Office on Aging - State of N.J. Grant	A-9	20,000		20,000	
Heldrich Conference Center Debt Service Reimbursement	A-9	186,243		146,455	(39,788)
MCIA Reimbursement - IT Services	A-9	70,000		70,000	
MCUA Franchise Fee	A-9	3,605,443		3,605,444	1
Medicare - Part D	A-9	18,566		881,948	863,382
Mercer County - Youth Services	A-9	1,712,692		1,443,212	(269,480)
Monmouth County Youth Detention	A-9	2,108,337		1,916,667	(191,670)
Premium on MCIA Loan Ordinances	A-9	185,281		185,281	
Premium on Bonds & BAN	A-9	506,629		506,629	
Prosecutor Salary (State Mandated)	A-9	64,999			(64,999)
Other Special Items (continued):					
GOMHC "Magic Fork"	A-9	42,500		40,067	(2,433)
RCC Share of 2006 MCIA Lease/Purchase	A-9	218,997		217,516	(1,481)
RCC Share of 2008 MCIA Lease/Purchase	A-9	207,846		209,291	1,445
Mercer County Medical Examiner - Shared Services	A-9	1,600,000		1,600,000	
Monmouth County Medical Examiner - Shared Services	A-9	1,400,000		1,400,000	
Somerset Cty Share of Operations - Juvenile Detention Center	A-9	333,548		260,878	(72,670)
State of N.J. Poll Worker Reimbursement	A-9	607,956		578,805	(29,151)
Total Miscellaneous Revenues	A-1	80,044,751	32,717,550	113,009,750	247,449
Amount to be Raised by Taxation:					
County Purpose Tax	A-1,A-8	389,875,249		389,875,249	
Budget Totals		469,920,000	32,717,550	502,884,999	247,449
Non-Budget Revenue:					
Added and Omitted Taxes	A-1,A-8			2,886,069	2,886,069
Miscellaneous Revenue Not Anticipated	A-1,A-4			4,651,279	4,651,279
Total Revenue		469,920,000	32,717,550	510,422,347	7,784,797
	<u>REF.</u>	<u>A-3</u>	<u>A-3</u>	<u>A-1</u>	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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	<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Non-Budget Revenue:					
Miscellaneous Revenue Not Anticipated:					
Other Fees:					
Appeal Fees				\$ 1,300	
Autopsy Reports				4,978	
Community Labor Fees - Adult Correction				4,465	
Farmland Pres. Application Fees				50	
Fire District for Election Board				3,644	
Gamishees				2,328	
Health & Inspection Fees				34,010	
MCIA Rollerblade Rink				4,896	
Office on Aging				38,000	
Pilot				1,248,405	
Plan Performance Guarantee Retirement Fees				17,751	
Ranger User Fees				3,543	
Sheriff's Car Storage				525	
Vending Machines				8,404	
Reimbursements:					
Copies				126	
FEMA - Hurricane Sandy				693,151	
M. Health Administrator				60,000	
NJ Reimb ARRA Payments				1,940,145	
Prosecutor's Account Reimbursement				600	
Prosecutor's & State Prison Reimbursements				6,704	
Prudential Dividend				1,587	
Return Check Charges				180	
Road Opening Fees				205,226	
Salary Returns				7,696	
Wastewater Mgmt Fees				2,400	
Shared Services:					
NBHA New Brunswick Bus Transportation				32,239	
Other Misc. Revenue not Anticipated:					
Lost Cards/Pagers				820	
Res. Prem. BANS/Bonds Anticipated				16	
Prior Year Anticipated Revenue				136,996	
Prior Year Voids				14,863	
Scrap Brass Shell Casings				15,665	
TD Wealth - Close Out Account				4,693	
Various Year End Write-Off's				100,854	
Other Misc. Receipts				55,019	
Miscellaneous Revenues Not Anticipated	A-1, A-4			<u>\$ 4,651,279.00</u>	

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT A-3
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	APPROPRIATIONS		EXPENDED 2018			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>GENERAL GOVERNMENT</u>						
<u>ADMINISTRATION AND EXECUTIVE:</u>						
Board of Chosen Freeholders:						
Salaries and Wages	\$ 149,000	\$ 145,740	\$ 145,736	\$ -	\$ 4	\$ -
Other Expenses	18,960	18,960	18,914		46	
County Administrator:						
Salaries and Wages	300,000	315,770	315,762		8	
Other Expenses	1,705	805	139		666	
Office of the Communication:						
Salaries and Wages	295,000	294,250	291,784		2,466	
Other Expenses	448,300	380,128	366,343		13,785	
Secretarial Help:						
Salaries and Wages	118,000	143,270	143,262		8	
Advertising	2,000	1,019	804		215	
Audit	110,000	110,000			110,000	
Public & Government Affairs:						
Salaries and Wages	60,000	81,560	81,560		-	
Other Expenses	250,000	15,082	12,554		2,528	
Professional Development:						
Salaries and Wages	258,000	253,430	252,309		1,121	
Other Expenses	50,000	100	57		43	
Geographic Information System						
Salaries and Wages	91,000	62,300	62,295		5	
Other Expenses	5,000				-	
Office of Marketing:						
Salaries and Wages	80,000	80,000	79,997		3	
Other Expenses	1,505,000	1,124,600	1,117,317		7,283	
Information Technology:						
Salaries and Wages	1,598,000	1,809,000	1,800,964		8,036	
Other Expenses	3,689,504	2,672,504	2,246,972		425,532	
Department of Real Estate:						
Salaries and Wages	228,000	225,000	224,992		8	
Other Expenses	5,741,055	6,026,497	6,026,483		14	
Department of Finance:						
Salaries and Wages	427,000	430,700	430,691		9	
County Comptroller's Office:						
Salaries and Wages	1,027,000	1,059,830	1,058,686		1,144	
Other Expenses	88,647	61,747	61,584		163	
County Treasurer's Office:						
Salaries and Wages	265,000	264,750	264,056		694	
Other Expenses	4,910	1,720	828		892	
Legal Department:						
County Counsel:						
Salaries and Wages	1,135,000	1,068,740	1,068,731		9	
Other Expenses	332,200	532,251	530,891		1,360	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT A-3
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	APPROPRIATIONS		EXPENDED 2018			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
GENERAL GOVERNMENT						
ADMINISTRATION AND EXECUTIVE (continued):						
County Adjuster's Office:						
Salaries and Wages	\$ 448,000	\$ 430,720	\$ 430,712	\$ -	\$ 8	\$ -
Other Expenses	41,995	37,995	35,104		2,891	
Clerk of the Board:						
Salaries and Wages	181,000	201,602	200,559		1,043	
Other Expenses	5,800	2,682	1,054		1,628	
Personnel Department:						
Salaries and Wages	686,000	668,780	665,043		3,737	
Other Expenses	128,642	98,847	98,799		48	
County Clerk:						
Salaries and Wages	1,549,000	1,472,320	1,470,127		2,193	
Other Expenses	38,190	38,190	31,558		6,632	
Prosecutor's Office:						
Salaries and Wages	17,877,000	18,106,650	18,106,584		66	
Other Expenses	745,148	547,293	454,106		93,187	
Purchasing Department:						
Salaries and Wages	840,000	820,490	819,385		1,105	
Other Expenses	12,095	12,095	10,340		1,755	
Building & Grounds:						
Salaries and Wages	2,125,000	2,417,900	2,417,452		448	
Other Expenses	3,430,855	3,492,405	3,460,377		32,028	
Central Vehicle Maintenance and Repair:						
Salaries and Wages	1,482,000	1,482,000	1,481,999		1	
Other Expenses	835,350	835,350	805,964		29,386	
Office of Economic Development						
Salaries and Wages	461,000	409,940	409,932		8	
Other Expenses	5,036,675	3,615,550	3,374,841	223,086	17,623	
Economic Commissioner						
Other Expenses	9,800	9,800	9,800		-	
Central Mail, and Reproduction:						
Salaries and Wages	722,000	698,410	697,010		1,400	
Other Expenses	433,771	525,771	516,474		9,297	
Div. Of Archives & Record Mgt.						
Salaries and Wages	343,000	334,970	334,966		4	
Other Expenses	27,901	13,290	10,352		2,938	
Insurance:						
Group Insurance Plan for Employees	62,587,381	57,682,449	57,682,445		4	
Worker's Compensation	2,000,000	2,107,366	2,107,366			
Surety Bond Premiums	9,000	15,400	15,350		50	
Other Insurance Premiums	1,400,000	3,592,938	3,592,938			
Temporary Disability Insurance	160,000	153,500	153,489		11	
TOTAL GENERAL GOVERNMENT	121,894,884	117,004,456	115,997,837	223,086	783,533	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT A-3
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	APPROPRIATIONS		EXPENDED 2018			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>JUDICIARY</u>						
County Surrogate:						
Salaries and Wages	\$ 750,000	\$ 628,990	\$ 628,379	\$ -	\$ 611	\$ -
Other Expenses	9,203	9,203	8,147		1,056	
Psychiatric and Legal Counsel Fees for Involuntary Civil Commitments (Admin. Office of the Court Rules 4:74-7):						
Salaries and Wages		94,000	94,000			
Other Expenses	81,000	81,000	40,250		40,750	
TOTAL JUDICIARY	840,203	813,193	770,776	-	42,417	-
<u>UTILITIES & BULK PURCHASES</u>						
Utilities	6,620,000	6,220,000	6,192,991		27,009	
Central Inventory Control	1,700,000	2,338,222	2,337,846		376	
TOTAL UTILITIES & BULK PURCHASES	8,320,000	8,558,222	8,530,837	-	27,385	-
<u>REGULATION</u>						
Sheriff's Office:						
Salaries and Wages	20,074,000	19,007,540	18,995,570		11,970	
Other Expenses	465,323	404,873	319,309		85,564	
Weights and Measures Department:						
Salaries and Wages	218,000	206,810	206,803		7	
Other Expenses	7,405	5,405	5,344		61	
Board of Taxation:						
Salaries and Wages	265,000	258,890	258,888		2	
Other Expenses	10,860	10,860	9,319		1,541	
County Medical Examiner:						
Salaries and Wages	2,824,000	2,677,540	2,677,532		8	
Other Expenses	900,000	965,000	814,379		150,621	
Board of Elections:						
Salaries and Wages	1,582,000	1,727,750	1,727,043		707	
Other Expenses	1,596,850	1,463,050	1,403,664		59,386	
Elections (County Clerk)						
Salaries and Wages	254,000	224,400	224,397		3	
Other Expenses	824,150	732,450	732,409		41	
Office of Emergency Management:						
Salaries and Wages	174,000	194,670	194,669		1	
Other Expenses	54,832	41,678	28,520		13,158	
County Planning Board (R.S. 40:27-3)						
Salaries and Wages	1,588,000	1,696,200	1,694,925		1,275	
Other Expenses	19,525	12,525	11,012		1,513	
Construction Board of Appeals						
Other Expenses	3,500	500	30		470	
TOTAL REGULATION	30,861,445	29,630,141	29,303,813		326,328	-

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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	APPROPRIATIONS		EXPENDED 2018			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>ROADS AND BRIDGES</u>						
Highways and Bridges:						
Salaries and Wages	\$ 4,953,000	\$ 4,953,000	\$ 4,952,889	\$ -	\$ 111	\$ -
Other Expenses	1,721,075	1,533,375	1,486,804		46,571	
Engineering Department:						
Salaries and Wages	1,809,000	1,866,220	1,866,210		10	
Other Expenses	130,600	24,600	23,187		1,413	
TOTAL ROADS AND BRIDGES	8,613,675	8,377,195	8,329,090		48,105	-
<u>CORRECTIONAL AND PENAL</u>						
Adult Correction and Facility:						
Salaries and Wages	26,590,000	25,496,540	25,490,329		6,211	
Other Expenses	10,400,000	8,167,000	7,223,765		943,235	
Juvenile Detention Center:						
Salaries and Wages	6,652,000	6,526,210	6,523,011		3,199	
Other Expenses	755,816	601,816	479,534		122,282	
Office of Consumer Affairs						
Salaries and Wages	357,000	356,370	356,364		6	
Other Expenses	1,515	1,515	931		584	
TOTAL CORRECTIONAL AND PENAL	44,756,331	41,149,451	40,073,934		1,075,517	-
<u>HEALTH AND WELFARE</u>						
Dept. of Public Safety & Health:						
Salaries and Wages	396,000	373,170	372,222		948	
Other Expenses	19,250	4,250	328		3,922	
Public Health Service - Interlocal Agreement:						
Salaries and Wages	2,780,000	3,062,540	3,059,877		2,663	
Other Expenses	170,157	118,657	83,097		35,560	
Environmental Health Act (CH. 443, P.L. 1977):						
Salaries and Wages	287,000	162,710	162,446		264	
Other Expenses	25,000	25,000	24,999		1	
Specially Challenged Children						
Salaries and Wages	960,000	875,290	875,242		48	
Environmental Health						
Salaries and Wages	812,000	804,350	804,285		65	
Other Expenses	47,050	32,050	25,291		6,759	
Dept. of Community Services						
Salaries and Wages	226,000	228,960	228,186		774	
Other Expenses	11,550	11,550	1,341		10,209	
Haz Mat Division						
Salaries and Wages	948,000	898,670	898,663		7	
Other Expenses	98,700	94,300	67,847		26,453	

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT A-3
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	APPROPRIATIONS		EXPENDED 2018			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>HEALTH AND WELFARE (continued):</u>						
Raritan Bay Mental Health Clinic (N.J.S.A. 40:5-2.9):						
Salaries and Wages	\$ 4,871,000	\$ 4,898,720	\$ 4,895,131	\$ -	\$ 3,589	\$ -
Other Expenses	565,755	369,885	275,130	81,013	13,742	
Raritan Bay Mental Health Center - Partial Care Program	260,350	245,350	230,875		14,475	
Alcohol Services						
Other Expenses	191,728	193,598	193,093		505	
Roosevelt Care Center:						
Other Expenses	10,500,000	12,000,000	10,500,165		1,499,835	
Mental Health Administrator:						
Other Expenses	620,200	620,200	408,554		211,646	
Social Hygiene Clinic:						
Other Expenses	12,800	12,800	8,114		4,686	
Board of Social Services:						
Administration	14,194,076	14,194,076	14,194,076			
Services	782,286	782,286	782,286			
Assistance to Supplemental Security Income Recipients	1,204,211	1,204,211	1,204,211			
Temporary Assistance for Needy Families	222,616	222,616	222,616			
War Veterans Burial and Grave Decorations:						
Other Expenses	44,000	44,200	35,453		8,747	
MC Mid School After School	50,000	50,000	18,970	31,030	-	
Department of Human Services:				25,500		
Salaries and Wages	1,255,000	931,540	929,427		2,113	
Other Expenses	191,130	191,130	179,228		11,902	
Home Care for the Elderly (N.J.S.A. 30:4D-3)						
Salaries and Wages	161,000	116,730	116,723		7	
Other Expenses	1,308,760	1,308,760	966,422		342,338	
Mosquito Extermination Commission (N.J.S.A. 26:9-13 et seq.)	2,500,000	2,550,752	2,550,571		181	
Maintenance of Patients in State Institutions for Mental Diseases						
Local Share	6,884,026	6,884,026	6,884,026			
MC Indigent Res. - Other County	600,000	275,000		275,000	-	
Bus Service - Board of Social Services Clients - Contractual						
Salaries and Wages	191,000	180,530	180,525		5	
Other Expenses	23,852	23,852	10,000		13,852	
Aid to Various Agencies	939,879	939,879	652,645	254,295	32,939	
 TOTAL HEALTH AND WELFARE	 54,354,376	 54,931,638	 52,042,065	 666,838	 2,248,235	 -

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
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	APPROPRIATIONS		EXPENDED 2018			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>EDUCATION</u>						
Office of County Superintendent of Schools:						
Salaries and Wages	\$ 353,000	\$ 353,000	\$ 352,974	\$ -	\$ 26	\$ -
Other Expenses	6,480	6,480	2,650		3,830	
Vocational School	26,401,131	26,401,131	26,401,130		1	
County Extension Services - Farm and Home Demonstrations:						
Salaries and Wages	523,000	529,000	524,674		4,326	
Other Expenses	25,800	20,916	19,911		1,005	
Middlesex County College	16,014,662	16,014,663	16,014,662		1	
Reimbursement for Residents Attending Out-Of-County, Two-Year Colleges (N.J.S.A. 18A:64A-23)	190,000	189,300	189,288		12	
Middlesex County Heritage Commission (N.J.S.A. 40:33A-6):						
Salaries and Wages	428,000	410,320	410,310		10	
Other Expenses	115,600	114,300	92,083		22,217	
Fire Inspection Bureau:						
Salaries and Wages	149,000	154,160	154,149		11	
Other Expenses	3,100	600	595		5	
Fire Training Academy:						
Salaries and Wages	1,193,000	1,172,690	1,172,609		81	
Other Expenses	706,010	630,510	581,516		48,994	
East Jersey Olde Towns:						
Salaries and Wages	499,000	514,220	514,210		10	
Other Expenses	95,740	68,940	65,179		3,761	
TOTAL EDUCATION	46,703,523	46,580,230	46,495,940	-	84,290	-
<u>RECREATION</u>						
Infrastructure Management						
Salaries and Wages	466,000	490,701	490,701			
Other Expenses	50,150	37,850	31,448		6,402	
County Parks Department:						
Salaries and Wages	6,262,000	6,730,870	6,712,669		18,201	
Other Expenses	1,172,692	884,592	719,186		165,406	
TOTAL RECREATION	7,950,842	8,144,013	7,954,004		190,009	-

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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	APPROPRIATIONS		EXPENDED 2018			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>UNCLASSIFIED</u>						
Solid Waste Management						
Other Expenses	\$ 5,220	\$ 4,220	\$ 2,690	\$ -	\$ 1,530	\$ -
Garbage and Trash Removal (Contractual)	130,000	115,000	110,410		4,590	
Matching Fund for Grants	302,797	302,797	302,697			100
Supplemental Compensation at Retirement	280,000	280,000	280,000			
Life Support Program - New Brunswick - Contractual	53,000	53,000	53,000			
Intoxicated Driver Resource Center Fees	382,283	356,133	312,819		43,314	
Employee Child Care	120,000	117,170	117,166		4	
Civic Square III Lease / Purchase	1,506,838	1,506,838	1,506,838			
Civic Square II Lease / Purchase	3,332,425	3,332,425	3,327,625			4,800
M.C. Improvement Authority - Capital Lease Purchase	596,588	596,588	596,588			
Open Space Trust Bonds	13,684,029	13,684,029	13,684,029			
Dept. of Transportation:						
Salaries and Wages	208,000	188,950	188,943		7	
Cty-Wide Equip. Veh. Hard and Software	2,150,000	1,192,377	1,192,377			
Salary & Wage Adjustment	1,547,000					
Civic Square IV Lease / Purchase	3,043,250	3,043,250	3,042,750			500
TOTAL UNCLASSIFIED	27,341,430	24,772,777	24,717,932		49,445	5,400
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
U.S. Dept. of Labor:						
Work Force Investment Act	211,890	6,638,817	6,638,817			
U.S. Dept. of Justice:						
Pass-through N.J. Dept. of Public Safety						
Division of Criminal Justice:						
Arts & Wellness ~ Survivors		130,000	130,000			
Stop Violence against Women Advocacy		45,000	45,000			
Multi-Jurisdictional Task Force (RJAG-1-12-TF-09C)		93,459	93,459			
SART/SANE Project		141,384	141,384			
Stop Violence Grant		60,883	60,883			
Victim Assistance Project		373,003	373,003			
U.S. Dept. of Homeland Security & Preparedness:						
Homeland Security Grant		420,905	420,905			
Urban Areas Security Initiative		373,000	373,000			
EMMA Grant		55,000	55,000			
Midd. Victim Assist. Suppl.		100,870	100,870			

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT A-3
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	APPROPRIATIONS		EXPENDED 2018			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES (continued):</u>						
U.S. Dept. of Health and Human Services:						
Senior Meals of Middlesex County	\$ 1,735,875	\$ 2,478,700	\$ 2,478,700	\$ -	\$ -	\$ -
Area Plan Grant for Program on Aging - Title III	2,332,879	3,416,268	3,416,268			
Rape Crisis Intervention		192,428	192,428			
Tuberculosis Program	31,830	221,676	221,676			
MC Area Wide S.H.I.P. Grant		32,000	32,000			
PH-Preparation & Response - Bioterror		317,092	317,092			
U.S. Dept. of Health and Human Services Direct Program:						
HIV Emergency Relief Program		2,810,586	2,810,586			
U.S. Dept. of Transportation:						
Pass-through N.J. Dept. of Law and Public Safety:						
MC Comprehensive Traffic Safety		117,800	117,800			
VOCA - Supplemental		367,203	367,203			
Insurance Fraud Reimbursement Program	250,000	250,000	250,000			
County D.W.I. Enforcement Grant		59,790	59,790			
Job Access Reverse Commute	230,000	230,000	230,000			
Subregional Transportation Planning		182,571	182,571			
2017 Capital Transportation Program		11,115,819	11,115,819			
FTA - Section 5310		280,000	280,000			
Advanced HazMat Training		73,994	73,994			
U.S. Dept. of Education:						
MC Youth Services Title I	280,327	280,327	280,327			
N.J. Dept. of Law and Public Safety:						
Juvenile Justice Commission:						
Juv. Justice Detention Education	612,000	632,626	632,626			
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		94,366	94,366			
Solid Waste Service Fund		609,110	609,110			
Recycling Enhancement Act - Interest	4,865	4,865	4,865			
Recycling Enhancement Act Fund Grant		594,778	594,778			
Environmental Health Act		331,817	331,817			
N.J. Department of Health & Senior Services:						
Comprehensive Cancer Control	89,450	218,865	218,865			
Childhood Lead Poisoning Prevention		1,354,000	1,354,000			
Area Wide Transportation Grant	957,493	957,493	957,493			
DYFS - Services to the Homeless	814,104	814,104	814,104			
Public Health Priority Funding	233,252	233,252	233,252			
DYFS - Home Care Services - Respite Program	362,164	362,164	362,164			
Global Options - GO Program	70,000	70,000	70,000			
Worker and Community Right to Know Act		18,119	18,119			
Breast & Cervical Cancer Education & Early Detection		737,882	737,882			
DYFS - Maintenance of Children in Institutions - JINS	470,000	470,000	470,000			
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, 2018

EXHIBIT A-3
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	APPROPRIATIONS		EXPENDED 2018			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES (continued):</u>						
N.J. Department of Health & Senior Services (continued):						
Medication Asst. Treatment	\$ 179,789	\$ 179,789	\$ 179,789	\$ -	\$ -	\$ -
Special Child Health Services - Early Intervention		202,581	202,581			
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	63,550	63,550	63,550			
Governor's Council on Alcoholism and Drug Abuse:						
Drug Enforcement Demand Reduction Fund		750,101	750,101			
N.J. Department of Transportation						
Bridge ~ 1-B-7		250,000	250,000			
Bridge ~ 2-B-517		699,410	699,410			
N.J. Transit:						
Senior Citizens & Disabled Res.	1,296,921	1,296,921	1,296,921			
N.J. Council on the Arts:						
Local Arts Program	173,696	173,696	173,696			
Folk Art Program		17,353	17,353			
NJ Historical Commission	157,320	157,320	157,320			
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			
SSP Internship Program		15,000	15,000			
Fares, Donation & Adv. Transportation	60,000	120,000	120,000			
MCIA - Paint Recycling Program	304,065	304,065	304,065			
Middlesex Cty Multi-Assist Cost Share Program	20,000	20,000	20,000			
Empowerment Donations		5,000	5,000			
Respite Cost Share Program	4,000	15,000	15,000			
Sheriff ~ D.A.R.E. Program Grant		6,240	6,240			
MCUA - Environmental Health		601,757	601,757			
MC Nutrition Client Fee	50,000	232,100	232,100			
Interlocal Service Trans. Sayreville	236,739	236,739	236,739			
TOTAL PUBLIC AND PRIVATE PROG. OFFSET BY REVENUES	12,552,792	45,270,342	45,270,342	-	-	5,400
Total Operations	364,189,501	385,231,658	379,486,570	889,924	4,875,264	5,400
Contingent	736,438	736,438	206,101		530,337	
Total Operations Including Contingent	364,925,939	385,968,096	379,667,171	889,924	5,405,601	5,400
Detail:						
Salaries & Wages	125,092,000	122,012,373	121,932,698	-	79,675	-
Other Expenses (Including Contingent)	239,833,939	263,955,723	257,734,473	889,924	5,325,926	5,400
<u>CAPITAL IMPROVEMENTS</u>						
Capital Improvement Fund	18,000,000	29,763,493	29,763,493			
TOTAL CAPITAL IMPROVEMENTS	18,000,000	29,763,493	29,763,493			

COUNTY OF MIDDLESEX, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

EXHIBIT A-3
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	APPROPRIATIONS		EXPENDED 2018			
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	CANCELLED
COUNTY DEBT SERVICE						
Payment of Bond Principal:						
County College Bonds	\$ 2,957,500	\$ 2,957,500	\$ 2,957,500	\$ -	\$ -	\$ -
State Aid-County College Bonds (N.J.S. 18A:64A-22.6)	1,172,500	1,172,500	1,172,500			
Vocational School Bonds	3,445,000	3,445,000	3,445,000			
Other Bonds	32,705,000	32,705,000	32,705,000			
MCIA Bond Principal	8,101,113	8,101,113	8,101,113			
Payment of Refunding Notes Principal:						
Interest on Bonds:						
County College Bonds	849,477	849,477	849,477			
State Aid-County College Bonds (N.J.S. 18A:64A-22.6)	450,612	450,612	450,612			
Vocational School Bonds	664,413	664,413	664,413			
Other Bonds	6,478,222	6,478,222	6,478,222			
MCIA Bond Interest	770,787	770,787	770,787			
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	58,337,673	58,337,673	58,337,673			
STATUTORY EXPENDITURES						
Contributions To:						
Defined Contribution Retirement Plan	40,000	60,000	60,000			
Public Employees' Retirement System	9,740,825	9,740,825	9,740,825			
Social Security System (O.A.S.I.)	9,828,000	9,719,900	9,714,762		5,138	
Police and Firemen's Retirement System	9,047,563	9,047,563	9,047,563			
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	28,656,388	28,568,288	28,563,150		5,138	
TOTAL GENERAL APPROPRIATIONS	\$ 469,920,000	\$ 502,637,550	\$ 496,331,487	\$ 889,924	\$ 5,410,739	\$ 5,400
REF.	A-2		A-1	A-1,A-11	A,A-1	
REF.						
Budget	A-2	\$ 469,920,000				
Added By 40A:4-87	A-2	32,717,550				
		\$ 502,637,550				
Cash	A-4		\$ 451,428,080			
Transferred to:						
Reserve for Federal and State Grants Appropriated	A-16		44,022,310			
Reserve for Local Grants Appropriated	A-14		881,097			
			\$ 496,331,487			
See accompanying notes.						

COUNTY OF MIDDLESEX, NEW JERSEY
TRUST FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2018 AND DECEMBER 31, 2017

	REF.	<i>As of December 31,</i>	
		2018	2017
<u>ASSETS</u>			
Cash and Investments	B - 1	\$ 69,045,588	\$ 62,690,115
Motor Vehicle Fines	B - 2	295,980	346,856
Federal Aid Receivable:			
Housing and Community Development Act 1974	B - 3	7,575,806	6,097,101
State Aid Receivable: Alcoholism Rehabilitation Program	B - 5	965,202	2,070,780
Section 8 Housing Assistance Prepayments	B - 6	668,890	654,931
Open Space Program Receivable	B - 11	51,615	16,068
Community Development Block Grant: Urban Housing Preservation Program Loans - Mortgages Receivable	B - 27	1,169,570	1,213,570
Total Assets		\$ 79,772,651	\$ 73,089,421
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Reserve for Motor Vehicle Fines Receivable	B - 2	\$ 295,980	\$ 346,856
Environmental Quality	B - 7	693,340	553,066
Motor Vehicle Fines - Road Fund	B - 8	416,705	125,500
Reserve for Encumbrances	B - 9	4,492,090	5,678,498
Performance and Escrow Deposits	B - 10	110,600	-
Reserve for Open Space Program Receivable	B - 11	51,615	16,068
Worker's Compensation Self-Insurance Fund	B - 12	426,400	1,836,082
Supplemental Compensation at Retirement	B - 13	19,557	83,006
Unemployment Compensation Fund	B - 14	239,769	230,338
Reserve for Alcoholism Rehabilitation Program	B - 15	308,577	161,627
Reserve for Housing and Community Development Expenditures	B - 16	7,001,603	4,963,697
Reserve for CDBG Funds on Hand	B - 17	773,732	692,735
Reserve for Refundable Consumer Affairs Deposits	B - 18	32,917	74,243
Reserve for Section 8 Housing Assistance Payments Program	B - 19	733,115	765,032
Road Opening Bonds	B - 20	2,028,479	947,307
Self-Insurance Liability Trust Fund	B - 21	1,946,134	3,080,433
Miscellaneous Trust Accounts	B - 22	6,122,759	5,957,155
Dedicated Revenue by Statute	B - 23	1,713,819	1,501,654
Prosecutor's Office - Dedicated Funds	B - 24	3,559,046	2,523,921
State Seized Assets	B - 25	6,420,587	3,537,210
Reserve for Debt Service - Open Space and Farmland Preservation	B - 26	10,644,247	13,684,029
Reserve for Urban Housing & Preservation Program Loans	B - 27	1,169,570	1,213,570
Reserve for BSS Building Lease Purchase Payments	B - 28	1,645,282	1,400,282
Escheated Seized Funds	B - 29	4,622	4,622
Reserve for Open Space and Farmland Preservation	B - 30	28,922,106	23,712,490
Total Liabilities, Reserves and Fund Balance		\$ 79,772,651	\$ 73,089,421

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET- REGULATORY BASIS
DECEMBER 31, 2018 AND DECEMBER 31, 2017

	REF.	<i>As of December 31,</i>	
		2018	2017
<u>ASSETS</u>			
Cash and Investments	C- 2	\$ 4,849,007	\$ 566,235
Leases Receivable	C- 5	8,253,069	8,938,069
Loans/Other Accounts Receivable	C-14	10,381,841	10,804,453
Deferred Charges to Future Taxation:			
Funded	C- 6	268,224,000	287,599,000
Funded Loans	C- 6	24,935,291	28,126,648
Funded - Capital Leases	C- 6	126,338,148	141,520,994
Unfunded	C- 7	191,542,059	179,802,059
Total Assets		<u>\$ 634,523,415</u>	<u>\$ 657,357,458</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	C- 8	\$ 192,224,000	\$ 217,359,000
Capital Transportation Grant Reserves	C- 9	13,228,551	11,913,361
County College Bonds	C-10	33,562,500	30,935,000
County College Bonds (Ch. 12, P.L. 1971)	C-11	15,387,500	14,775,000
Vocational School Bonds	C-12	27,050,000	24,215,000
Bond Anticipation Notes	C-13	39,000,000	34,000,000
MCIA Loans Payable	C-18	20,600,065	23,102,445
Green Acres Loan Payable	C-19	4,335,226	5,024,203
Capital Leases Payable	C-20	126,338,148	141,520,994
Improvement Authorizations:			
Funded	C-15	50,083,404	27,431,103
Unfunded	C-15	71,183,488	39,755,713
Capital Improvement Fund	C-16	11,636,520	878,027
Reserve For:			
Encumbrances	C-4	9,806,727	64,471,016
Leases Receivable	C-5	8,253,069	8,938,069
Loans/Other Accounts Receivable	C-14	10,381,841	10,804,453
Bond Issue Costs	C-17	45,776	115,704
Fund Balance	C- 1	1,406,600	1,803,370
Total Liabilities, Reserves and Fund Balance		<u>\$ 634,523,415</u>	<u>\$ 657,042,458</u>
Bonds and Notes Authorized but not Issued	C-21	<u>\$ 152,542,059</u>	<u>\$ 145,802,059</u>

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
 GENERAL CAPITAL FUND
 STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>REF.</u>		
Balance - December 31, 2017	C		\$ 1,803,370
Increased by:			
Premium on Sale of Bonds And BANs	C - 2	1,406,600	
MCIA Loan Ordinance Premium	C - 2	<u>159,155</u>	
			<u>1,565,755</u>
Total Available			3,369,125
Decreased by:			
Anticipated Revenue Realized in Current Fund	C - 2	1,803,370	
Transfer to Fund Unfunded Ordinances	C - 7	<u>159,155</u>	
			<u>1,962,525</u>
Balance - December 31, 2018	C		<u><u>\$ 1,406,600</u></u>

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
 GOVERNMENTAL FIXED ASSETS
 STATEMENT OF GOVERNMENTAL FIXED ASSETS
DECEMBER 31, 2018

	As of December 31, 2018
<u>GOVERNMENTAL FIXED ASSETS:</u>	
Land	\$ 384,901,933
Buildings and Improvements	296,963,433
Machinery and Equipment	32,257,488
Moving Vehicles	38,323,237
MCIA Lease Purchase Agreements Moving Vehicles	8,460,797
MCIA Lease Purchase Agreements	18,002,049
MCIA Capital Improveemnts/Construction Fund	14,787,545
	<hr/>
Total Governemntal Fixed Assets	<u><u>\$ 793,696,482</u></u>
Investments in Governmental Fixed Assets	<u><u>\$ 793,696,482</u></u>

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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 include 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.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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, 2018 AND DECEMBER 31, 2017

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, 2018 AND DECEMBER 31, 2017

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, 2018 and 2017 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 OPEB Liabilities

With the implementation of GASB 75 for disclosure purposes, the County has included information for OPEB (Postemployment Benefits Other Than Pensions) liabilities relating to healthcare benefits provided to its retirees within the Notes to the Financial Statements and the accompanying required supplementary information, if applicable. 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 OPEB liability of the defined benefit healthcare plans in which its retirees are enrolled. GAAP requires the recognition of the OPEB liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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

Basis of Accounting (Cont'd)

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.

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. 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.

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.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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

Basis of Accounting (Cont'd)

Recent Accounting Standards (Cont'd.)

GASB issued Statement No. 88 “Certain Disclosures Related to Debt, including Direct Borrowing and Direct Payments” in April 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB issued Statement No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” in June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB issued Statement No. 90 “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61” in August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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 2017 financial statements to conform to classifications in 2018.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 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.

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 2018</u>	<u>Year 2017</u>
Issued:		
General Bonds and Notes	\$307,224,000	\$321,599,000
Loans	<u>24,935,291</u>	<u>28,126,648</u>
Net Debt Issued	332,159,291	349,725,648
Authorized but not issued:		
General Bonds and Notes	<u>152,542,059</u>	<u>145,802,059</u>
Bonds and Notes Issued and Authorized but not Issued	484,701,350	495,527,707
Less: Bonds issued and authorized but not Issued – County College CH. 12	15,387,500	14,775,000
MCIA Loans	1,715,687	1,639,127
Accounts Receivable/Redevelopment Bonds	<u>2,055,000</u>	<u>2,175,000</u>
Net Bonds and Notes Issued and Authorized but not issued	<u>\$465,543,163</u>	<u>\$476,938,580</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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

Summary of Statutory Debt Condition - Annual Debt Statement - Current Year 2018

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 0.437%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	<u>\$ 662,191,350</u>	<u>\$ 196,648,187</u>	<u>\$ 465,543,163</u>

Net Debt of \$465,543,163 divided by the Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended of 106,433,015,233 equals 0.437%.

Equalized Valuation Basis

2016 Equalized Valuation Basis of Real Property	\$ 102,248,645,049
2017 Equalized Valuation Basis of Real Property	105,288,246,541
2018 Equalized Valuation Basis of Real Property	<u>111,762,154,109</u>
Average Equalized Valuation Basis	<u>\$ 106,433,015,233</u>

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

2% of Average Equalized Valuation Basis	\$ 2,128,660,305
Net Debt	465,543,163
Remaining Borrowing Power	<u>\$ 1,663,117,142</u>

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

Schedule of Debt Service as of December 31, 2018

<u>Year</u>	<u>Total Principal *</u>	<u>Total Interest *</u>	<u>Total Debt Service</u>
2019	\$ 39,237,500	\$ 7,614,713	\$ 46,852,213
2020	38,732,500	6,216,229	44,948,729
2021	34,920,000	5,066,229	39,986,229
2022	24,245,000	4,100,995	28,345,995
2023	19,875,000	3,418,065	23,293,065
2024-2028	74,304,000	9,129,850	83,433,850
2029-2033	21,007,500	1,355,557	22,363,057
2034-2037	515,000	27,233	542,233
	<u>\$ 252,836,500</u>	<u>\$ 36,928,871</u>	<u>\$ 289,765,371</u>

* Excludes \$15,387,500 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, 2018 AND DECEMBER 31, 2017

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, 2018.

Bonds Issued	Amount Issued	Amount Outstanding	Interest Rates
<u>General Improvement Debt</u>			
ERI-Refunding Bonds of 2004	\$ 10,315,000	\$ 3,660,000	5.16% to 5.44%
General Improvement Bonds of 2009	22,000,000	1,800,000	3.00%
Redev. General Improvement Bonds 2009	9,027,000	700,000	3.50%
General Improvement Bonds of 2010	41,000,000	6,500,000	3.00%
Genl. Oblig. Redev Bonds Series 2011	47,440,000	7,730,000	4.00% to 4.625%
General Improvement Bonds of 2013	40,839,000	29,999,000	2.00% to 3.00%
Genl. Improve. Refunding Nontaxable Bonds of 2013	8,260,000	3,340,000	4.00%
Genl. Oblig. Refunding Nontaxable Bonds of 2013	2,445,000	980,000	3.00%
Genl. Oblig. Redev Bonds Series 2014 a	19,405,000	11,635,000	4.00%
Genl. Oblig. Redev Bonds Series 2014 b	16,545,000	11,240,000	2.00% to 4.00%
General Improvement Bonds of 2014	6,960,000	440,000	2.00%
Genl. Oblig. Ref. Redev Bonds Series 2015 a	6,455,000	4,840,000	2.00% to 5.00%
Genl. Oblig. Ref. Redev Bonds Series 2015 b	14,985,000	11,285,000	2.00% to 5.00%
Heldrich Center Hotel Project 2015	2,175,000	2,055,000	2.00% to 5.00%
Genl. Improve. Refunding Bonds of 2016	16,980,000	16,980,000	3.00% to 4.00%
General Improvement Ref. Bonds of 2016 501c	585,000	585,000	4.00%
Genl. Redev. Ref. Bonds Series 2016	4,050,000	4,050,000	4.00% to 5.00%
General Improvement Bonds of 2016	33,900,000	29,500,000	2.00% to 2.125%
General Improvement Ref. Bonds of 2017	12,720,000	12,720,000	3.00% to 4.00%
Genl. Redev. Ref. Bonds Series 2017	24,615,000	24,615,000	4.00% to 5.00%
General Improvement Bonds of 2018a	7,570,000	7,570,000	3.125% to 5.00%
Total General Improvement Debt		<u>192,224,000</u>	
<u>County College Bonds</u>			
County College Bonds Ch. 12 of 2009	6,500,000	337,500	3.00% to 3.50%
County College Bonds of 2010	4,000,000	800,000	3.00%
County College Bonds Ch. 12 of 2010	1,176,500	632,500	3.00% to 3.50%
County College Bonds Ch. 12 of 2012	4,250,000	2,700,000	2.00% to 3.00%
County College Bonds of 2013	2,000,000	1,300,000	2.00% to 3.00%
County College Bonds Ch. 12 of 2013	750,000	535,000	2.00% to 3.00%
County College Bonds Ch. 12 of 2013	305,000	120,000	2.00% to 3.00%
County College Bonds of 2014	2,000,000	1,550,000	2.00% to 3.00%
County College Bonds of 2014	3,400,000	2,700,000	2.00% to 3.00%
County College Bonds Ch. 12 of 2014	2,125,000	1,725,000	2.00% to 3.00%
County College Bonds of 2015	2,000,000	1,550,000	2.00% to 3.00%
County College Bonds Ch. 12 of 2015	1,600,000	1,395,000	2.00% to 3.50%
County College Ref. Bonds of 2015	445,000	225,000	4.00%
County College Bonds of 2016	5,000,000	4,350,000	2.00%
County College Bonds Ch. 12 of 2016	1,500,000	1,290,000	2.00%
County College Ref. Bonds Series 2016	3,227,500	3,227,500	4.00% to 5.00%
County College Bonds of 2017	2,000,000	1,900,000	2.00% to 3.00%
County College Bonds Ch. 12 of 2017	1,700,000	1,640,000	2.00% to 3.00%
County College Bonds of 2018	1,925,000	1,925,000	3.00% to 5.00%
County College Bonds Ch. 12 of 2018	1,785,000	1,785,000	3.00% to 5.00%
County College Bonds Ch. 12 of 2018	1,875,000	1,875,000	5.00%
Total County College Bonds		<u>33,562,500</u>	

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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	337,500	3.00% to 3.50%
County College Bonds of 2010	1,176,500	632,500	3.00% to 3.50%
County College Bonds of 2012	4,250,000	2,700,000	2.00% to 3.00%
County College Bonds of 2013	750,000	535,000	2.00% to 3.00%
County College Bonds of 2013	305,000	120,000	2.00% to 3.00%
County College Bonds of 2014	2,125,000	1,725,000	2.00% to 3.00%
County College Bonds of 2015	1,600,000	1,395,000	2.00% to 3.50%
County College Bonds of 2016	1,500,000	1,290,000	2.00%
County College Bonds of 2016	3,227,500	3,227,500	4.00% to 5.00%
County College Bonds of 2017	1,700,000	1,640,000	2.00% to 3.00%
County College Bonds of 2018	1,785,000	1,785,000	3.00% to 5.00%
Total County College Bonds (Ch. 12, P.L. 71)		<u>15,387,500</u>	

Vocational School Bonds

Vocational School Bonds of 2010	6,100,000	2,200,000	2.50% to 3.10%
Vocational School Refunding Bonds of 2012	1,140,000	570,000	3.00% to 4.00%
Vocational School Bonds of 2013	3,100,000	2,395,000	2.00%
Vocational School Refunding Bonds of 2013	6,650,000	2,735,000	4.00%
Vocational School Bonds of 2014	3,100,000	2,350,000	1.00% to 2.375%
Vocational School Bonds of 2015	3,100,000	2,615,000	2.00% to 3.00%
Vocational School Bonds of 2016	6,100,000	5,350,000	2.00%
Vocational School Bonds of 2017	3,000,000	2,870,000	2.00% to 3.00%
Vocational School Bonds of 2018	2,995,000	2,995,000	3.00% to 5.00%
Vocational School Bonds of 2018a	2,970,000	2,970,000	3.00% to 5.00%
Total Vocational School Bonds		<u>27,050,000</u>	

Bond Anticipation Notes Issued

Bond Anticipation Notes due 06/11/19	39,000,000	<u>39,000,000</u>	1.70%
Total Bond Anticipation Notes		<u>39,000,000</u>	

(A) MCIA Loan Payable

County Loan from MCIA 2008	9,185,892	280,000	4.30% to 4.80%
County Loan from MCIA 2009	9,000,036	689,110	3.00% to 3.25%
County Loan from MCIA 2014	13,071,920	2,745,691	3.00%
County Loan from MCIA 2015	4,870,650	2,032,585	4.00%
County Loan from MCIA 2016	5,266,105	3,252,054	4.00%
County Loan from MCIA 2017	7,394,719	6,001,891	3.00%
County Loan from MCIA 2018	5,598,734	5,598,734	4.00%
		<u>20,600,065</u>	

Green Acres Loans Issued

Sewaren Marine Park Development 1997	1,000,000	157,582	2.00%
Bank of China Property Acquisition 2003	2,250,000	405,429	2.00%
Old Bridge Park Acquisition 2005	3,244,264	418,567	2.00%
Old Bridge Park Acquisition 2009	750,000	439,719	2.00%
New Brunswick Landing Lane Project 2010	1,600,000	943,588	0.00%
New Brunswick Landing Lane Project 2015	800,000	713,930	2.00%
New Brunswick Landing Lane Project 2016	1,400,000	1,256,411	0.00%
Total Green Trust Program Loan		<u>4,335,226</u>	

Total Debt Issued and Outstanding \$ 332,159,291

(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, 2018 AND DECEMBER 31, 2017

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

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

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

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	<u>105,376,589,174</u>
Average Equalized Valuation Basis	<u>\$ 103,041,069,382</u>

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

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

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

Schedule of Debt Service as of December 31, 2017

<u>Year</u>	<u>Total Principal *</u>	<u>Total Interest *</u>	<u>Total Debt Service</u>
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	<u>960,000</u>	<u>55,646</u>	<u>1,015,646</u>
	<u>\$ 272,824,000</u>	<u>\$ 39,326,770</u>	<u>\$ 312,150,770</u>

* 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, 2018 AND DECEMBER 31, 2017

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%	2024
Genl. Oblig. Redev Bonds Series 2011	47,440,000	10,160,000	3.00% to 4.625%	2031
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		217,359,000		
<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		30,935,000		

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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 3.50%	2034
Total County College Bonds (Ch. 12, P.L. 71)		<u>14,775,000</u>		

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		<u>24,530,000</u>		

Bond Anticipation Notes Issued

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

(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
		<u>23,102,445</u>		

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		<u>5,024,203</u>		

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.

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5) FUND BALANCE APPROPRIATED

Fund balance for the Current Fund at December 31, 2018 was reported in the amount of \$74,023,910, of which \$0 was appropriated and included as anticipated revenue for the year ending December 31, 2019.

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.

6) INVENTORY – MATERIALS AND SUPPLIES

For the years ended 2018 and 2017, 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>2018</u>	<u>2017</u>
Inventory (Current Fund)		
Materials & Supplies	<u>\$1,635,637</u>	<u>\$1,918,800</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.

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

Deposits (Cont'd)

At December 31, 2018, the County's recorded cash, cash equivalents and investments amounted to \$156,080,197 and an amount of \$164,072,902 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, \$2,025,360 was FDIC insured and \$162,047,542 was GUDPA insured.

At December 31, 2017, the County's recorded cash, cash equivalents and investments amounted to \$134,966,334 and an amount of \$145,685,417 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, \$2,406,152 was FDIC insured and \$143,279,265 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, 2018, based upon the insured balances as provided by FDIC and NJGUDPA coverage, no amount of the County's bank balance of \$162,047,542 was considered exposed to custodial risk.

An Analysis of the County's cash, cash equivalents and investments at December 31, 2018 and 2017, by Fund/Category (Type) is as follows:

By Fund:

<u>Fund</u>	<u>2018 Amount</u>	<u>2017 Amount</u>
Current	\$82,185,602	\$71,709,984
Trust	69,045,588	62,690,115
General Capital	<u>4,849,007</u>	<u>566,235</u>
Total Cash, Cash Equivalents & Investments	<u>\$156,080,197</u>	<u>\$134,966,334</u>

By Category (Type)

<u>Cash & Cash Equivalents:</u>	<u>2018 Amount</u>	<u>2017 Amount</u>
Change Fund	\$ 600	\$ 600
Demand Accounts	87,886,855	87,011,276
Savings, Money Market / N.O.W.	<u>48,064,154</u>	<u>27,243,488</u>
Total Cash & Cash Equivalents	<u>\$135,951,609</u>	<u>\$114,255,364</u>
<u>Investments:</u>		
Certificates of Deposit	<u>20,128,588</u>	<u>20,710,970</u>
Total Cash, Cash Equivalents & Investments	<u>\$156,080,197</u>	<u>\$134,966,334</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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, 2018 and 2017, 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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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, 2018, the County did not have any investments on deposit with the New Jersey Cash Management Fund.

As of December 31, 2017, 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.

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NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
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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, 2018 and 2017:

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	174,904	170,124
Inactive plan members entitled to but not yet receiving benefits	589	650
Active plan members	<u>254,780</u>	<u>254,685</u>
Total	<u>430,273</u>	<u>425,459</u>
Contributing Employers	1,708	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, 2018 and 2017 the County's total payroll for all employees was \$136,421,346 and \$132,740,606, respectively. Total PERS covered payroll was \$75,705,269 and \$70,217,695, respectively. 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.

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9) PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

The member contribution rate was 7.34% for State fiscal year 2018. 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, 2017 and 2018 were \$9,090,227 and \$9,740,825, 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, 2017 and 2018 consisted of the following:

	<u>2017</u>	<u>2018</u>
Normal Cost	\$ 1,414,976	\$ 1,265,713
Amortization of Accrued Liability	<u>7,200,965</u>	<u>7,881,943</u>
Total Pension	8,615,941	9,147,656
NCGI Premiums	<u>430,008</u>	<u>468,732</u>
Total Pension & NCGI	9,045,949	9,616,388
LTD Expense	<u>44,278</u>	<u>124,437</u>
Total PERS Payment	<u>\$ 9,090,227</u>	<u>\$ 9,740,825</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

Service retirement benefits 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.

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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, 2018, the PERS reported a net pension liability of \$19,689,501,539 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 \$198,126,074 or 1.00625236%, which was a decrease of 0.0317936867%. At June 30, 2017, the PERS reported a net pension liability of \$23,278,401,588 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 \$241,640,527 or 1.0380460467%.

Actuarial Assumptions - The collective total pension liability in the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 that was rolled forward to June 30, 2018. 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 Pre-retirement 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 Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013, using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. 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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

9) PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018 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 50% 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 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
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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, 2018, calculated using the discount rates as disclosed above as well as what the collective 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 (4.66%)	At current discount rate (5.66%)	At 1% increase (6.66%)
State	\$27,413,044,035	\$23,704,298,093	\$20,597,322,253
Local	<u>24,757,279,564</u>	<u>19,689,501,539</u>	<u>15,437,959,879</u>
PERS Plan Total	<u>\$52,170,323,599</u>	<u>\$43,393,799,632</u>	<u>\$36,035,282,132</u>
County's proportionate share of the net pension liability	<u>\$249,120,710</u>	<u>\$198,126,074</u>	<u>\$155,344,836</u>

Components of Net Pension Liability – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2018 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$30,434,600,657	\$42,431,573,511	\$72,866,174,168
Plan Fiduciary Net Position	<u>6,730,302,564</u>	<u>22,742,071,972</u>	<u>29,472,374,536</u>
Net Pension Liability	<u>\$23,704,298,093</u>	<u>\$19,689,501,539</u>	<u>\$43,393,799,632</u>

At December 31, 2018, the County deferred outflow of resources and deferred inflow of resources related to PERS were from the following sources, if GASB 68 was recognized:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expended and actual experience	\$3,778,294	\$1,021,602
Change in assumptions	32,647,895	63,350,183
Net difference between projected and actual earnings		
On pension plan investments		1,858,431
Changes in proportion and differences between County		
Contributions and proportionate share of contributions	3,254,425	7,237,075
County contributions subsequent to the		
measurement date	<u>9,740,825</u>	<u>-</u>
Total	<u>\$49,421,439</u>	<u>\$73,467,291</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

9) PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – \$9,740,825 is reflected above as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date. Other 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>
2019	\$413,750
2020	(2,531,469)
2021	(14,262,595)
2022	(12,803,246)
2023	(4,603,117)
Total	<u>\$(33,786,677)</u>

Additional Information

Collective balances at June 30, 2018

Collective deferred outflows of resources	\$4,684,852,302
Collective deferred inflows of resources	7,646,736,226
Collective net pension liability – Local group	19,689,501,539

County' Proportion	1.00625236%
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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, 2018 and 2017:

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	43,755	43,011
Inactive plan members entitled to but not yet receiving benefits	39	47
Active plan members	<u>41,517</u>	<u>40,789</u>
Total	<u>85,311</u>	<u>83,847</u>
Contributing Employers	586	586

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

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

9) PENSION PLANS (CONT'D):

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

For the year ended December 31, 2018 and 2017 the County's total payroll for all employees was \$136,421,346 and \$132,740,606, respectively. Total PFRS covered payroll was \$36,642,527 and \$35,252,942, respectively. 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 2018. 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, 2017 and 2018 were \$8,503,623 and \$9,047,563, 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, 2017 and 2018 consisted of the following:

	<u>2017</u>	<u>2018</u>
Normal Cost	\$ 2,901,723	\$ 2,817,228
Amortization of Accrued Liability	<u>5,231,728</u>	<u>5,864,752</u>
Total Pension	8,133,451	8,681,980
NCGI Premiums	<u>370,172</u>	<u>365,583</u>
Total PFRS Payment	<u>\$ 8,503,623</u>	<u>\$ 9,047,563</u>

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

The following represents the membership tiers for PFRS:

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

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

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

9) PENSION PLANS (CONT'D):

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

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

At June 30, 2018, the PFRS reported a net pension liability of \$13,531,648,591 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 \$145,178,715, or 1.072883%, which was an increase of 0.050581%. 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%.

Actuarial Assumptions - The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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%

Preretirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

The long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

9) PENSION PLANS (CONT'D):

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

Best estimates of arithmetic real rates of return for each major asset class included in the PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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 6.51% as of June 30, 2018. 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 3.87% as of June 30, 2018 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 50% 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 June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability – The following presents the collective net pension liability of the participating employers as of June 30, 2018, 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 (5.51%)</u>	<u>At current discount rate (6.51%)*</u>	<u>At 1% increase (7.51%)</u>
State	\$ 5,090,302,750	\$ 4,329,304,276	\$ 3,702,605,881
Local	<u>20,570,435,198</u>	<u>15,369,699,278</u>	<u>11,080,039,474</u>
PFRS Plan Total	<u>\$25,660,737,948</u>	<u>\$19,699,003,554</u>	<u>\$14,782,645,355</u>

*- Local Share includes \$1,838,050,687 of Special Funding Situation allocated to the State of NJ as a non-employer.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

9) PENSION PLANS (CONT'D):

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

Components of Net Pension Liability – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2018 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 5,837,506,505	\$40,960,053,149	\$46,797,559,654
Plan Fiduciary Net Position	<u>1,508,202,229</u>	<u>25,590,353,871</u>	<u>27,098,556,100</u>
Net PFRS Pension Liability	<u>\$ 4,329,304,276</u>	<u>\$15,369,699,278</u>	<u>\$19,699,003,554</u>

At December 31, 2018, the County deferred outflow of resources and deferred inflow of resources related to PFRS were from the following sources, if GASB 68 was recognized:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expensed and actual experience	\$1,477,004	\$600,784
Change in assumptions	12,461,639	37,206,799
Net difference between projected and actual earnings		
On pension plan investments		794,259
Changes in proportion and differences between County		
Contributions and proportionate share of contributions	8,191,873	3,754,610
County contributions subsequent to the		
measurement date	<u>9,047,563</u>	<u>-</u>
Total	<u>\$31,178,079</u>	<u>\$42,356,452</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – \$9,047,563 is reflected above as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date. Other 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>
2019	\$1,714,957
2020	(3,478,799)
2021	(10,616,017)
2022	(6,437,595)
2023	<u>(1,408,482)</u>
Total	<u>\$(20,225,936)</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

9) PENSION PLANS (CONT'D):

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

Additional Information

Collective balances at June 30, 2018

Collective deferred outflows of resources	\$1,988,215,695
Collective deferred inflows of resources	4,286,994,294
Collective net pension liability – Local group	15,369,699,278
County' Proportion	1.0728826895%

Special Funding Situation

The County is responsible for the actuarially determined annual contributions to the PFRS, except where legislation was passed that legally obligates the State if certain circumstances occur. A special funding situation exists for the Local employers of the PFRS. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers based upon the provisions of several legislative actions. The provisions of GASB Statement No. 68 define this these relationship as a "special funding situation", and the State of New Jersey is defined as a "non-employer contributing entity".

Unaudited data provided by the PFRS indicates that the total Non-employer contributions made to the PFRS by the State for the year ended June 30, 2018 was \$108,857,000. The portion of that contribution allocated to the County was \$1,167,907, or 1.0728826895%. The June 30, 2018 State special funding situation pension expense of \$217,714,180 was actuarially determined and represents the required contribution due from the State for the year. The special funding situation net pension liability under the special funding situation was reported at \$1,838,050,687 at June 30, 2018 and represents the accumulated difference between the actuarially determined annual contributions required and the actual State contributions through the valuation date. The County's allocated shares of the special funding situation pension expense for the year ended June 30, 2018 and its share of the special funding situation NPL at that date were \$2,335,818 and \$19,720,128, respectively.

C: DEFINED CONTRIBUTION RETIREMENT PLAN

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

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

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

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.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

9) PENSION PLANS (CONT'D):

C: DEFINED CONTRIBUTION RETIREMENT PLAN (CONT'D)

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, 2018 and 2017, the County's total payroll for all employees was \$136,421,346 and \$132,740,606. Total DCRP covered payroll was \$1,413,789 and \$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, 2018, were \$42,449 and \$77,822, respectively and for the year ending 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	\$198,126,074	\$39,680,614	\$73,467,291	\$9,937,311
PFRS	<u>145,178,715</u>	<u>22,130,516</u>	<u>42,356,452</u>	<u>11,894,168</u>
Total	<u>\$ 343,304,789</u>	<u>\$61,811,130</u>	<u>\$115,823,743</u>	<u>\$21,831,479</u>

10) ACCRUED SICK AND VACATION BENEFITS

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

Sick Leave

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

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, 2018 and 2017, the estimated cost of unused sick pay is calculated to be \$10,022,090 and \$10,288,268 respectively. At December 31, 2018 and 2017, the estimated cost of unused accrued vacation pay is calculated to be \$12,648,685 and \$12,853,749, 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.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

10) ACCRUED SICK AND VACATION BENEFITS

Vacations (Cont'd)

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 2018 and 2017, \$280,000 and \$243,904, respectively was appropriated and added to the fund and \$343,449 was disbursed to employees during 2018 while \$228,364 was disbursed to employees during 2017.

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>2018 Amount</u>	<u>2017 Amount</u>
2019	3,086,523	2,404,033
2020	2,678,767	2,031,910
2021	2,438,165	1,796,580
2022	2,085,809	1,470,242
2023	1,661,274	

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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 \$1,000,000 self-insurance retention. A self-insurance Liability Fund has been established to fund those claims below \$1,000,000. 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, 2018 for the respective funds.

The Commissioners assessed the following participants for 2018 and 2017, as follows:

<u>AGENCY</u>	<u>2018</u> <u>TOTAL</u>	<u>2017</u> <u>TOTAL</u>
County College	\$371,334	\$400,088
Board of Social Services	60,259	45,903
County Improvement Authority	<u>121,826</u>	<u>69,338</u>
	<u>\$553,419</u>	<u>\$515,329</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, 2018 and 2017 totaled \$4,010,264 and \$3,401,368, respectively. The County has appropriated funds in the 2018 and 2017 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, 2018 and 2017, was as follows:

<u>Limits of Insurance:</u>	<u>2018</u>	<u>2017</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, 2018 AND DECEMBER 31, 2017

12) RISK MANAGEMENT (CONT'D)

During 2018 and 2017, 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, 2018

The estimated liability, as established by the third party administrator, for claims incurred and reported for the Worker's Compensation Fund at December 31, 2018 is \$5,746,363. 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, 2018 were as follows:

	Balance <u>12/31/17</u>	Increases to <u>Reserves</u>	Decrease to <u>Reserves</u>	Balance <u>12/31/18</u>
Self-Insurance Fund	\$3,080,433	\$4,619,969	\$5,754,268	\$1,946,134
Workers' Compensation Fund	1,836,082	4,333,129	5,742,811	426,400
Unemployment Compensation Fund	230,338	163,877	154,446	239,769

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

12) RISK MANAGEMENT (CONT'D)

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

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 4,517 and 4,599 retirees, cobra participants and active employees as of December 31, 2018 and 2017 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.

Group Insurance Plan for Employees

During 2018, the Commissioners of the MCJHIF approved closing the financial statements of certain prior fund years and Group Insurance Plan for Employees the excess funds from the 2016 Fund Year and 2017 Fund Year in the amount of \$5,934,748 were distributed to the County of Middlesex. These funds were recorded as a refund against the 2018 budget appropriations line item for Group Insurance Plan for Employees. As a result, the Year 2018 health expenditures reflect the net amount of \$57,682,445. Had the refund not have been recorded, the Group Insurance Plan for Employees expenditures would have amounted to \$63,617,193. The Group Insurance expense for the year 2017 was \$62,530,422.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

12) RISK MANAGEMENT (CONT'D)

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

Fund Year	<i>At December 31,</i>	
	2018 Fund Balance <u>Balance</u>	2017 Fund Balance <u>Balance</u>
2018	\$16,959,195	
2017	3,750,701	\$7,542,080
2016		414,457

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, 2018 and 2017.

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, 2018, approximately 1,104 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 \$31,617,380.

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.

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, 2018 AND DECEMBER 31, 2017

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 amounts actuarially determined in accordance with the parameters of GASB Statement 75.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health-care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

Employees covered by benefit terms:

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

Active employees	1,790
Retirees	<u>1,077</u>
	<u>2,867</u>

Summary of Postretirement Welfare (Health) Benefits:

A. Eligibility

Premium Free -

Post-retirement medical benefits are provided to employees who:

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

Retire under a disability retirement;

Were members in the retirement system as of August 29, 1985 and were forced to retire by mandatory retirement at age 55 with less than 25 years of service.

Direct Bill --

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

Dependents --

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

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

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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

B. Medical Benefits

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

Prescription drug coverage for retirees is provided through a self insured plan. Copays are \$3.00 for brand name drugs and no co pay for generics for employees who retired prior to 01/01/2009. Non-Bargaining employees who retire after 01/01/2009 have co pays of \$3.00 for generic and \$5.00 for brand. Co pays increased to the \$5.00/\$10.00 effective 10/01/2013 for active employees. As of January 1, 2019, a three-tiered copay structure, formulary, and Step Therapy is in effect for all active employees.

C. Death

No death benefits are provided for retirees.

D. Dental

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

E. Contributions

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

F. Medicare

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

Changes in the Total OPEB Liability

Balance 12/31/17	\$ 1,541,601,114
Changes for the year:	
Service cost	43,457,907
Interest cost	54,948,496
Benefits payments	(30,204,000)
Actuarial assumption changes	(184,484,861)
Actuarial demographic (gain) of loss	(107,889,493)
Net Changes	(224,171,951)
Balance 12/31/18	<u>\$ 1,317,429,163</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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

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

Benefit assumptions are based upon blended plan rates to produce annual composite rates. The per capita cost for Medicare Part B premium is \$1,626.00. Salary increases are scheduled at 3% per year. Retiree contributions assumes the cost for current Premium Free retirees and their dependents is 100% paid by the Middlesex County Administration prior to the application of Chapter 78. Direct Bill retirees and their dependents pay 100% of the costs to continue medical coverage.

In accordance with local Finance Notice 2007-15 issued by the New Jersey Department of Community Affairs, the County demographic and health care assumptions utilized are consistent with the assumptions used by the New Jersey Division of Pensions and Benefits and the State Health Benefits Plan as reported in their July 1, 2016 Actuarial Valuation to value the GASB obligations. The valuations results as of January 1, 2017 and December 31, 2017 are based on a valuation date of January 1, 2017 using the same valuation assumptions as set forth in the January 1, 2017 report.

Changes since prior valuation – The mortality table projection scale was updated to MP-2018, the discount rate was revised to reflected current market rates, and the prescription drug trend rates were revised to incorporate current expected trend rates.

The assumption for the plan used the “20-Bond GO Index” to establish a discount rate of 3.75% at January 1, 2017, 3.50% at December 31, 2017 and 4.10% at December 31, 2018. Inflation is assumed at 2.5% per year.

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

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

	<u>1% Decrease</u> <u>(3.10%)</u>	<u>Current Rate</u> <u>(4.10%)</u>	<u>1% increase</u> <u>(5.10%)</u>
Total OPEB liability	\$ 1,584,053,266	\$ 1,317,429,163	\$ 1,110,338,597

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

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

	<u>1% Decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Total OPEB liability	\$ 1,098,813,029	\$ 1,317,429,163	\$ 1,603,759,281

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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

Changes in plan fiduciary net position during year

Balance 12/31/17	\$ 0
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Changes for the year:

Employer contributions	30,204,000
Benefit payments	<u>(30,204,000)</u>
Net Changes	<u>0</u>

Balance 12/31/18	<u>\$ 0</u>
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Net OPEB Liability at end of year	<u>\$ 1,317,429,163</u>
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Plan fiduciary net position as a percentage of the total OPEB liability	0%
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Covered-employee payroll	\$125,635,762
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Total OPEB liability as a percentage of covered-employee payroll	1048.61%
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Total employer contributions for the retiree plan were for benefit payments and there were no fiduciary plan assets at the beginning or end of the year.

Benefit assumptions are based upon blended plan rates to produce annual composite rates. The per capita cost for Medicare Part B premium is \$1,626.00. Salary increases are scheduled at 3% per year. Retiree contributions assumes the cost for current Premium Free retirees and their dependents is 100% paid by the Middlesex County Administration prior to the application of Chapter 78. Direct Bill retirees and their dependents pay 100% of the costs to continue medical coverage.

In accordance with local Finance Notice 2007-15 issued by the New Jersey Department of Community Affairs, the County demographic and health care assumptions utilized are consistent with the assumptions used by the New Jersey Division of Pensions and Benefits and the State Health Benefits Plan as reported in their July 1, 2016 Actuarial Valuation to value the GASB obligations. The valuations results as of January 1, 2017 and December 31, 2017 are based on a valuation date of January 1, 2017 using the same valuation assumptions as set forth in the January 1, 2017 report.

Changes since prior valuation – The mortality table projection scale was updated to MP-2018, the discount rate was revised to reflected current market rates, and the prescription drug trend rates were revised to incorporate current expected trend rates.

The assumption for the plan used the “20-Bond GO Index” to establish a discount rate of 3.75% at January 1, 2017, 3.50% at December 31, 2017 and 4.10% at December 31, 2018. Inflation is assumed at 2.5% per year.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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

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

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

	<u>1% Decrease</u> <u>(3.10%)</u>	<u>Current Rate</u> <u>(4.10%)</u>	<u>1% increase</u> <u>(5.10%)</u>
Total OPEB liability	\$ 1,584,053,266	\$ 1,317,429,163	\$ 1,110,338,597

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

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

	<u>1% Decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Total OPEB liability	\$ 1,098,813,029	\$ 1,317,429,163	\$ 1,603,759,281

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

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

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Difference between expected and actual demographic experience		\$92,476,708
Change in assumptions	\$44,796,043	158,129,881
Net difference between projected and actual investment performance	<u>-</u>	<u>-</u>
Total	<u>\$44,796,043</u>	<u>\$250,606,589</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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

Total OPEB Liability (cont'd)

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

Year ended December 31

2019	\$ (32,808,556)
2020	(32,808,556)
2021	(32,808,556)
2022	(32,808,556)
2023	(32,808,558)
Thereafter	<u>(41,767,764)</u>
	<u>\$ (205,810,546)</u>

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

Total OPEB Liability

Special Funding Situation

The State of New Jersey's Total OPEB Liability for special funding situation was \$6,213,844,492 and \$8,695,413,315 at June 30, 2018 and 2017, respectively.

Special Funding Situation (cont'd)

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

The amount of the State's proportionate share of the net OPEB liability for special funding situation attributable to employees and retirees of the County of Middlesex was \$92,280,562 and \$129,642,349 at June 30, 2018 and 2017, respectively.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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

Actuarial Assumptions and Other Inputs:

The total OPEB liability as of June 30, 2018 and 2017 was determined by an actuarial valuation as of June 30, 2017 and 2016, which was rolled forward to June 30, 2018 and 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in.

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

Inflation	2.50%
Salary Increases*:	
Through 2026	1.65%-8.98%
Thereafter	2.65%-9.98%

* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

Healthcare Trend Assumptions:

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate:

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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

2018

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, 2018 amounted to \$177,490,000, and are listed below:

	Original Issue Amount	Bonds Payable Dec. 31, 2018
Capital Equipment Lease Revenue Bonds,		
Series 2008	\$13,100,000	\$280,000
Series 2009	13,115,000	1,170,000
Series 2012	11,815,000	1,165,000
Series 2013	13,840,000	1,030,000
Series 2014	17,275,000	3,630,000
Series 2015	8,080,000	3,560,000
Series 2016	7,075,000	4,370,000
Series 2017	10,915,000	9,075,000
Series 2018	8,650,000	8,650,000
 Heldrich Bond Issue, Series 2007	 3,000,000	 1,900,000
Open Space Refunded Bonds, Series 2008	29,545,000	1,340,000
Open Space Trust Revenue Bonds, Series 2009	20,265,000	5,995,000
The Meadows at Middlesex Golf Course, Series 2009 (Ref Bonds)	4,755,000	2,420,000
Middlesex County Educational Services Comm., Series 2010	5,300,000	635,000
Open Space Refunded Bonds, Series 2011 (Ref Bonds)	46,830,000	26,190,000
The Meadows at Middlesex Golf Course, Series 2013 (Ref Bonds)	11,875,000	9,175,000
Middlesex County Educational Services Comm., Series 2014	9,385,000	6,465,000
Middlesex County Educational Services Comm., Series 2014 A	30,170,000	29,770,000
Open Space Refunded Bonds, Series 2016 (Ref Bonds)	19,160,000	19,160,000
Middlesex County Educational Svcs. Comm., Series 2017	13,170,000	13,080,000
New Brunswick Cultural Center	28,430,000	<u>28,430,000</u>
		 <u>\$177,490,000</u>

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

14) COUNTY-GUARANTEED CAPITAL EQUIPMENT LEASE REVENUE BONDS AND OTHER ISSUES
(CONT'D)

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
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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15) LEASE PAYMENTS - 2018

The County participated in the following lease purchase agreements:

	Future Minimum Lease Payments						Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2019	2020	2021	2022	2023	2024 - End					
MCIA 2014 Capital Equipment Lease Program	286,492						286,492	8,344	278,148	Jul. 15, 19	3.00%
Sub Total of MCIA Capital Lease Programs	\$ 286,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 286,492	\$ 8,344	\$ 278,148		
	2019	2020	2021	2022	2023	2024 - 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	1,407,000						1,407,000	67,000	1,340,000	Sep. 15, 19	3.00%-5.00%
MCIA 2009 Open Space Trust Fund Program	2,159,800	2,158,000	2,163,200			-	6,481,000	486,000	5,995,000	Nov. 1, 21	4.00%
MCIA 2011 Open Space Trust Ref Bonds (2003 Series)	5,872,825	5,880,825	5,890,950	5,891,800	5,886,450	-	29,422,850	3,232,850	26,190,000	Sep. 15, 23	3.00%-5.153%
MCIA 2016 Open Space Trust Ref Bonds (2009 Series)	711,506	711,506	711,506	2,776,506	2,778,906	16,621,519	24,311,449	5,151,449	19,160,000	Dec. 15, 29	2.125%-5.00%
Sub Total of MCIA Open Space Trust Fund Programs	\$ 10,151,131	\$ 8,750,331	\$ 8,765,656	\$ 8,668,306	\$ 8,665,356	\$ 16,621,519	\$ 61,622,299	\$ 8,937,299	\$ 52,685,000		
Sub Total of MCIA Programs	\$ 10,437,623	\$ 8,750,331	\$ 8,765,656	\$ 8,668,306	\$ 8,665,356	\$ 16,621,519	\$ 61,908,791	\$ 8,945,643	\$ 52,963,148		

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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15) LEASE PAYMENTS - 2018

The County participated in the following lease purchase agreements:

	Future Minimum Lease Payments						Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2019	2020	2021	2022	2023	2024 - End					
<u>Civic Square Project Certificates of Participation:</u>											
Civic Square II Project, Series 1998	\$ 720,000	\$ 930,000	\$ 930,000	\$ 545,000	\$ 0	\$ 2,250,000	\$ 5,375,000	\$ 0	\$ 5,375,000	Jun. 1, 25	N/A
2011 Civic Square II - Refunded COP	2,614,400	2,613,750	2,608,050	2,982,100	3,509,600	20,005,700	34,333,600	6,993,600	27,340,000	Jun. 1, 29	Var.
Civic Square III, Series 1998 (Refunded in 2009)	1,049,313						1,049,313	19,313	1,030,000	Jun. 15, 28	Var.
Civic Square III, Series 2009 (Refunded in 2017)	444,800	1,468,900	1,471,200	1,476,600	1,470,200	7,353,100	13,684,800	2,564,800	11,120,000	Jun. 1, 28	4.00%
Civic Square IV, Series 2001	3,035,500	3,035,000	3,035,500	3,036,750	3,033,500	24,279,000	39,455,250	10,945,250	28,510,000	Oct. 1, 31	Var.
Sub Total of Civic Square Projects	<u>\$ 7,864,013</u>	<u>\$ 8,047,650</u>	<u>\$ 8,044,750</u>	<u>\$ 8,040,450</u>	<u>\$ 8,013,300</u>	<u>\$ 53,887,800</u>	93,897,963	<u>\$ 20,522,963</u>	<u>\$ 73,375,000</u>		

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, 2018 AND DECEMBER 31, 2017

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15) LEASE PAYMENTS - 2017

The County participated in the following lease purchase agreements:

	Future Minimum Lease Payments						Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2018	2019	2020	2021	2022	2023 - End					
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		

	Future Minimum Lease Payments						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	2023 - End					
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, 2018 AND DECEMBER 31, 2017

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15) LEASE PAYMENTS - 2017

The County participated in the following lease purchase agreements:

	Future Minimum Lease Payments						Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2018	2019	2020	2021	2022	2023 - End					
<u>Civic Square Project Certificates of Participation:</u>											
Civic Square II Project, Series 1998		\$ 720,000	\$ 930,000	\$ 930,000	\$ 545,000	\$ 2,250,000	\$ 5,375,000	\$ 0	\$ 5,375,000	Jun. 1, 25	N/A
Civic Square III, Series 1998 (Refunded in 2009)	\$ 1,542,756	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	42,492,500	12,447,500	30,045,000	Oct. 1, 31	Var.
2011 Civic Square II - Refunded COP	3,410,000	2,702,950	2,702,600	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	\$ 103,567,990	\$ 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, 2018 AND DECEMBER 31, 2017

16) LEASE AGREEMENTS RECEIVABLE

The County reports the following lease agreements within the General Capital Fund balance sheet as at December 31, 2018 and 2017:

<u>Lessee</u>	<u>2018 Amount Recorded</u>	<u>2017 Amount Recorded</u>	<u>Final Payment Date</u>
City of New Brunswick, NJ	<u>\$ 8,253,069</u>	<u>\$ 8,938,069</u>	May 1, 2029
	<u>\$ 8,253,069</u>	<u>\$ 8,938,069</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, 2018 the receivable balance to the County of Middlesex from the City of New Brunswick Civic Square II was \$8,253,069.

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, 2018 the receivable balance to the County of Middlesex from the MCIA was \$227,500.

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, 2018, the receivable balance to the County of Middlesex from the Heldrich Center Hotel Project, in the form of Senior Revenue Bonds, Series A, was \$2,055,000, 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, 2018 AND DECEMBER 31, 2017

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, 2018 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, 2018 the receivable balance to the County of Middlesex from the MCIA was \$689,109.

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, 2018 the receivable balance to the County of Middlesex from the Built America Bond was \$3,335,210.

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, 2018 the receivable balance to the County of Middlesex from the MCIA was \$50,913.

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, 2018 the receivable balance to the County of Middlesex from the MCIA was \$268,651.

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, 2018 the receivable balance to the County of Middlesex from the MCIA was \$63,344.

The 2018 loan agreement between the MCIA and the County of Middlesex for acquisitions through the lease purchase financing program was for an original amount of \$416,170 with payments beginning in 2018 and final payment in 2023. At December 31, 2018 the receivable balance to the County of Middlesex from the MCIA was \$416,170.

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.

COUNTY OF MIDDLESEX, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

18) HEALTH AND HOSPITALS (CONT'D)

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.

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 2018, the County collected \$1,248,405 in PILOT payments. County taxes that otherwise would have been due on these long-term exemptions amounted \$3,134,767 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, 2018 and 2017 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, 2018 AND DECEMBER 31, 2017

21) SUBSEQUENT EVENTS

– March 7, 2019 –

The Board of Chosen Freeholders finally adopted a Bond Ordinance providing for 2019 general capital improvements by, in and for the County of Middlesex, appropriating \$50,000,000 therefore and authorizing the issuance of \$23,809,523 bond or notes, and \$26,190,477 will be funded from the Capital Improvement Fund to pay for the part of the cost therefore.

– March 21, 2019 –

The County's 2019 operating budget was adopted.

– April 18, 2019 –

The Board of Chosen Freeholders Finally adopted a Bond Ordinance providing for the undertaking of 2019 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 acquisition of capital equipment and the undertaking of various 2019 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 2019 capital improvements at and for certain facilities of Middlesex County College, appropriating \$7,400,000 therefore and authorizing the issuance of \$7,400,000 bond or notes of the County of Middlesex, State of New Jersey, for financing such appropriation, the principal of and interest on the aggregate principal amount of which will be entitled to state aid, pursuant to Chapter 12 of the laws of New Jersey of 1971.

– June 06, 2019 –

The County closed on \$11,915,000 aggregate principal amount of General Obligation Bonds, consisting of, \$2,955,000 Vocational-Technical School Bonds, Series 2019, and \$1,900,000 County College Bonds, Series 2019, \$7,060,000 County College Bonds, Series 2019 (County College Bond Act, 1971 N.J. Laws C 12, as Amended).

The County closed on \$37,739,000 Bonds Anticipation Notes.

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SUMMARY OF COUNTY OPERATIONS

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>YEAR 2016</u>	<u>YEAR 2017</u>	<u>YEAR 2018</u>	(Unaudited) <u>YEAR 2019</u>
Miscellaneous Revenues Anticipated	\$ 106,662,312	\$ 110,593,790	\$ 113,009,750	\$ 114,793,415
Receipts from Current Taxes	368,963,000	380,430,059	389,875,249	401,702,000
Receipts from Added and Omitted Taxes	2,420,468	2,769,203	2,886,069	2,477,752
Non-Budget Revenue	4,565,631	2,080,844	4,651,279	1,516,754
Other Credits to Income:				
Unexpended Balances of Approp. Reserves	998,006	1,049,729	1,459,254	761,218
Other	24,206	229,527	1,106,669	959,933
	<u>483,633,623</u>	<u>497,153,152</u>	<u>512,988,270</u>	<u>522,211,072</u>
<u>EXPENDITURES AND OTHER CHARGES</u>				
Budget Appropriations	471,711,836	487,208,056	502,632,150	515,314,070
Other	63,429		378,495	401,502
	<u>471,775,265</u>	<u>487,208,056</u>	<u>503,010,645</u>	<u>515,715,572</u>
Excess (Deficit) in Revenue	11,858,358	9,945,096	9,977,625	6,495,500
Statutory Excess to Fund Balance	11,858,358	9,945,096	9,977,625	6,495,500
Balance - January 1	<u>42,242,831</u>	<u>54,101,189</u>	<u>64,046,285</u>	<u>74,023,910</u>
Balance - December 31	<u>\$ 54,101,189</u>	<u>\$ 64,046,285</u>	<u>\$ 74,023,910</u>	<u>\$ 80,519,410</u>

Source: County Reports of Audit, 2019 Unaudited Annual Financial Statement

BALANCE SHEET - CURRENT FUND

	<u>YEAR 2016</u>	<u>YEAR 2017</u>	<u>YEAR 2018</u>	(Unaudited) <u>YEAR 2019</u>
<u>ASSETS</u>				
Regular Fund:				
Cash and Investments	\$ 74,166,939	\$ 71,709,384	\$ 82,185,002	\$ 92,529,256
Cash - Change Fund	600	600	600	600
Local Grants Receivable	39,999	648,360	276,738	288,763
State and Federal Grants Receivable	41,439,944	49,937,120	31,607,480	31,424,677
<i>Total Regular Fund Assets</i>	<u>115,647,482</u>	<u>122,295,464</u>	<u>114,069,820</u>	<u>124,243,296</u>
Receivables and Other Assets with Full Reserves:				
Inventory	992,192	1,918,800	1,635,637	1,626,313
Added & Omitted Taxes Receivable	140,178	194,352	429,870	429,273
Revenue Accounts Receivable	214,969	1,454,596	965,912	327,101
<i>Total Receivables and Other Assets with Full Reserves</i>	<u>1,347,339</u>	<u>3,567,748</u>	<u>3,031,419</u>	<u>2,382,687</u>
Total Assets	<u>\$ 116,994,821</u>	<u>\$ 125,863,212</u>	<u>\$ 117,101,239</u>	<u>\$ 126,625,983</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>				
Regular Fund:				
Liabilities:				
Appropriation Reserves	\$ 13,559,427	\$ 6,354,429	\$ 5,410,739	\$ 7,855,118
Reserve for Encumbrances	9,243,660	10,639,108	4,110,326	12,259,202
Accounts Payable	3,437,539	1,912,964	588,673	188,973
Payroll Deductions	1,372,004	1,713,412	1,452,156	1,748,692
Unappropriated Reserves	164,623	1,211	2,672	401,544
Reserve for Local Grants:				
Appropriated	1,336,289	1,951,041	1,739,899	1,751,709
Unappropriated	1,003,900	1,760,134	1,376,725	1,525,899
Reserve for Federal & State Grants:				
Appropriated	30,936,134	33,599,612	25,027,906	17,469,362
Unappropriated	492,717	317,268	336,814	523,387
<i>Total Liabilities and Reserve for Grants</i>	<u>61,546,293</u>	<u>58,249,179</u>	<u>40,045,910</u>	<u>43,723,886</u>
Reserve for Receivables	1,347,339	3,567,748	3,031,419	2,382,687
Fund Balance	54,101,189	64,046,285	74,023,910	80,519,410
Total Liabilities, Reserves and Fund Balance	<u>\$ 116,994,821</u>	<u>\$ 125,863,212</u>	<u>\$ 117,101,239</u>	<u>\$ 126,625,983</u>

Source: County Reports of Audit, 2019 Unaudited Annual Financial Statement

BALANCE SHEET-TRUST FUND

(Unaudited)

	<u>YEAR 2016</u>	<u>YEAR 2017</u>	<u>YEAR 2018</u>	<u>YEAR 2019</u>
<u>ASSETS</u>				
Cash and Investments	\$ 75,472,994	\$ 62,690,115	\$ 69,045,588	\$ 78,840,510
Motor Vehicle Fines	345,592	346,856	295,980	299,627
Federal Aid Receivable:				
Housing and Community Development Act 1974	6,368,754	6,097,101	7,575,806	9,738,736
Section 8 Housing Assistance Payments Prog.	4,905			
State Aid Receivable: Alcoholism Rehabilitation Program	825,717	2,070,780	965,202	463,807
Section 8 Housing Assistance Prepayments	585,312	654,931	668,890	690,339
Open Space Program Receivable	11,626	16,068	51,615	36,300
Community Development Block Grant: Urban Housing Preservation Program Loans - Mortgages Receivable	1,317,418	1,213,570	1,169,570	1,092,670
Total Assets	\$ 84,932,318	\$ 73,089,421	\$ 79,772,651	\$ 91,161,989
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>				
Reserve for Motor Vehicle Fines Receivable	\$ 345,592	\$ 346,856	\$ 295,980	\$ 299,627
Environmental Quality	707,389	553,066	693,340	675,991
Motor Vehicle Fines - Road Fund	4,116,895	125,500	416,705	1,527,258
Reserve for Encumbrances	11,757,802	5,678,498	4,492,090	23,017,636
Performance and Escrow Deposits	412,060	-	110,600	429,468
Reserve for Open Space Program Receivable	11,626	16,068	51,615	36,300
Worker's Compensation Self-Insurance Fund	981,796	1,836,082	426,400	2,689,653
Supplemental Compensation at Retirement	67,466	83,006	19,557	80,538
Unemployment Compensation Fund	234,514	230,338	239,769	249,625
Reserve for Alcoholism Rehabilitation Program	12,589	161,627	308,577	128,468
Reserve for Housing and Community Development Expenditures	5,514,048	4,963,697	7,001,603	6,731,580
Reserve for CDBG Funds on Hand	361,364	692,735	773,732	892,140
Reserve for Refundable Consumer Affairs Deposits	72,392	74,243	32,917	32,727
Reserve for Section 8 Housing Assistance Payments Program	937,919	765,032	733,115	900,851
Road Opening Bonds	34,210	947,307	2,028,479	264,398
Self-Insurance Liability Trust Fund	1,121,572	3,080,433	1,946,134	1,739,812
Miscellaneous Trust Accounts	6,340,846	5,957,155	6,122,759	6,536,237
Dedicated Revenue by Statute	1,339,834	1,501,654	1,713,819	2,004,383
Prosecutor's Office - Dedicated Funds	2,615,335	2,523,921	3,559,046	3,669,839
State Seized Assets	3,052,250	3,537,210	6,420,587	5,092,813
Reserve for Debt Service - Open Space and Farmland Preservation	12,964,218	13,684,029	10,644,247	8,750,331
Reserve for Urban Housing & Preservation Program Loans	1,317,418	1,213,570	1,169,570	1,092,670
Reserve for BSS Building Lease Purchase Payments	1,155,857	1,400,282	1,645,282	-
Escheated Seized Funds	4,622	4,622	4,622	4,622
Reserve for Open Space and Farmland Preservation	29,452,704	23,712,490	28,922,106	24,315,022
Total Liabilities, Reserves and Fund Balance	\$ 84,932,318	\$ 73,089,421	\$ 79,772,651	\$ 91,161,989

Source: County Reports of Audit, 2019 Unaudited Annual Financial Statement

BALANCE SHEET- GENERAL CAPITAL FUND

	<u>YEAR 2016</u>	<u>YEAR 2017</u>	<u>YEAR 2018</u>	(Unaudited) <u>YEAR 2019</u>
<u>ASSETS</u>				
Cash and Investments	\$ 3,719,591	\$ 566,235	\$ 4,849,007	\$ 101,235
Leases Receivable	9,588,069	8,938,069	8,253,069	8,015,339
Loans/Other Accounts Receivable	11,605,740	10,804,453	10,381,841	9,562,336
Deferred Charges to Future Taxation:				
Funded	322,869,000	287,599,000	268,224,000	249,619,000
Funded Loans	29,438,697	28,126,648	24,935,291	23,542,517
Funded - Capital Leases	156,867,814	141,520,994	126,338,148	113,115,000
Unfunded	179,616,778	179,802,059	191,542,059	201,879,511
Total Assets	\$ 713,705,689	\$ 657,357,458	\$ 634,523,415	\$ 605,834,938
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>				
General Serial Bonds	\$ 251,559,000	\$ 217,359,000	\$ 192,224,000	\$ 169,859,000
Capital Transportation Grant Reserves	12,965,474	11,913,361	13,228,551	13,221,297
County College Bonds	30,625,000	30,935,000	33,562,500	35,645,000
County College Bonds (Ch. 12, P.L. 1971)	14,475,000	14,775,000	15,387,500	17,635,000
Vocational School Bonds	26,210,000	24,530,000	27,050,000	26,480,000
Bond Anticipation Notes	34,000,000	34,000,000	39,000,000	37,739,000
MCIA Loans Payable	23,736,058	23,102,445	20,600,065	19,907,024
Green Acres Loan Payable	5,702,639	5,024,203	4,335,226	3,635,493
Capital Leases Payable	156,867,814	141,520,994	126,338,148	113,115,000
Improvement Authorizations:				
Funded	27,560,875	27,431,103	50,083,404	38,515,936
Unfunded	41,642,298	39,755,713	71,183,488	30,222,449
Capital Improvement Fund	774,096	878,027	11,636,520	6,558,624
Reserve For:				
Encumbrances	61,841,427	64,471,016	9,806,727	73,235,916
Leases Receivable	9,588,069	8,938,069	8,253,069	8,015,339
Loans/Other Accounts Receivable	11,605,740	10,804,453	10,381,841	9,562,336
Bond Issue Costs	309,757	115,704	45,776	57,874
Payment of Debt Service	204,135			
Fund Balance	4,038,307	1,803,370	1,406,600	2,429,650
Total Liabilities, Reserves and Fund Balance	\$ 713,705,689	\$ 657,357,458	\$ 634,523,415	\$ 605,834,938
Bonds and Notes Authorized but not Issued	\$ 145,616,778	\$ 145,802,059	\$ 152,542,059	\$ 164,140,511

Source: County Reports of Audit, 2019 Unaudited Annual Financial Statement

APPENDIX C

FORM OF APPROVING LEGAL OPINION FOR THE NOTES

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

June __, 2020

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

Ladies and Gentlemen:

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

\$36,478,000
BOND ANTICIPATION NOTES

COUNTY OF MIDDLESEX
STATE OF NEW JERSEY

Dated: June 4, 2020

The \$36,478,000 aggregate principal amount of Bond Anticipation Notes (the "Notes") of the County are dated June 4, 2020, mature on June 3, 2021 and bear interest at the rate of two and zero hundredths percentum (2.00%) per annum. The Notes are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Purchases of the Notes will be made in book-entry only form in principal denominations of \$5,000 each or any integral multiple thereof, except that those Notes in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the County or a duly designated paying agent directly to Cede & Co., as nominee for DTC.

The Notes are not subject to redemption prior to maturity.

The bonds in anticipation of which the Notes are issued have been authorized pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the Board of Chosen Freeholders of the County and published as required by law, and by a resolution duly adopted by the Board of Chosen Freeholders on May 7, 2020.

The Notes are being issued to provide for the current refunding of a \$36,478,000 principal portion of \$37,739,000 Bond Anticipation Notes of the County dated June 6, 2019 and maturing June 5, 2020 (the "Prior Notes"), which Prior Notes were originally issued to temporarily finance the cost of various capital improvements in and for the County (the remaining portion of such Prior Notes is being paid by a 2020 budgetary appropriation of the County in the amount of \$1,261,000).

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

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

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

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

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

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

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

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

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

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

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

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APPENDIX D

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

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CERTIFICATE OF COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES

I, GIUSEPPE PRUITI, Chief Financial Officer/Treasurer of the County of Middlesex (the "County"), a body politic and corporate organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY on behalf of BNY Mellon Capital Markets, LLC, New York, New York, the purchaser (the "Purchaser") of \$36,478,000 aggregate principal amount of Bond Anticipation Notes of the County dated June 4, 2020 and maturing June 3, 2021 (the "Notes"), in connection with the issuance of the Notes, that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the County will provide notice of certain events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a PDF file to www.emma.msrb.org, of any of the following events with respect to the Notes herein described, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of Note holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances of the Notes; (10) release, substitution or sale of property securing repayment of the Notes, if material; (11) rating changes relating to the Notes; (12) bankruptcy, insolvency, receivership or similar event of the County; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee for the Notes or the change of name of a trustee for the Notes, if material; (15) incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect Noteholders, if material; or (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any or which reflect financial difficulties.

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term *"Financial Obligation"* shall not include municipal securities as to which a final official statement has been provided to the MSRB, through the EMMA system, consistent with the Rule.

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the County this 4th day of June, 2020.

COUNTY OF MIDDLESEX

GIUSEPPE PRUITI,
Chief Financial Officer/Treasurer