

# PRELIMINARY OFFICIAL STATEMENT DATED MAY 15, 2019

**NEW ISSUE (BOOK-ENTRY ONLY)**

**RATINGS: S&P: "AAA" (Bonds)**

**"SP-1+" (Notes)**

**See "RATINGS" herein**

*In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the County ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as defined herein) and 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 Bonds and 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

**\$12,500,000\***  
**GENERAL OBLIGATION BONDS, SERIES 2019**  
Consisting of:  
**\$3,100,000\* County Vocational-Technical Schools Bonds, Series 2019**  
**(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, As Amended)**  
**\$2,000,000\* County College Bonds, Series 2019**  
and  
**\$7,400,000\* County College Bonds, Series 2019**  
**(County College Bond Act, 1971 N.J. Laws c. 12, As Amended)**

**\$37,739,000**  
**BOND ANTICIPATION NOTES**

**NON-CALLABLE**

**Dated: June 6, 2019**

**Due: June 5, 2020**

**Coupon: \_\_\_\_\_%**

**Yield: \_\_\_\_\_%**

**CUSIP: \_\_\_\_\_**

**CALLABLE**

**NON-BANK-QUALIFIED**

**Dated: Date of Delivery**

**Due: June 1, as shown on the inside front cover**

The \$3,100,000\* County Vocational-Technical Schools Bonds, Series 2019 (New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended) (the "Vocational-Technical Schools Bonds"), the \$2,000,000\* County College Bonds, Series 2019 (the "County College Bonds") and the \$7,400,000\* County College Bonds, Series 2019 (County College Bond Act, 1971 N.J. Laws c. 12, as Amended) (the "Chapter 12 Bonds" and together with the Vocational-Technical Schools Bonds and the County College Bonds, the "Bonds"), are each general obligations of the County of Middlesex, State of New Jersey (the "County") and pledge the full faith and credit of the County to levy *ad valorem* taxes on all taxable property within the County without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The \$37,739,000 aggregate principal amount of Bond Anticipation Notes, dated June 6, 2019 (the "Notes") are general obligations of 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 Bonds and 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 Bonds and the Notes. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. 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.

The Bonds shall bear interest from their date of delivery, payable semi-annually on the first day of June and December of each year, commencing June 1, 2020, at such rates of interest as shown on the inside front cover hereof. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the County or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer, mailed, delivered or transmitted by the County to the registered owner thereof as of the Record Dates (as defined herein). The Notes will bear interest at the rate set forth above, commencing on their date of delivery. Interest on the Notes will be payable at maturity as set forth above. Principal of and interest on the Notes will be payable by the County or a duly designated paying agent on the date of maturity. As long as DTC is acting as securities depository for the Bonds and 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 Bonds or the Notes. See "THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION" herein.

The Vocational-Technical Schools Bonds are authorized by and are issued pursuant to N.J.S.A. 18A:54-1 *et seq.*, as amended and supplemented, the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), Bond Ordinance Number 446 of the County duly adopted on April 18, 2019 and published as required by law and by a resolution duly adopted by the Board of Chosen Freeholders of the County on May 2, 2019 (the "Resolution").

The County College Bonds are authorized by and issued pursuant to N.J.S.A. 18A:64A-1 *et seq.*, as amended and supplemented, the Local Bond Law, Bond Ordinance Number 447 of the County duly adopted on April 18, 2019 and published as required by law and by the Resolution.

The Chapter 12 Bonds are authorized by and issued pursuant to N.J.S.A. 18A:64A-1 *et seq.*, as amended and supplemented, the Local Bond Law, Bond Ordinance Number 448 of the County duly adopted on April 18, 2019 and published as required by law and by the Resolution.

The Notes are authorized by and are issued pursuant to 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 the Resolution.

Proceeds of the Vocational-Technical Schools Bonds will be used to provide for the permanent financing of capital improvements and equipment acquisitions at and for the Middlesex County Vocational and Technical High Schools in the amount of \$3,100,000. Proceeds of the County College Bonds will be used to provide for the permanent financing of capital improvements and acquisition of various equipment and furniture at and for certain facilities of Middlesex County College in the amount of \$2,000,000. Proceeds of the Chapter 12 Bonds will be used to provide for the permanent financing of capital improvements at and for certain facilities of Middlesex County College in the amount of \$7,400,000. The Notes are being issued to provide for the current refunding of a \$37,739,000 principal portion of \$39,000,000 Bond Anticipation Notes of the County dated June 12, 2018 and maturing June 11, 2019 (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 2019 budgetary appropriation of the County in the amount of \$1,261,000).

The Bonds are subject to redemption prior to their stated maturities at the times and in the manner described herein. See "DESCRIPTION OF THE BONDS – Optional Redemption" herein. The Notes are not subject to redemption prior to maturity.

The Bonds and 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 Bonds and 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 Bonds and the Notes. It is anticipated that the Bonds and Notes will be available for delivery through DTC on or about June 6, 2019.**

**ELECTRONIC SUBMISSIONS FOR THE BONDS MUST BE MADE VIA PARITY AT 11:00 A.M. ON WEDNESDAY, MAY 22, 2019, IN THE MANNER DESCRIBED IN AND IN ACCORDANCE WITH THE FULL NOTICE OF SALE FOR THE BONDS. ELECTRONIC SUBMISSIONS FOR THE NOTES MUST BE MADE VIA PARITY AT 11:30 A.M. ON WEDNESDAY, MAY 22, 2019, IN THE MANNER DESCRIBED IN AND IN ACCORDANCE WITH THE FULL NOTICE OF SALE FOR THE NOTES. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE FULL NOTICES OF SALE POSTED AT WWW.MUNIHUB.COM. PROSPECTIVE BIDDERS MAY BID EITHER ON THE BONDS, OR ON THE NOTES OR ON BOTH ISSUES, PROVIDED EACH BID IS IN CONFORMANCE WITH THE APPLICABLE NOTICE OF SALE FOR SUCH BONDS OR NOTES.**

\* Preliminary, subject to change.

**COUNTY OF MIDDLESEX, STATE OF NEW JERSEY**

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

**\$3,100,000\* COUNTY VOCATIONAL-TECHNICAL SCHOOLS BONDS, SERIES 2019**  
**(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended)**

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers**</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers**</u>
2020	\$130,000				2028	\$220,000			
2021	170,000				2029	225,000			
2022	170,000				2030	230,000			
2023	180,000				2031	235,000			
2024	185,000				2032	250,000			
2025	190,000				2033	255,000			
2026	200,000				2034	260,000			
2027	200,000								

**\$2,000,000\* COUNTY COLLEGE BONDS, SERIES 2019**

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers**</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers**</u>
2020	\$ 95,000				2027	\$160,000			
2021	130,000				2028	165,000			
2022	135,000				2029	170,000			
2023	140,000				2030	180,000			
2024	145,000				2031	185,000			
2025	150,000				2032	190,000			
2026	155,000								

**\$7,400,000\* COUNTY COLLEGE BONDS, SERIES 2019**  
**(County College Bond Act, 1971 N.J. Laws c. 12, as Amended)**

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers**</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers**</u>
2020	\$310,000				2028	\$510,000			
2021	400,000				2029	530,000			
2022	410,000				2030	550,000			
2023	430,000				2031	570,000			
2024	440,000				2032	580,000			
2025	460,000				2033	620,000			
2026	480,000				2034	620,000			
2027	490,000								

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\* Preliminary, subject to change.

\*\* "CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above for the Bonds are being provided solely for the convenience of holders of the Bonds only at the time of issuance of the Bonds. The County does not make any representations with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specified maturity of the Bonds is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**COUNTY OF MIDDLESEX  
STATE OF NEW JERSEY**

**THE BOARD OF CHOSEN FREEHOLDERS**

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

**COUNTY OFFICIALS**

John Pulomena,  
County Administrator

Giuseppe Pruiti,  
Chief Financial Officer/County Treasurer

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

**COUNTY COUNSEL**

Kelso & Burgess  
New Brunswick, New Jersey

**AUDITOR**

Hodulik & Morrison, P.A.,  
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 Bonds or 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.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds or 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 information contained herein has been provided by the County, The Depository Trust Company, New York, New York ("DTC") and other sources deemed reliable by the County; however, no representation or warranty is made as to its accuracy or completeness, and as to the information from sources other than the County, such information is not to be construed as a representation or warranty by the County.

This Official Statement is not to be construed as a contract or an agreement between the County and the purchasers or holders of any of the Bonds or 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 Bonds or 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.

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

In order to facilitate the distribution of the Bonds and the Notes, the Underwriter(s) may engage in transactions intended to stabilize the price of the Bonds and 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 Bonds and the Notes are offered to the public by the Underwriter(s) and the yields resulting therefrom may vary from the initial public offering prices or yields on the inside front cover page and cover page, respectively, hereof. In addition, the Underwriter(s) 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(s) have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the Federal Securities laws as applied to the facts and circumstances of this transaction, but the Underwriter(s) do not guarantee the accuracy or completeness of such information.

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**OFFICIAL STATEMENT**

**OF THE**

**COUNTY OF MIDDLESEX  
STATE OF NEW JERSEY**

**RELATING TO**

**\$12,500,000\* GENERAL OBLIGATION BONDS, SERIES 2019**

**Consisting of:**

**\$3,100,000\* County Vocational-Technical Schools Bonds, Series 2019  
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended)**

**\$2,000,000\* County College Bonds, Series 2019**

**and**

**\$7,400,000\* County College Bonds, Series 2019  
(County College Bond Act, 1971 N.J. Laws c. 12, as Amended)**

**AND**

**\$37,739,000 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 (i) the County's \$12,500,000\* aggregate principal amount of General Obligation Bonds, Series 2019, consisting of \$3,100,000\* aggregate principal amount of County Vocational-Technical Schools Bonds, Series 2019 (New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended) (the "Vocational-Technical Schools Bonds"), \$2,000,000\* aggregate principal amount of County College Bonds, Series 2019 (the "County College Bonds") and \$7,400,000\* aggregate principal amount of County College Bonds, Series 2019 (County College Bond Act, 1971 N.J. Laws c. 12, as Amended) (the "Chapter 12 Bonds" and together with the Vocational-Technical Schools Bonds and the County College Bonds, the "Bonds"), and (ii) \$37,739,000 aggregate principal amount of Bond Anticipation Notes of the County (the "Notes"). This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared on behalf of the County by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the County ("Bond Counsel") and the Chief Financial Officer/Treasurer of the County and has been authorized by the County to be distributed in connection with the sale and issuance of the Bonds and the Notes.

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

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

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\* Preliminary, subject to change.

## DESCRIPTION OF THE BONDS

The Bonds are dated the date of delivery and shall mature in the principal amounts on June 1 in each of the years set forth in each of the tables appearing on the inside front cover hereof. The Bonds shall bear interest at the rates shown on the inside front cover page hereof from their date of delivery, which interest shall be payable semiannually on the first day of June and December (each an "Interest Payment Date"), commencing June 1, 2020, in each year until maturity or earlier redemption, as applicable. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, delivered or transmitted to the registered owners of the Bonds as of each respective May 15 and November 15 preceding an Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the Chief Financial Officer/Treasurer of the County, as Registrar and Paying Agent (the "Paying Agent").

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

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

### Optional Redemption

The Bonds maturing prior to June 1, 2027 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after June 1, 2027 are subject to redemption at the option of the County, in whole or in part on any date on or after June 1, 2026, upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus in each case accrued interest to the date fixed for redemption.

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

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

## AUTHORIZATION FOR THE ISSUANCE OF THE BONDS

The Vocational-Technical Schools Bonds are authorized by and are issued pursuant to the provisions of N.J.S.A. 18A:54-1 et seq., as amended and supplemented, the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), a bond ordinance duly adopted by



the Board of Chosen Freeholders of the County on the date set forth in the chart on the following page and published as required by law, and by a resolution duly adopted by the Board of Chosen Freeholders of the County on May 2, 2019 (the "Resolution").

The County College Bonds are authorized by and are issued pursuant to the provisions of N.J.S.A. 18A:64A-1 et seq., as amended and supplemented, the Local Bond Law, a bond ordinance duly adopted by the Board of Chosen Freeholders of the County on the date set forth in the chart on the following page and published as required by law, and by the Resolution.

The Chapter 12 Bonds are authorized by and are issued pursuant to the provisions of N.J.S.A. 18A:64A-1 et seq., as amended and supplemented, the Local Bond Law, a bond ordinance duly adopted by the Board of Chosen Freeholders of the County on the date set forth in the chart on the following page and published as required by law, and by the Resolution.

The bond ordinances authorizing the Bonds were published in full or in summary, as applicable, after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the County.

#### **PURPOSE OF BOND ISSUE AND USE OF BOND PROCEEDS**

Proceeds of the Vocational-Technical Schools Bonds will be used to provide for the permanent financing of capital improvements and the acquisition of related capital equipment at and for the Middlesex County Vocational and Technical High Schools in the amount of \$3,100,000. Proceeds of the County College Bonds will be used to provide for the permanent financing of capital improvements and acquisition of related capital equipment and furniture at and for certain facilities of Middlesex County College in the amount of \$2,000,000. Proceeds of the Chapter 12 Bonds are being issued to provide for the permanent financing of capital improvements at and for certain facilities of Middlesex County College in the amount of \$7,400,000. The Bonds and the improvements or purposes for which the Bonds are to be issued have been authorized by bond ordinances duly adopted by the Board of Chosen Freeholders of the County on the dates set forth in the following table and published as required by law:

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Ordinance Number	General Purpose and Date of Final Adoption	Amount of Bond Proceeds
<b><u>\$3,100,000* Vocational-Technical Schools Bonds</u></b>		
446	2019-20 general capital improvements for the Middlesex County Vocational and Technical High Schools, finally adopted April 18, 2019 (446)	\$ 3,100,000
	Total Vocational-Technical Schools Bond Proceeds	\$ 3,100,000
<b><u>\$2,000,000* County College Bonds</u></b>		
447	Acquisition of various equipment and furniture and the undertaking of various 2019-20 capital improvements at and for Middlesex County College, finally adopted April 18, 2019 (447)	\$ 2,000,000
	Total County College Bond Proceeds	\$ 2,000,000
<b><u>\$7,400,000* Chapter 12 Bonds</u></b>		
448	2019-20 capital improvements at and for certain facilities of Middlesex County College, finally adopted April 18, 2019 (448)	\$ 7,400,000
	Total Chapter 12 Bond Proceeds	\$ 7,400,000

### Security and Payment for the Bonds

The Bonds are valid and legally binding general obligations of the County for which the full faith and credit of the County are irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. Unless otherwise paid from other sources, the County has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the County for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount.

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

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

### County College Bond Act (1971 N.J. Laws c. 12)

The County has received notice from the State Treasurer that the State will provide support for the Chapter 12 Bonds in the amount of one-half of the debt service on the Chapter 12 Bonds, under the provisions of the County College Bond Act, 1971 N.J. Laws c. 12, as amended. Payments from the New Jersey Department of Treasury for its proportionate share of the principal and interest when due are made to the County, upon the County's certification of amounts due, on or before the dates when such amounts are payable by the County. The support the County

\* Preliminary, subject to change.

receives from the State for the Chapter 12 Bonds is dependent upon appropriations by the State Legislature from time to time. The Chapter 12 Bonds which are issued under the provisions of the County College Bond Act, 1971 N.J. Laws c. 12, as amended, shall not be deemed to constitute a debt or liability of the State, or a pledge of the full faith and credit of the State.

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

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

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

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

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

## **DESCRIPTION OF THE NOTES**

The Notes comprise an issue of general obligation bond anticipation notes of the County in the aggregate principal amount of \$37,739,000, 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 front cover of this Official Statement. The Notes shall bear interest at the rate shown on the front cover of this Official Statement, which interest is payable upon the maturity date as shown on the front 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 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) 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 2, 2019. 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 \$37,739,000 principal portion of \$39,000,000 Bond Anticipation Notes of the County dated June 12, 2018 and maturing June 11, 2019 (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 2019 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:

<b>Ordinance Number</b>	<b>General Purpose and Date of Final Adoption</b>	<b>Amount of Prior Notes Being Refunded</b>	<b>Amount of New Money</b>	<b>Amount of Paydown</b>
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)	\$1,174,576	\$0	\$43,480
361	Improvements and upgrades to the 800mhz system in and for the County, finally adopted December 1, 2005 (361)	\$1,183	\$0	\$70
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)	\$566,284	\$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)	\$3,714,942	\$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)	\$4,589,293	\$0	\$160,020

<b>Ordinance Number</b>	<b>General Purpose and Date of Final Adoption</b>	<b>Amount of Prior Notes Being Refunded</b>	<b>Amount of New Money</b>	<b>Amount of Paydown</b>
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)	\$3,197,716	\$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)	\$4,641,509	\$0	\$183,030
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)	\$19,853,497	\$0	\$610,280
	<b>SUBTOTALS</b>	<u>\$37,739,000</u>	<u>\$0</u>	<u>\$1,261,000</u>
	<b>TOTAL NOTES</b>	<u>\$37,739,000</u>		

### Security for the Notes

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

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

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

### MARKET PROTECTION FOR THE BONDS AND THE NOTES

In addition to the issuance of the Bonds and the Notes, 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 2019. The County may issue obligations to refund certain existing obligations during calendar year 2019, 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 Bonds and the Notes. The Bonds and 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 Bond certificate will be issued for each maturity for each series of the Bonds, as set forth on the inside front cover hereof, and will be deposited with DTC. One fully-registered Note certificate will be issued for the Notes, in the aggregate principal amount of the issue of Notes, and will be deposited with DTC.

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

Purchases of the Bonds or the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds or the Notes on DTC’s records. The ownership interest of each actual purchaser of each Bond or 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 Bonds or 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 Bonds or the Notes, except in the event that use of the book-entry system for the Bonds or the Notes is discontinued.

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

Principal and interest payments on the Bonds and 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 Bonds and 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 Bonds or 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, Bond or 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, Bond or 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 BONDS AND THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OF THE BONDS OR THE NOTES (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS OR 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 Bonds and 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 Bonds and 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 Bonds and Notes in order for the interest on the Bonds and 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 Bonds or Notes to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds or Notes. The County will represent in its tax certificates relating to the Bonds and Notes, as applicable, that it expects and intends to comply and will comply, to the extent permitted by law, with such requirements.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the County ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the County with the requirements of the Code described above, interest on the Bonds and 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 Bonds maturing on June 1 in the years \_\_\_\_ through \_\_\_\_ and \_\_\_\_ (collectively, the "Premium Bonds") were purchased at a premium ("original issue premium") over the stated principal amounts of the Bonds. For federal income tax purposes, original issue premium generally must be amortized over the term of the Premium Bonds. Amortizable bond premium is accounted for as reducing the tax-exempt interest on the Premium Bonds rather than creating a deductible expense or loss. Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the purchaser's basis in the Premium Bonds to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code. Holders of the Premium Bonds should consult their tax advisors for an explanation of the bond premium amortization rules.]

## **[Original Issue Discount]**

[Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on June 1 in the years \_\_\_\_ through \_\_\_\_ and \_\_\_\_ (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is treated as interest and is excludable from gross income for federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.]

## **Additional Federal Income Tax Consequences**

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

See [Appendix D](#) for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Notes.

**ALL POTENTIAL PURCHASERS OF THE BONDS OR 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 BONDS OR 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 Bonds and the Notes, and such Bonds and 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 Bonds or 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 Bonds and the Notes are subject to the approval of Bond Counsel, whose approving legal opinion with respect to



the Bonds and the Notes will be delivered with the Bonds and the Notes substantially in the forms set forth as Appendix C hereto and Appendix D hereto, respectively. Certain legal matters with respect to the Bonds and 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 Bonds and 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.

### **BONDHOLDERS' AND NOTEHOLDERS' RISK**

It is to be understood that the rights of the holders of the Bonds and 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 Bonds and the Notes, the respective 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 respective original purchaser of the Bonds or the Notes shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and the Notes and receipt of payment therefor, and certificates dated as of the date of the delivery of the Bonds and the Notes, and signed by the officers who signed the Bonds and 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 Bonds or the Notes, as applicable, or the levy or collection of taxes to pay the Bonds or Notes or the interest thereon, as applicable, or questioning the validity of the statutes or the proceedings under which the Bonds or Notes are issued, as applicable, and that neither the corporate existence or boundaries of the County, nor the title of any of the said officers to the respective offices, is being contested.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the County of Middlesex, Middlesex County Administration Building, Third Floor, John F. Kennedy Square, 75 Bayard Street, New Brunswick, New Jersey 08901, Giuseppe Pruiti, Chief Financial Officer/Treasurer, (732) 745-3173, or to the County's Municipal Advisor, Phoenix Advisors, LLC, 625 Farnsworth Avenue, Bordentown, New Jersey 08505, Anthony P. Inverso, (609) 291-0130.

### **NO DEFAULT**

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

### **LITIGATION**

To the knowledge of County Counsel, after due inquiry, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds or the Notes, or the

levy or the collection of any taxes to pay the principal of or the interest on the Bonds or the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or 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 Bonds and the Notes, the County shall furnish an opinion of its County Counsel for the Bonds and for the Notes, dated the date of delivery of the Bonds and the Notes, as applicable, attesting to the status of litigation in the County.

#### **COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE BONDS**

The County has covenanted for the benefit of holders of the Bonds and the beneficial holders of the Bonds to provide certain financial information and operating data of the County on or prior to September 30 of each year and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the United States Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Bond Disclosure Certificate") to be executed on behalf of the County by its Chief Financial Officer/Treasurer, in the form appearing in Appendix E hereto. Such Bond Disclosure Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board (the "MSRB").

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

#### **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, as set forth in section (b)(5)(i)(C) of the Rule (the "Notices"). The Notices will be filed by the County with the MSRB and with a state information depository, if any. The specific nature of the Notices will be detailed in a certificate to be executed on behalf of the County by its Chief Financial Officer/Treasurer, in the form appearing in Appendix F 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 Annual Report and other filings on a going-forward basis, including hiring Phoenix Advisors, LLC in March of 2014 as its continuing disclosure agent. This covenant is being made by the County to assist the purchasers of the Notes in complying with the Rule.

#### **PREPARATION OF OFFICIAL STATEMENT**

Bond Counsel has participated in the preparation and review of this Official Statement, but has not participated in the collection of financial 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 respective purchasers of the Bonds and the Notes, by a certificate signed by an authorized officer.

## **RATINGS**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P" or the "Rating Agency") has assigned a rating of "AAA" to the Bonds and a short-term rating of "SP-1+" to the Notes. An explanation of the significance of the ratings may be obtained from S&P at 55 Water Street, New York, New York 10041. Such ratings reflect only the views of such Rating Agency, and an explanation of the significance of the ratings may be obtained from the Rating Agency. There is no assurance that the ratings will continue for any period of time or that they 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 ratings may have an adverse effect on the market price of the Bonds and/or the Notes, as applicable. Except as set forth in the Bond Disclosure Certificate and 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 Bonds and/or the Notes, as applicable.

## **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the County with respect to the issuance of the Bonds and 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, 2017 and 2016 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2017, together with the Notes to the Financial Statements for the years ended December 31, 2017 and 2016, are presented in Appendix B to this Official Statement. The financial statements referred to above have been audited by Hodulik & Morrison, P.A., 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, 2018 and the related unaudited statement of operations and changes in fund balance – regulatory basis for the year ended December 31, 2018, 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, 2018, 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 Bonds or 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 Bonds or 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**

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

DATED: May \_\_, 2019

**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 19<sup>th</sup> and 20<sup>th</sup> 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 \$62,450<sup>1</sup>

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**

<b>Taxpayer</b>	<b>Location(s)</b>	<b>Assessed Valuation</b>
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**

<b>Year</b>	<b>Labor Force</b>	<b>Employment</b>	<b>Unemployment</b>	<b>County</b>	<b>New Jersey</b>	<b>Nationwide</b>
				<b>Unemployment</b>	<b>Unemployment</b>	<b>Unemployment</b>
				<b>Rate</b>	<b>Rate</b>	<b>Rate</b>
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)**

<b>Year</b>	<b>Middlesex County</b>	<b>Percent Change</b>
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**

<b>Year</b>	<b>Middlesex County</b>	<b>New Jersey</b>	<b>United States</b>
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>Year</u>	<u>One &amp; Two Family</u>	<u>Multi-Family/Mixed Use</u>	<u>Total Housing 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**

	<b>Census 2010</b>		<b>2018</b>		<b>2023</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
<b>TOTAL UNITS</b>	<b>294,800</b>	<b>100.0%</b>	<b>307,092</b>	<b>100.0%</b>	<b>314,761</b>	<b>100.0%</b>
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**

	<b>2018</b>		<b>2023</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
<b>TOTAL</b>	<b>185,937</b>	<b>100%</b>	<b>193,389</b>	<b>100%</b>
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
<b>Median Value</b>	<b>\$351,698</b>		<b>\$375,028</b>	
<b>Average Value</b>	<b>\$385,019</b>		<b>\$415,729</b>	

Source: ESRI Housing Profile, 2019

**MIDDLESEX COUNTY, NEW JERSEY  
STATUTORY DEBT  
AS OF DECEMBER 31, 2018<sup>1</sup>  
(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) <sup>2</sup> \$465,543,163

Source: County of Middlesex accounting records.

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

<sup>2</sup> 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 <sup>1</sup> .....	<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.

<sup>1</sup> 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 <sup>1</sup>
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.

<sup>1</sup> 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 <sup>1</sup>
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>

**MIDDLESEX COUNTY, NEW JERSEY**  
**OTHER COUNTY LEASE/LOAN OBLIGATIONS**  
**AS OF DECEMBER 31, 2018**  
**(UNAUDITED)**

DESCRIPTION	COUNTY LEASE- PURCHASE/LOAN AMOUNT <sup>1</sup>
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Total:	<u>\$92,537,525</u>

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

<sup>1</sup> 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.

<sup>2</sup> 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, 2017 – June 12<sup>st</sup>, 2018 see “Subsequent Events on page 75 in the Middlesex County Audit for the year ended December 31, 2017 and 2016.**

**– June 21<sup>st</sup>, 2018 –**

The Board of Chosen Freeholders finally adopted a Loan Ordinance (number 442) of the County of Middlesex, State of New Jersey approving and authorizing the entering into, execution and delivery of a loan and security agreement with the Middlesex County Improvement Authority for the undertaking of various 2018 capital improvements and the acquisition and installation, as applicable, of various equipment with an estimated cost of \$6,250,000, the cost of such improvements and equipment to be financed through the issuance of County-Guaranteed Capital Equipment and Improvement revenue bonds, Series 2014 of the Middlesex County Improvement Authority.

**– July 19<sup>th</sup>, 2018 –**

The Board of Chosen Freeholders finally adopted an Ordinance authorizing the guaranty by the County of Middlesex, State of New Jersey of the payment of principal of and interest on the County-Guaranteed Capital Equipment and Improvement revenue bonds, issued by the Middlesex County Improvement Authority in an aggregate principal amount not to exceed \$10,000,000.

**– November 14<sup>th</sup>, 2018 –**

The Board of Chosen Freeholders finally adopted an Ordinance authorizing the acquisition of (1) a helicopter and pesticide application equipment for the use by the Mosquito Extermination Commission and (2) voting machines and electric poll books, by and in the County of Middlesex, State of New Jersey; Appropriating \$7,600,000 therefor and authorizing \$7,220,000 bonds or notes of the County to finance part of the cost.

**– March 7<sup>th</sup>, 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 therefor and authorizing \$23,809,523 Bonds of Notes of the County to finance part of the costs

**– March 21<sup>th</sup>, 2019 –**

The County’s 2019 operating budget was adopted.

**– April 18<sup>th</sup>, 2019 –**

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 and 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.

The Board of Chosen Freeholders finally adopted a Bond Ordinance providing for various 2019 general capital improvements and the acquisition of equipment for Middlesex County, re-purposing unfunded appropriations in the amount of \$12,999,056.39 in existing County bond ordinances to finance the cost thereof.

The Board of Chosen Freeholders finally adopted a amendatory Bond Ordinance providing for 2019 general capital improvements and the acquisition of equipment for the Middlesex County Vocational and technical High Schools, appropriating \$3,100,000 therefore and authorizing the issuance of \$3,100,000 bond or notes of the County for financing such appropriation.

## 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)

<b>Year</b>	<b>Equalized Valuation</b>	<b>Gross Debt December 31</b>	<b>Percentage</b>		<b>Percentage Net Debt Equalized Valuation</b>
			<b>Equalized Valuation</b>	<b>Net Debt December 31</b>	
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)**

<b>Year</b>	<b>Principal</b> <sup>1,2</sup>	<b>Interest</b> <sup>3</sup>	<b>Total Debt Service</b> <sup>4</sup>
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
<b>Total:</b>	<b>\$268,224,000</b>	<b>\$39,942,951</b>	<b>\$308,166,951</b>

Source: County Comptroller's Office Debt Amortization Schedules.

<sup>1</sup> 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.

<sup>2</sup> Includes State share of principal of County College Bonds in the amount of \$15,387,500.

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

<sup>4</sup> 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 <sup>1,2</sup>	Interest <sup>3</sup>	Total Debt Service <sup>4</sup>
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
<b>Total:</b>	<b>\$252,836,500</b>	<b>\$36,928,867</b>	<b>\$289,765,367</b>

Source: County Comptroller's Office Debt Amortization Schedules.

<sup>1</sup> 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.

<sup>2</sup> Includes State share of principal of County College Bonds in the amount of \$15,387,500.

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

<sup>4</sup> 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**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Taxable Property (in dollars)</u></b>	<b><u>Ratio of Assessed to True Value of Taxable Property</u></b>	<b><u>Equalized Valuation (in dollars)</u></b>	<b><u>County Equalized Tax Rate Per \$100</u></b>
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)

<b>Year</b>	<b>Vacant Land</b>	<b>Residential</b>	<b>Farm</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Apartments</b>	<b>Total</b>
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
<u>2019</u>	<u>1,045,955,354</u>	<u>41,083,968,689</u>	<u>145,052,100</u>	<u>8,298,557,471</u>	<u>7,956,767,871</u>	<u>3,696,767,871</u>	<u>62,226,555,185</u>

Source: Middlesex County Board of Taxation

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

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

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

<sup>1</sup> 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.

<sup>2</sup> 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, 2017, the MCUA had \$132,306,638 aggregate principal amount of debt outstanding relating to the Waste Water Division Component and \$24,388,835 aggregate principal amount of debt outstanding relating to the Solid Waste Division Component. No actual or contingent liability for the payment of any such indebtedness exists on the part of the County.

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

<b>Municipality</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Tax Rate Per \$100 Valuation</b>	<b>2018 Percent of Collection **</b>
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
<b>Totals</b>	<b>\$ 95,920,975,412</b>	<b>\$ 98,155,708,228</b>	<b>\$ 102,655,566,090</b>	<b>\$ 103,567,776,130</b>	<b>\$ 106,582,434,678</b>		

\* 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, 2018<sup>1</sup>**

<u>Municipality</u>	<u>Gross Debt</u>			<u>Statutory Deductions<sup>1</sup></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
	<b>852,048,156.98</b>	<b>592,839,303.76</b>	<b>1,642,787,172.38</b>	<b>852,048,156.98</b>	<b>684,759,301.91</b>	<b>554,565,801.01</b>	<b>1,090,188,524.57</b>	<b>106,250,365,165.90</b>	

Source: Constituent Municipalities.

<sup>1</sup> 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**

	<b>2018</b>	<b>2019</b>
	<b>Budget</b>	<b>Budget</b>
Revenues:	<b>(As Amended)</b>	<b></b>
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
<b>TOTAL</b>	<b>\$ 502,910,649</b>	<b>\$ 484,915,719</b>
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
<b>TOTAL</b>	<b>\$ 502,637,550</b>	<b>\$ 484,915,719</b>

**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>Unaudited 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)**

<b>Project Title</b>	<b>Amount</b>
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
<b>TOTAL</b>	<b>\$ 63,500,000</b>

<b>Project Title</b>	<b>Amount</b>
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
<b>TOTAL</b>	<b>\$ 63,500,000</b>

Source: County of Middlesex – 2017 Capital Budget.



**APPENDIX B**

**AUDIT REPORT OF THE COUNTY FOR THE YEAR ENDED DECEMBER 31, 2017  
AND UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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**COUNTY OF MIDDLESEX  
NEW JERSEY**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY DATA  
AND INFORMATION**

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

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

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**COUNTY OF MIDDLESEX, NEW JERSEY**

**PART I**

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the County of Middlesex, New Jersey, as of and for the years ended December 31, 2017 and 2016 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2017 and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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

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

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

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

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

#### Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the County of Middlesex, New Jersey, as of December 31, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

#### Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the County of Middlesex, New Jersey as of December 31, 2017 and 2016 and the results of operations and changes in fund balance – regulatory basis for the year then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2017, on the basis of accounting described in Note 2.

#### Other Matters

#### Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 2018 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* and should be considered in assessing the results of our audit.

*Hodulik & Morrison, P.A.*

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



Andrew G. Hodulik  
Registered Municipal Accountant  
No. 406

Highland Park, New Jersey  
June 25, 2018



**HODULIK & MORRISON, P.A.**  
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REGISTERED MUNICIPAL ACCOUNTANTS  
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REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis, of the County of Middlesex as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County of Middlesex's financial statements and have issued our report thereon dated June 25, 2018. Our report was modified because of the departure from accounting principles generally accepted in the United States of America as disclosed in Note 2 and was unqualified based upon the Other Comprehensive Basis of Accounting financial statements presentation.

Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

*Hodulik & Morrison, P.A.*

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

Highland Park, New Jersey  
June 25, 2018

**COUNTY OF MIDDLESEX, NEW JERSEY**  
**FINANCIAL STATEMENTS – REGULATORY BASIS**

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

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

See accompanying notes.

COUNTY OF MIDDLESEX, NEW JERSEY  
CURRENT FUND

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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

See accompanying notes.

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

EXHIBIT A-2  
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REF.	ADOPTED BUDGET	SPECIAL N.J.S.40A:4-87	REVENUES CANCELLED	REALIZED	EXCESS (DEFICIT)
<b>Miscellaneous Revenues:</b>					
<b>Local Revenues:</b>					
A-9	\$ 9,728,628			\$ 10,413,016	\$ 684,388
A-9	1,125,021			1,106,098	(18,923)
A-9	2,453,535			3,119,907	666,372
A-9	306,331			525,650	219,319
A-9	471,471			1,052,341	580,870
<b>Mental Health Clinics:</b>					
A-9	2,688,432			2,902,541	214,109
A-9	480			90	(390)
A-9	10,075			8,584	(1,491)
A-9	259,432			213,877	(45,555)
A-9	34,000			26,607	(7,393)
A-9	49,393			50,043	650
A-9	342,201			559,566	217,365
A-9	183,091			216,034	32,943
A-9	47,380			80,922	33,542
A-9	19,703			21,012	1,309
A-9	280,123			322,800	42,677
A-9	106,447			100,108	(6,339)
A-9	47,854			34,527	(13,327)
A-9	94,225			914,508	820,283
A-9	7,888			131,799	123,911
A-9	399,150			409,348	10,198
A-9	177,064			220,951	43,887
A-9	374,210			415,145	40,935
A-9	134,022			160,866	26,844
A-9	12,842			14,520	1,678
A-9	391,876			419,887	28,011
<b>State Aid:</b>					
A-9	1,827,859			1,697,821	(130,038)
<b>County College Bonds (N.J.S.A. 18:64A-22.6)</b>					
<b>State Assumption of Costs:</b>					
A-9	1,184,062			1,170,852	(13,210)
<b>Social and Welfare Services (C. 66, P.L. 1990):</b>					
<b>Supplemental Social Security Income</b>					
<b>Federal and State Revenues Offset with Appropriations:</b>					
A-6				\$ 7,001,588	\$ 7,001,588
<b>Workforce - DHS</b>					

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

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

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

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



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

	<u>REF.</u>	<u>ADOPTED BUDGET</u>	<u>SPECIAL N.J.S.40A:4-87</u>	<u>REVENUES CANCELLED</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Governor's Council on Alcoholism & Drug Abuse: Alliance to Prevent Alcohol & Drug Abuse	A-6		750,101		750,101	
N.J. Department of Military & Veterans Affairs: Transport Disabled Veterans	A-6		22,000		22,000	
N.J. Department of Transportation: Bridge 5-B-131	A-6		1,000,000		1,000,000	
Culvert 2-C-504	A-6		1,000,000		1,000,000	
Bridge 2-B-157	A-6		1,000,000		1,000,000	
Bridge 2-B-160	A-6		1,000,000		1,000,000	
Bridge 2-B-81	A-6		1,000,000		1,000,000	
N.J. Transit Corporation: Senior Citizens & Disabled Res. Transportation Ass. FTA - Section 5310	A-6 A-6	1,253,851 280,000			1,253,851 280,000	
N.J. Council on the Arts: Folk Art Program	A-6		17,353		17,353	
Local Arts Program - Service to Field	A-6	173,696			173,696	
N.J. Historical Commission Service	A-6	148,820			148,820	
East Jersey Cottage Research	A-6		13,800		13,800	
Local Revenues Offset with Appropriations: Miscellaneous: NJ Trans. Planning Auth. Internship Program	A-5	15,000	15,000		30,000	
Fares, Donation & Adv. Transportation	A-5	60,000	162,000		222,000	
Interlocal Service Trans. Sayreville	A-5	232,097			232,097	
Interlocal Service Trans. Woodbridge	A-5		311,588		311,588	
Johnson & Johnson, New Brunswick	A-5	35,000			35,000	
MC Nutrition Client Fee	A-5	50,000	180,000		230,000	
MCMAP Client Cost Share	A-5	8,000	10,000		18,000	
MCUA - Solid Waste Mgmt Svcs.	A-5	271,300			271,300	
MCUA - Solid Waste Contract	A-5	434,969			434,969	
Medicare Reimbursement Flu	A-5	41,000	2,581		43,581	
RESPIRE Cost Share Program	A-5	4,000	27,000		31,000	
S. Plainfield & Edison Traffic Sign Project	A-5		547,414		547,414	
Miscellaneous Revenues: Open Space Trust Fund	A-9	12,964,217			12,964,217	
Lease Purchase BSS Building	A-9	1,683,450			1,683,450	

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

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

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

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

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

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

A-1, A-4

See accompanying notes.

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

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

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

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

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

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

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

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



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

	APPROPRIATIONS		EXPENDED 2017		
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED
<b>HEALTH AND WELFARE (continued):</b>					
Raritan Bay Mental Health Clinic (N.J.S.A. 40:5-2.9):					
Salaries and Wages	4,832,000	4,662,682	4,554,960		107,722
Other Expenses	565,755	308,048	245,992	32,008	30,048
Raritan Bay Mental Health Center - Partial Care Program	288,850	248,070	146,921	97,541	3,608
Alcohol Services					
Other Expenses	185,611	186,611	186,131	147	333
Roosevelt Care Center:					
Other Expenses	10,500,000	10,500,000	10,334,805		165,195
Mental Health Administrator:					
Other Expenses	620,200	620,200	410,476	209,121	603
Social Hygiene Clinic:					
Other Expenses	13,610	13,610	6,796	5,356	1,458
Board of Social Services:					
Administration	14,070,344	14,070,344	14,070,344		
Services	776,132	776,132	776,132		
Assistance to Supplemental Security Income Recipients	1,184,062	1,184,062	1,184,062		
Temporary Assistance for Needy Families	221,403	221,403	221,403		
War Veterans Burial and Grave Decorations:					
Other Expenses	42,000	42,000	41,670		330
MC Mid School After School	50,000	12,500		12,500	
Department of Human Services:					
Salaries and Wages	1,156,000	810,637	810,637		
Other Expenses	171,152	169,152	139,696	27,278	2,178
Home Care for the Elderly (N.J.S.A. 30:4D-3)					
Salaries and Wages	57,000	117,250	117,249		1
Other Expenses	1,308,760	1,308,760	1,072,162	193,652	42,946
Aid to Family and Children's Services of Central NJ, Inc - N.J.S.A. 40:5-2.9)					
Mosquito Extermination Commission (N.J.S.A. 26:9-13 et seq.)	2,500,000	2,500,000	2,500,000		
Maintenance of Patients in State Institutions for Mental Diseases					
Local Share	7,648,815	7,354,663	7,354,663		
MC Indigent Res. - Other County	700,000	600,000	111,694		488,306
Bus Service - Board of Social Services Clients - Contractual					
Salaries and Wages	172,000	160,646	160,645		1
Other Expenses	23,852	23,852	23,852		
Aid to Various Agencies	939,879	939,879	744,021	195,858	
<b>TOTAL HEALTH AND WELFARE</b>	<b>55,271,138</b>	<b>53,014,018</b>	<b>51,148,223</b>	<b>891,028</b>	<b>974,767</b>
					<b>CANCELLED</b>

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

	APPROPRIATIONS		EXPENDED 2017		RESERVED	CANCELLED
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED		
<b>EDUCATION</b>						
Office of County Superintendent of Schools:						
Salaries and Wages	327,000	326,136	326,135		1	
Other Expenses	12,380	7,880	3,074	3,375	1,431	
Vocational School	25,704,048	25,704,048	25,704,048			
County Extension Services - Farm and Home Demonstrations:						
Salaries and Wages	506,000	501,826	494,019		7,807	
Other Expenses	31,350	17,454	13,835	2,717	902	
Middlesex County College	16,014,662	16,014,662	16,014,662			
Reimbursement for Residents Attending Out-Of-County,						
Two-Year Colleges (N.J.S.A. 18A:64A-23)	190,000	170,000	163,777		6,223	
Reimbursement for Residents Attending Out-Of-County,						
Vocational Schools (N.J.S.A. 18A:64A-23.4)	1,000					
Middlesex County Heritage Commission (N.J.S.A. 40:33A-6):						
Salaries and Wages	429,000	388,605	388,604	51,740	1	615
Other Expenses	124,450	124,450	72,095			
Fire Inspection Bureau:						
Salaries and Wages	171,000	157,605	157,605		75	
Other Expenses	3,100	700	625			
Fire Training Academy:						
Salaries and Wages	996,000	1,199,048	1,156,548	69,513	42,500	
Other Expenses	543,790	440,626	371,095		18	
East Jersey Olde Towns:						
Salaries and Wages	397,000	457,314	456,761	19,977	563	
Other Expenses	98,885	94,885	74,676		232	
<b>TOTAL EDUCATION</b>	<b>45,549,665</b>	<b>45,605,239</b>	<b>45,397,559</b>	<b>147,322</b>	<b>60,358</b>	<b>-</b>
<b>RECREATION</b>						
Infrastructure Management						
Salaries and Wages	341,000	333,328	333,328			
Other Expenses	50,178	37,721	35,325	61	2,335	
County Parks Department:						
Salaries and Wages	6,393,000	5,909,781	5,862,523	177,116	47,258	
Other Expenses	740,334	645,334	467,685		533	
<b>TOTAL RECREATION</b>	<b>7,524,512</b>	<b>6,926,164</b>	<b>6,698,861</b>	<b>177,177</b>	<b>50,126</b>	<b>-</b>

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

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

**PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES**

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

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

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

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

	APPROPRIATIONS		EXPENDED 2017			CANCELLED
	ADOPTED BUDGET	BUDGET AFTER MODIFICATION	EXPENDED	ENCUMBERED	RESERVED	
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES (continued):</b>						
N.J. Department of Health & Senior Services (continued):						
Special Child Health Services - Early Intervention		202,529	202,529			
Tuberculosis Control Program		219,121	219,121			
N.J. Department of Human Services:						
Personal Attendant Demonstration Project	78,000	78,000	78,000			
JACC - Program	62,000	62,000	62,000			
Governor's Council on Alcoholism and Drug Abuse						
Drug Enforcement Demand Reduction Fund		750,101	750,101			
N.J. Department of Transportation						
Bridge ~ 5-B-131		1,000,000	1,000,000			
Bridge ~ 2-B-157		1,000,000	1,000,000			
Culvert ~ 2-C-504		1,000,000	1,000,000			
Bridge ~ 2-B-160		1,000,000	1,000,000			
Bridge ~ 2-B-81		1,000,000	1,000,000			
N.J. Transit:						
Senior Citizens & Disabled Res.	1,253,852	1,253,852	1,253,852			
N.J. Council on the Arts:						
Local Arts Program	173,696	173,696	173,696			
Folk Art Program	17,353	17,353	17,353			
NJ Historical Commission	157,320	157,320	157,320			
N.J. Historic Trust:						
NJDS- NJ Historical Comm Services		13,800	13,800			
N.J. Department of Defense:						
Transport Disabled Veterans		22,000	22,000			
Local Revenue Miscellaneous:						
Johnson & Johnson, New Brunswick	35,000	35,000	35,000			
Medicare Reimbursement Flu Vaccine Grant		2,581	2,581			
SSP Internship Program	15,000	30,000	30,000			
Fares, Donation & Adv. Transportation	60,000	222,000	222,000			
MCIA - Paint Recycling Program	271,300	271,300	271,300			
Interstate Rt 516 & Owens Road, O.B.	41,000	41,000	41,000			
Middlesex City Multi-Assist Cost Share Program	8,000	18,000	18,000			
Respite Cost Share Program	4,000	31,000	31,000			
MCUA - Environmental Health	434,969	434,969	434,969			
MC Nutrition Client Fee	50,000	230,000	230,000			
Interlocal Service Trans. Sayreville	232,097	232,097	232,097			
Interlocal Service Trans. Woodbridge		311,588	311,588			
Township of S. Plainfield & Edison Traff Sign Proj.		547,414	547,414			
<b>TOTAL PUBLIC AND PRIVATE PROG. OFFSET BY REVENUES</b>	<b>12,204,768</b>	<b>41,410,511</b>	<b>41,410,511</b>	<b>-</b>	<b>-</b>	<b>273,812</b>

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

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

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

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

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

REF.

Budget	A-2	\$ 458,489,000
Added By 40A-4-87	A-2	29,205,743
		<b>\$ 487,694,743</b>

Cash Transferred to:

Reserve for Federal and State Grants Appropriated	A-4	\$ 433,899,098
Reserve for Local Grants Appropriated	A-16	39,008,562
	A-14	2,406,949
		<b>\$ 475,314,609</b>

See accompanying notes.

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

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

See accompanying notes.



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

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

See accompanying notes.

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

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

See accompanying notes.

## EXHIBIT D

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

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

See Accompanying Notes

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

1) FORM OF GOVERNMENT

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

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

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

**Description of Funds**

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

Current Fund

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

Trust Fund

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

General Capital Fund

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

Bond and Interest Fund

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

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

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

**Description of Funds (Cont'd)**

Governmental Fixed Assets

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

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

**Basis of Accounting**

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

Revenues

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

Expenditures

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

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

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

**Basis of Accounting (Cont'd)**

Expenditures

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

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

Compensated Absences

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

Inventories of Supplies

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

Lease Purchase Agreements

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

Self Insurance Reserves

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

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

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

**Basis of Accounting (Cont'd)**

Interfunds

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

Fixed Assets

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

Governmental Fixed Assets

New Jersey Administrative Code 5:30-5.6, previously identified as Technical Accounting Directive No. 85-2, issued by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, established a mandate for fixed asset accounting by municipalities and counties, effective December 31, 1985. Assets acquired through December 31, 1985 were valued based on actual costs, where available and other methods, including current replacement value and estimated historical costs. Assets acquired subsequent to December 31, 1985 were valued based on actual costs. The initial inventory for assets acquired through December 31, 1985 utilized a \$1,000 threshold. For all assets acquired subsequent to December 31, 1985, the threshold is \$300. Improvements other than buildings, which consist of “infrastructure” fixed assets such as roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, etc., are excluded from the governmental fixed assets. Depreciation is not recorded in the governmental fixed assets. Lease Purchase Agreements have been recorded for amounts authorized and reported and classified in Governmental Fixed Assets under Lease Purchase Agreements (completed and in progress). The Governmental Fixed Assets at December 31, 2017 and 2016 does not include Roosevelt Hospital, as the facility was transferred to the M.C.I.A., Note 18.

Disclosures About Pension Liabilities

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

Disclosures about Fair Value of Financial Instruments

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

Cash and cash equivalents and short-term investments: The carrying amount approximates fair value because of the short maturity of those instruments and include interest bearing accounts and short-term investments with a maturity of three months or less.

Long-term investments: The fair value of long-term investments are estimated based on quoted market prices for those or similar investments. Additional information pertinent to the value of these investments is provided in Note 7.

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

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

**Basis of Accounting (Cont'd)**

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

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

Recent Accounting Standards

GASB issued Statement No. 80, "Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14" in January 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB issued Statement No. 81 "Irrevocable Split-Interest Agreements" in March 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

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

GASB issued Statement No. 83 "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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

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



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

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

**Basis of Accounting (Cont'd)**

Recent Accounting Standards (Cont'd.)

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

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

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

Comparative Data

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

Prior Period Adjustments and Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to classifications in 2017.

3) DEFERRED COMPENSATION TRUST FUND

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

The plan is an arrangement whereby a public employer may establish a plan to permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The County has engaged three private contractors to administer the plan. Contributions are recognized when received by the administrators, withdrawals and administrative fees when paid by the administrators and earnings when the company with which the funds are invested notifies the administrators.

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

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

3) DEFERRED COMPENSATION TRUST FUND (Con't)

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

4) DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITIONS

**Summary of County Debt**

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

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

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

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

The summarized statement of debt condition which follows is prepared in accordance with the required method of reporting for the Annual Debt Statement and indicated a statutory net debt of 0.463%.

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

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

Equalized Valuation Basis

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

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

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

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

Schedule of Debt Service as of December 31, 2017

Year	Total Principal *	Total Interest *	Total Debt Service
2018	\$ 39,107,500	\$ 7,992,111	\$ 47,099,611
2019	38,262,500	6,760,286	45,022,786
2020	37,632,500	5,509,766	43,142,266
2021	33,775,000	4,413,141	38,188,141
2022	23,045,000	3,503,532	26,548,532
2023-2027	74,100,000	9,553,343	83,653,343
2028-2032	25,941,500	1,538,945	27,480,445
2033-2037	960,000	55,646	1,015,646
	\$ 272,824,000	\$ 39,326,770	\$ 312,150,770

\* Excludes \$14,775,000 of County College Bonds payable by the State of New Jersey.

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

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

**Summary of County Debt for Capital Projects**

Summarized below are the County's individual bond and loan issues which were outstanding at December 31, 2017.

Bonds Issued	Amount Issued	Amount Outstanding	Interest Rates	Final Maturity
<u>General Improvement Debt</u>				
ERI-Refunding Bonds of 2004	\$ 10,315,000	\$ 4,465,000	5.16% to 5.44%	2033
General Improvement Bonds of 2008	18,000,000	1,550,000	3.75%	2018
General Improvement Bonds of 2008 501c	2,500,000	200,000	3.625%	2018
General Improvement Bonds of 2008	16,000,000	1,220,000	3.50%	2018
General Improvement Bonds of 2009	22,000,000	3,600,000	3.00%	2019
Redev. General Improvement Bonds 2009	9,027,000	1,375,000	3.00% to 3.50%	2019
General Improvement Bonds of 2010	41,000,000	9,750,000	3.00%	2020
Genl. Oblig. Redev Bonds Series 2011	47,440,000	10,160,000	3.00% to 4.625%	2021
General Improvement Bonds of 2013	40,839,000	32,839,000	2.00% to 3.00%	2028
Genl. Improve. Refunding Nontaxable Bonds of 2013	8,260,000	5,000,000	4.00%	2020
Genl. Oblig. Refunding Nontaxable Bonds of 2013	2,445,000	1,470,000	3.00%	2020
Genl. Oblig. Redev Bonds Series 2014 a	19,405,000	15,530,000	4.00%	2021
Genl. Oblig. Redev Bonds Series 2014 b	16,545,000	13,825,000	1.50% to 4.00%	2022
General Improvement Bonds of 2014	6,960,000	2,110,000	2.00%	2019
Genl. Oblig. Ref. Redev Bonds Series 2015 a	6,455,000	6,455,000	2.00% to 5.00%	2021
Genl. Oblig. Ref. Redev Bonds Series 2015 b	14,985,000	14,985,000	2.00% to 5.00%	2021
Heldrich Center Hotel Project 2015	2,175,000	2,175,000	2.00% to 5.00%	2037
Genl. Improve. Refunding Bonds of 2016	16,980,000	16,980,000	3.00% to 4.00%	2023
General Improvement Ref. Bonds of 2016 501c	585,000	585,000	4.00%	2021
Genl. Redev. Ref. Bonds Series 2016	4,050,000	4,050,000	4.00% to 5.00%	2025
General Improvement Bonds of 2016	33,900,000	31,700,000	2.00% to 2.125%	2029
General Improvement Ref. Bonds of 2017	12,720,000	12,720,000	3.00% to 4.00%	2024
Genl. Redev. Ref. Bonds Series 2017	24,615,000	24,615,000	4.00% to 5.00%	2031
Total General Improvement Debt		<u>217,359,000</u>		
<u>County College Bonds</u>				
County College Bonds Ch. 12 of 2009	6,500,000	675,000	3.00% to 3.50%	2019
County College Bonds of 2010	4,000,000	1,200,000	3.00%	2020
County College Bonds Ch. 12 of 2010	1,176,500	707,500	3.00% to 3.50%	2025
County College Bonds Ch. 12 of 2012	4,250,000	2,995,000	2.00% to 3.00%	2027
County College Bonds of 2013	2,000,000	1,465,000	2.00% to 3.00%	2025
County College Bonds Ch. 12 of 2013	750,000	590,000	2.00% to 3.00%	2027
County College Bonds Ch. 12 of 2013	305,000	180,000	2.00% to 3.00%	2020
County College Bonds of 2014	2,000,000	1,675,000	2.00% to 3.00%	2026
County College Bonds of 2014	3,400,000	2,950,000	2.00% to 3.00%	2028
County College Bonds Ch. 12 of 2014	2,125,000	1,825,000	2.00% to 3.00%	2028
County College Bonds of 2015	2,000,000	1,725,000	2.00% to 3.00%	2026
County College Bonds Ch. 12 of 2015	1,600,000	1,475,000	2.00% to 3.50%	2033
County College Ref. Bonds of 2015	445,000	445,000	4.00%	2019
County College Bonds of 2016	5,000,000	4,700,000	2.00%	2028
County College Bonds Ch. 12 of 2016	1,500,000	1,400,000	2.00%	2028
County College Ref. Bonds Series 2016	3,227,500	3,227,500	4.00% to 5.00%	2029
County College Bonds of 2017	2,000,000	2,000,000	2.00% to 3.00%	2031
County College Bonds Ch. 12 of 2017	1,700,000	1,700,000	2.00% to 3.00%	2034
Total County College Bonds		<u>30,935,000</u>		

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

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

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

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

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

Vocational School Bonds

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

Total Vocational School Bonds 24,530,000

Bond Anticipation Notes Issued

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

(A) MCIA Loan Payable

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

23,102,445

Green Acres Loans Issued

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

Total Green Trust Program Loan 5,024,203

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

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

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

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

**Summary of Statutory Debt Condition - Annual Debt Statement - Prior Year 2016**

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

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

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

Equalized Valuation Basis

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

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

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

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

Schedule of Debt Service as of December 31, 2016

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

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

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

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

**Summary of County Debt for Capital Projects**

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

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

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

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

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

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

Vocational School Bonds

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

Bond Anticipation Notes Issued

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

(A) MCIA Loan Payable

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

Green Acres Loans Issued

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

Total Debt Issued and Outstanding

\$ 386,307,697

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



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

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

General Obligation Refunding Bonds, Series 2017

The County issued \$37,335,000 in General Obligation Refunding Bonds, Series 2017, dated August 24, 2017. Included in the \$37,335,000 aggregate principal amount is \$12,720,000 General Improvement Refunding Bonds, Series 2017 and \$24,615,000 Redevelopment General Improvement Refunding Bonds, Series 2017. The plan of refunding and restructuring was to provide level debt service in future years as opposed to the existing payment schedules.

The total amount of the Refunded Bonds equals \$39,000,000 with maturities from 2021 through 2031. The interest rates range from 3.100% - 3.500% for the General Improvement Bonds Series 2010 A and from 4.000% - 4.625%, for the General Obligation Redevelopment Bonds Series 2011.

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018		\$ 1,334,513	\$ 1,334,513
2019		1,496,650	1,496,650
2020		1,496,650	1,496,650
2021	\$ 3,190,000	1,448,800	4,638,800
2022	5,625,000	1,304,375	6,929,375
2023	5,610,000	1,111,475	6,721,475
2024	5,610,000	890,750	6,500,750
2025	2,460,000	704,850	3,164,850
2026	2,480,000	581,350	3,061,350
2027	2,495,000	456,975	2,951,975
2028	2,495,000	344,700	2,839,700
2029	2,480,000	245,200	2,725,200
2030	2,455,000	146,500	2,601,500
2031	2,435,000	48,700	2,483,700
	<u>\$ 37,335,000</u>	<u>\$ 11,611,488</u>	<u>\$ 48,946,488</u>

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

5) FUND BALANCE APPROPRIATED

Fund balance for the Current Fund at December 31, 2017 was reported in the amount of \$64,046,285, of which \$0 was appropriated and included as anticipated revenue for the year ending December 31, 2018.

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

6) INVENTORY – MATERIALS AND SUPPLIES

For the years ended 2017 and 2016, the County has reported Inventory on the balance sheet of the Current Fund. The Inventory is reported with an offsetting reserve. The amount reported is as follows:

	<u>2017</u>	<u>2016</u>
Inventory (Current Fund)		
Materials & Supplies	<u>\$1,918,800</u>	<u>\$992,192</u>

7) CASH, CASH EQUIVALENTS AND INVESTMENTS

**Deposits**

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

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

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

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

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

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

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

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

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

**Deposits (Cont'd)**

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

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2017, based upon the insured balances as provided by FDIC and NJGUDPA coverage, no amount of the County's bank balance of \$145,685,417 was considered exposed to custodial risk.

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

By Fund:

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

By Category (Type)

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

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

**Investments**

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual fund;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligations bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of the Treasury for investment by local units;
6. Local Government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 235 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Governmental Accounting Standards Board Statement No. 9, the year end balances in a New Jersey Cash Management Fund are considered to be cash equivalents under GAAP. During the period ended December 31, 2017 and 2016, respectively the County did not hold investments in the State of New Jersey Cash Management Funds

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

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

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

**Investments (Cont'd)**

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

Concentration of Credit Risk – This is the risk associated with the amount of investments that the County has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the County does not have an investment policy regarding Credit Risk except to the extent outlined under the County's investment policy. The New Jersey Cash Management Fund is not rated.

As of December 31, 2017, the County did not have any investments on deposit with the New Jersey Cash Management Fund.

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

8) ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

9) PENSION AND RETIREMENT PLANS

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

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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](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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

*Plan Membership and Contributing Employers* - Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017:

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

Contributing Employers – 1,705

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

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

*Payrolls and Covered Wages* - For the year ended December 31, 2017 the County's total payroll for all employees was \$132,740,606. Total PERS covered payroll was \$70,217,695. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the County to active employees covered by the Plan.

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

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

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

The member contribution rate was 7.20% for State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The County's cash basis contributions to the Plan for the years ended December 31, 2016 and 2017 were \$8,773,215 and \$9,090,227, respectively. County contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. County payments to PERS for the years ending December 31, 2016 and 2017 consisted of the following:

	<u>2016</u>	<u>2017</u>
Normal Cost	\$ 1,485,269	\$ 1,414,976
Amortization of Accrued Liability	<u>6,842,091</u>	<u>7,200,965</u>
Total Pension	8,327,360	8,615,941
NCGI Premiums	<u>445,855</u>	<u>430,008</u>
Total Pension & NCGI	8,773,215	9,045,949
LTD Expense	<u>0</u>	<u>44,278</u>
Total PERS Payment	<u>\$ 8,773,215</u>	<u>\$ 9,090,227</u>

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

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

The following represents the membership tiers for PERS:

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

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

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9) PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

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

At June 30, 2017, the PERS reported a net pension liability of \$23,278,401,588 for its Local (Non-State) Employer Member Group. The County’s proportionate share of the net pension liability for the Local Employer Member Group that is attributable to the County was \$241,640,527 or 1.038046%. At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Local Employer Member Group. The County’s proportionate share of the net pension liability for the Local Employer Member Group that was attributable to the County was \$301,575,159 or 1.018246%.

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

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

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

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



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

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

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

*Discount Rate* – The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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9) PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D)

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PERS participating employers as of June 30, 2017, calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

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

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

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$32,535,896,852	\$44,852,367,051	\$77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$25,645,622,797</u>	<u>\$23,278,401,588</u>	<u>\$48,924,024,385</u>

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

<u>Year ending</u>	<u>Amount</u>
2018	\$5,839,449
2019	8,661,227
2020	5,716,011
2021	(6,015,116)
2022	<u>(4,555,766)</u>
Total	<u>\$9,645,805</u>

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

COUNTY OF MIDDLESEX, NEW JERSEY  
 NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS  
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B. POLICE AND FIREMEN’S RETIREMENT SYSTEM

The Police and Firemen’s Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows

*Plan Membership and Contributing Employers-* Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017:

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

Contributing Employers – 586

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

For the year ended December 31, 2017 the County’s total payroll for all employees was \$132,740,606. Total PFRS covered payroll was \$35,252,942. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the County to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate was 10.0% in State fiscal year 2017. Employers’ contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The County’s cash basis contributions to the Plan for the years ended December 31, 2016 and 2017 were \$8,403,471 and \$8,503,623, respectively. County Contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contribution requirements were calculated.

County payments to PFRS made in the years ending December 31, 2016 and 2017 consisted of the following:

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

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

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

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

The following represents the membership tiers for PFRS:

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

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

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

At June 30, 2017, the PFRS reported a net pension liability of \$15,438,066,691 for its Non-State, Non-Special Funding Situation Employer Member Group. The County's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$157,823,692, or 1.022302%. At June 30, 2016, the PFRS reported a net pension liability of \$19,102,557,969 for its Non-State, Non-Special Funding Situation Employer Member Group. The County's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$199,230,791, or 1.042953%.

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

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

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

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

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9) PENSION PLANS (CONT'D):

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

The long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

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

*Discount Rate* – The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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9) PENSION PLANS (CONT'D):

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

*Sensitivity of Net Pension Liability* – The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

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

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

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

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 5,939,531,281	\$41,471,190,457	\$47,410,721,738
Plan Fiduciary Net Position	<u>1,543,788,140</u>	<u>24,303,930,259</u>	<u>25,847,718,399</u>
Net PFRS Pension Liability	<u>\$ 4,395,743,141</u>	<u>\$17,167,260,198</u>	<u>\$21,563,003,339</u>

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

<u>Year ending</u>	<u>Amount</u>
2018	\$1,182,213
2019	4,579,857
2020	(613,908)
2021	(7,751,126)
2022	<u>(3,572,704)</u>
Total	<u>\$ (6,175,667)</u>

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

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

C: DEFINED CONTRIBUTION RETIREMENT PLAN

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

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

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

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

For the year ended December 31, 2017 the County’s total payroll for all employees was \$132,740,606. Total DCRP covered payroll was \$1,121,661. Covered payroll refers to all compensation paid by the County to active employees covered by the Plan. County and employee contributions to the DCRP for the year ended December 31, 2017 were \$34,140 and \$62,407, respectively.

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

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 241,640,527	\$60,357,912	\$50,712,107	\$17,646,646
PFRS	<u>157,823,692</u>	<u>25,861,905</u>	<u>32,037,574</u>	<u>13,556,546</u>
Total	<u>\$ 399,464,219</u>	<u>\$86,219,817</u>	<u>\$82,749,681</u>	<u>\$31,203,192</u>

COUNTY OF MIDDLESEX, NEW JERSEY  
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10) ACCRUED SICK AND VACATION BENEFITS

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

Sick Leave

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

Vacations

Vacation pay for permanent employees also accumulates in accordance with the terms of approved contracts. Vacation days are to be taken in the year earned and do not accumulate, except that vacation time earned in the current year may be carried over to the next succeeding year only. The County maintains current records of each employee's status relating to earned and unused sick and vacation pay. At December 31, 2017 and 2016, the estimated cost of unused sick pay is calculated to be \$10,288,268 and \$10,045,977 respectively. At December 31, 2017 and 2016, the estimated cost of unused accrued vacation pay is calculated to be \$12,853,749 and \$12,258,094 respectively. Management indicates that this amount approximates the calculation as required by GASB No. 16, however, the methodology utilized does not fully meet the recognition and measurement criteria as set forth by the GASB. No estimate is provided for the approximate current cost of unused vacation pay based upon the policy restrictions on accumulations. As disclosed in Note 2, the County makes provision for the lump sum payment of benefits in each year's operating budget, based on cost projections for employees nearing normal retirement eligibility. In order to partially fund these benefits, the County has established a trust fund entitled "Supplemental Compensation at Retirement," and each year an annual appropriation is raised in the operating budget and transferred to the fund. In 2017 and 2016, \$243,904 and \$540,000, respectively was appropriated and added to the fund and \$228,364 was disbursed to employees during 2017 while \$491,219 was disbursed to employees during 2016.

11) LEASES

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

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

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

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



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12) RISK MANAGEMENT

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

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

The financial statements do not reflect any charges for claims incurred but not reported and any reported incurred claims that remain unpaid at December 31, 2017 for the respective funds.

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

<u>AGENCY</u>	<u>2017</u> <u>TOTAL</u>	<u>2016</u> <u>TOTAL</u>
County College	\$400,088	\$396,115
Board of Social Services	45,903	41,737
County Improvement Authority	<u>69,338</u>	<u>31,714</u>
	<u>\$515,329</u>	<u>\$469,566</u>

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

The estimated liability, as established by the third party administrator, for claims incurred and reported for the Self-Insurance Fund at December 31, 2017 and 2016 totaled \$3,401,368 and \$2,577,441, respectively. The County has appropriated funds in the 2017 and 2016 Budgets, in accordance with this funding plan.

The County has purchased commercial public entity excess liability insurance for general liability and automobile liability coverage in effect at December 31, 2017 and 2016, was as follows:

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

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 NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS  
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12) RISK MANAGEMENT (CONT'D)

During 2017 and 2016, the County maintained two individual excess healthcare/professional liability coverages, combined as follows:

Limit of Liability:

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

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

YEAR ENDED DECEMBER 31, 2017

The estimated liability, as established by the third party administrator, for claims incurred and reported for the Worker’s Compensation Fund at December 31, 2017 is \$6,343,261. This includes the run-off claims on file prior to the County purchase of commercial coverage policy for worker’s compensation claims prior to April, 1998 and after June 2, 2000. The County has purchased commercial coverage for worker’s compensation for the subsequent period: April 3, 1998 – June 2, 2000.

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

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

The activity within each of the Self-Insurance Fund reserves, the Worker’s Compensation Fund reserves and Unemployment Compensation Fund reserves for the year ended December 31, 2017 were as follows:

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

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12) RISK MANAGEMENT (CONT'D)

YEAR ENDED DECEMBER 31, 2016

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

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

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

The activity within each of the Self-Insurance Fund reserves, the Worker’s Compensation Fund reserves and Unemployment Compensation Fund reserves for the year ended December 31, 2017 were as follows:

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

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

The County of Middlesex participates in the Middlesex County Joint Health Insurance Fund (MCJHIF). The MCJHIF consists of seven (7) County agencies within Middlesex County, representing a total of 4,599 and 4,653 retirees, cobra participants and active employees as of December 31, 2017 and 2016 respectively. The MCJHIF’s purpose is to provide health care benefits to all eligible participants for medically necessary services covered under the health plan choices offered. The Fund is regulated by the State of New Jersey Department of Insurance as provided by statute and regulations and is subject to reporting requirements mandated by the State.

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

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

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12) RISK MANAGEMENT (CONT'D)

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

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

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

Accordingly, the financial statements of the County do not report or reflect its participatory share of fund claims, expenditures or fund (deficit) balance at December 31, 2017 and 2016.

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

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

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

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

At December 31, 2017, approximately 1,070 retirees, representing the County and Roosevelt Care Center, were receiving non-contributory health coverage benefits at an estimated annual cost to the County of approximately \$29,812,108.

At December 31, 2016, approximately 1,122 retirees, representing the County and Roosevelt Care Center, were receiving non-contributory health coverage benefits at an estimated annual cost to the County of approximately \$27,742,295.

The County participates in the Middlesex County Joint Health Insurance Fund (MCJHIF), an agent multiple-employer current and postemployment healthcare plan administered by MCJHIF. The MCJHIF consists of seven (7) County agencies within Middlesex County and covers both current and retired employees of the County and its participating agencies. The MCJHIF receives an annual report that includes its financial statements and required supplementary information for its benefits plan. Benefit provisions for the County are established and amended through negotiations between the County and the respective unions along with prior contracts negotiated between the respective unions and the County of Middlesex.

COUNTY OF MIDDLESEX, NEW JERSEY  
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13) POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS & POST RETIREMENT HEALTH CARE BENEFITS (CONT'D)

The contribution requirements of plan members and the participating agencies are established and may be amended by the MCJHIF Commissioners. The County's annual postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, any amounts contributed to the plan and the County's net OPEB obligation. For 2017 and 2016, the County's annual OPEB cost (expense) of \$96,751,000 and \$86,898,000, respectively was less than the ARC. In 2015, the County's annual OPEB cost (expense) of \$83,633,000 was less than the ARC.

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

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

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

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

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

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

In the January 1, 2016 actuarial valuation, the projected unit credit method was used. A rate of 4.50% was utilized as the discount rate and the amount of increase in the normal cost amount. The unfunded accrued liability is being amortized as a level dollar amount using an open period of thirty (30) years.

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

2017

The Middlesex County Improvement Authority has outstanding various issues of County Guaranteed Equipment Lease Revenue Bonds and various other County-Guaranteed Bonds. These Bonds are serviced through rental payments of the governmental entities that participate in the equipment lease program. In addition to these bonds being secured by a lien on the pledged property, they are further secured by a full and unconditional guarantee of the County of Middlesex to pay, when due, the principal of, redemption premium, if any, and interest on the Bonds. Total outstanding Improvement Authority Equipment Lease Revenue Bonds and other County-Guaranteed Bonds, guaranteed by the County of Middlesex at December 31, 2017 amounted to \$194,570,000, and are listed below:

	Original Issue <u>Amount</u>	Bonds Payable <u>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>

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

2016

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

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

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

15) LEASE PAYMENTS - 2017

The County participated in the following lease purchase agreements:

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



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

15) LEASE PAYMENTS - 2017

The County participated in the following lease purchase agreements:

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

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

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

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

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

15) LEASE PAYMENTS - 2016

The County participated in the following lease purchase agreements:

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

  

	Future Minimum Lease Payments					2022 - End	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2017	2018	2019	2020	2021				
MCIA 2008 Open Space Trust Fund Program	3,733,650	3,737,150	1,407,000			8,877,800	8,180,000	Sep. 15, 19	3.00%-5.00%
MCIA 2009 Open Space Trust Fund Program	2,159,600	2,158,600	2,159,800	2,158,000	2,163,200	10,799,200	9,615,000	Nov. 1, 21	4.00%
MCIA 2011 Open Space Trust Ref Bonds (2003 Series)	5,861,888	5,870,888	5,872,825	5,880,825	5,890,950	41,155,625	35,055,000	Sep. 15, 23	3.00%-5.153%
MCIA 2016 Open Space Trust Ref Bonds (2009 Series)	711,506	711,507	711,506	711,506	711,507	25,734,463	19,180,000	Dec. 15, 29	2.125%-5.00%
<b>Sub Total of MCIA Open Space Trust Fund Programs</b>	<b>\$ 12,466,644</b>	<b>\$ 12,478,145</b>	<b>\$ 10,151,131</b>	<b>\$ 8,750,331</b>	<b>\$ 8,765,657</b>	<b>\$ 86,667,088</b>	<b>\$ 72,010,000</b>		
<b>Sub Total of MCIA Programs</b>	<b>\$ 13,256,790</b>	<b>\$ 13,074,349</b>	<b>\$ 10,437,623</b>	<b>\$ 8,750,331</b>	<b>\$ 8,765,657</b>	<b>\$ 88,239,930</b>	<b>\$ 73,592,815</b>		

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

15) LEASE PAYMENTS - 2016

The County participated in the following lease purchase agreements:

	Future Minimum Lease Payments					2022 - End	Total Minimum Lease Payments	Less Amount Representing Interest	Principal Minimum Lease Payment	Date of Final Lease Payment	Interest Rate Range
	2017	2018	2019	2020	2021						
<u>Civic Square Project Certificates of Participation:</u>											
Civic Square II Project, Series 1998			\$ 720,000	\$ 930,000	\$ 930,000	\$ 2,795,000	\$ 5,375,000	\$ -	\$ 5,375,000	Jun. 1, 25	N/A
Civic Square III, Series 1998 (Refunded in 2009)	\$ 1,541,369	\$ 1,542,756	1,541,031	1,540,319	1,541,519	10,802,715	18,509,809	4,059,809	14,450,000	Jun. 15, 28	Var.
Civic Square IV, Series 2001	3,037,275	3,037,250	3,035,500	3,035,000	3,035,500	30,349,250	45,529,775	14,029,775	31,500,000	Oct. 1, 31	Var.
2011 Civic Square II - Refunded COP	3,412,706	3,410,000	2,702,950	2,702,600	2,697,200	27,219,300	42,144,756	10,194,756	31,950,000	Jun. 1, 29	Var.
<b>Sub Total of Civic Square Projects</b>	<b>\$ 7,991,350</b>	<b>\$ 7,950,006</b>	<b>\$ 7,999,481</b>	<b>\$ 8,207,919</b>	<b>\$ 8,204,319</b>	<b>\$ 71,166,265</b>	<b>\$ 111,559,340</b>	<b>\$ 28,284,340</b>	<b>\$ 83,275,000</b>		

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

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

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

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

16) LEASE AGREEMENTS RECEIVABLE

The County reports the following lease agreements within the General Capital Fund balance sheet as at December 31, 2017 and 2016:

<u>Lessee</u>	<u>2017 Amount Recorded</u>	<u>2016 Amount Recorded</u>	<u>Final Payment Date</u>
City of New Brunswick, NJ	<u>\$ 8,938,069</u>	<u>9,588,069</u>	May 1, 2029
	<u>\$ 8,938,069</u>	<u>\$ 9,588,069</u>	

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

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

17) PROJECT ADVANCES/RECEIVABLES

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

The lease agreement between the City of New Brunswick Civic Square II and the County of Middlesex was for an original amount of \$13,068,069 with payments beginning in 2005 and final payment in 2029. At December 31, 2017 the receivable balance to the County of Middlesex from the City of New Brunswick Civic Square II was \$8,938,069.

The 2008 loan agreement between the MCIA and the County of Middlesex for acquisitions through the lease purchase financing program was for an original amount of \$1,790,881 with payments beginning in 2009 and final payment in 2023. At December 31, 2017 the receivable balance to the County of Middlesex from the MCIA was \$276,591.

The loan agreement between the Heldrich Center Hotel Project and the County of Middlesex was for an original amount of \$3,000,000 with payments beginning in 2008 and final payment in 2037. At December 31, 2017, the receivable balance to the County of Middlesex from the Heldrich Center Hotel Project, in the form of Senior Revenue Bonds, Series A, was \$2,175,000, and all payments have been received as scheduled. With respect to the Heldrich Center Project, the debt service requirements for Series A bonds have been satisfied through January 2012, however based upon the lack of timely deposits to certain debt service reserves required of the trustee agreement, the trustee has issued the Heldrich Center Project a notice of event of default. The Heldrich Center Project is in the process of reviewing its requirements for compliance with the trustee agreement based upon the notification. No amount of the County's fund balance is impaired based upon this current status.

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

17) PROJECT ADVANCES/RECEIVABLES (CONT'D)

The loan agreement between the SERA and the County of Middlesex was for an original amount of \$11,703,384 with payments beginning in 2009. At December 31, 2017 the receivable balance to the County of Middlesex from the SERA was \$3,275,944.

The 2009 loan agreement between the MCIA and the County of Middlesex for acquisitions through the lease purchase financing program was for an original amount of \$1,535,517 with payments beginning in 2010 and final payment in 2024. At December 31, 2017 the receivable balance to the County of Middlesex from the MCIA was \$791,424.

The 2009 subsidy agreement between Built America Bond and the County of Middlesex is to offset the costs for the 2009 Open Space Trust fund Revenue Bonds, Series 2009 in the amount of \$40,000,000. The original amount of the subsidy was \$6,800,940 with payments beginning in 2010 and final payment in 2029. At December 31, 2017 the receivable balance to the County of Middlesex from the Built America Bond was \$4,092,136.

The 2013 loan agreement between the MCIA and the County of Middlesex for acquisitions through the lease purchase financing program was for an original amount of \$237,990 with payments beginning in 2014 and final payment in 2018. At December 31, 2017 the receivable balance to the County of Middlesex from the MCIA was \$40,517.

The 2014 loan agreement between the MCIA and the County of Middlesex for acquisitions through the lease purchase financing program was for an original amount of \$262,203 with payments beginning in 2015 and final payment in 2019. At December 31, 2017 the receivable balance to the County of Middlesex from the MCIA was \$100,344.

The 2016 loan agreement between the MCIA and the County of Middlesex for acquisitions through the lease purchase financing program was for an original amount of \$434,691 with payments beginning in 2017 and final payment in 2021. At December 31, 2017 the receivable balance to the County of Middlesex from the MCIA was \$352,206.

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

18) HEALTH AND HOSPITALS

The County provides certain medical and health services to residents through the George J. Otlowski Medical Health Center, several health clinics and the Roosevelt Care Center (the "Center"). Effective June 14, 1997, the Board of Chosen Freeholders transferred operation of, including the license to operate the Center, to the Middlesex County Improvement Authority ("MCIA"). On May 6, 1999, the Board of Chosen Freeholders adopted a resolution authorizing the transfer of ownership of the Center from the County to the MCIA. On November 15, 1999, the Board of Chosen Freeholders adopted a resolution affirming the sale of the Center to the MCIA. Agreements and contracts authorizing the transfer of the lands and buildings were executed on January 19, 2000 and title of the property was transferred to the MCIA.

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

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

18) HEALTH AND HOSPITALS (CONT'D)

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

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

19) LONG TERM TAX EXEMPTIONS

The County’s constituent municipalities (other governments) participate in long- term tax exemption programs for redevelopment, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. Taxes abated by these other governments include local, school, county, and, in some cases, fire district taxes. The tax-exempt project makes payments to the municipalities in lieu of taxes (PILOT payments). The County is to receive five percent (5.00%) of the PILOT amounts paid to the participating municipality. During 2017, the County collected \$252,711 in PILOT payments. County taxes that otherwise would have been due on these long-term exemptions amounted \$2,696,562 based upon the assessed valuation of the long-term tax exempt properties.

20) COMMITMENTS AND CONTINGENCIES

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

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

The County participates in a number of federal and state assisted programs that are subject to audit and adjustment by the respective grantors. The audits of these programs for or including the years ended December 31, 2017 and 2016 may have not been conducted or completed as of the date of this report. Grantor agencies reserve the right to conduct additional audits of the County’s grant program for economy, efficiencies and program results which may result in disallowed costs to the County. However, County management does not believe such audits would result in any material amounts of disallowed costs.

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

21) SUBSEQUENT EVENTS

– **March 15, 2018** –

The County’s 2018 operating budget was adopted.

– **May 17, 2018** –

The Board of Chosen Freeholders finally adopted a Bond Ordinance providing for the acquisition of capital equipment and the undertaking of various 2018 capital improvements at and for facilities of Middlesex County College, appropriating \$2,000,000 therefore and authorizing the issuance of \$2,000,000 bonds or notes of the County for financing such appropriation.

The Board of Chosen Freeholders Finally adopted a Bond Ordinance providing for the undertaking of 2018 capital improvements for County Vocational and Technical Schools, appropriating \$3,100,000 therefore and authorizing the issuance of \$3,100,000 bond or notes of the County for financing such appropriation.

The Board of Chosen Freeholders Finally adopted a Bond Ordinance providing for the undertaking of 2018 capital improvements at and for certain facilities of Middlesex County College, appropriating \$3,700,000 therefore and authorizing the issuance of \$3,700,000 bond or notes of the County of Middlesex, State of New Jersey, for financing such appropriation, the principal of and interest on the aggregate principal amount of which will be entitled to state aid, pursuant to Chapter 12 of the laws of New Jersey of 1971.

The Board of Chosen Freeholders finally adopted a Bond Ordinance providing for 2018 general capital improvements by, in and for the County of Middlesex, appropriating \$35,000,000 therefore and authorizing the issuance of \$16,625,000 bond or notes, and \$18,375,000 will be funded from the Capital Improvement Fund to pay for the part of the cost therefore.

– **June 12, 2018** –

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

**COUNTY OF MIDDLESEX, NEW JERSEY**

**PART II**

**REQUIRED SUPPLEMENTARY INFORMATION**



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

Last 10 Fiscal Years\*

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

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

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

Last 10 Fiscal Years\*

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

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

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

Last 10 Fiscal Years\*

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

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

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

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

Last 10 Fiscal Years\*

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

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

**COUNTY OF MIDDLESEX, NEW JERSEY**

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION  
DECEMBER 31, 2017**

**NOTE 1. CHANGES IN ASSUMPTIONS**

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

**PERS**

*Changes in benefit terms* - None

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

**PFRS**

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

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

COUNTY OF MIDDLESEX, NEW JERSEY

REQUIRED SUPPLEMENTARY INFORMATION  
 POSTEMPLOYMENT HEALTH BENEFITS  
SCHEDULE OF FUNDING PROGRESS

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

Note:

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

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

SUMMARY OF COUNTY OPERATIONS

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>YEAR 2015</u>	<u>YEAR 2016</u>	<u>YEAR 2017</u>	(Unaudited) <u>YEAR 2018</u>
Miscellaneous Revenues Anticipated	\$ 101,543,629	\$ 106,662,312	\$ 110,593,790	\$ 112,633,898
Receipts from Current Taxes	357,505,000	368,963,000	380,430,059	389,875,249
Receipts from Added and Omitted Taxes	2,758,159	2,420,468	2,769,203	2,886,069
Non-Budget Revenue	3,717,971	4,565,631	2,080,344	3,778,726
Non-Budget Revenue - PILOT				1,248,405
Other Credits to Income:				
Unexpended Balances of Approp. Reserves	1,440,832	998,006	1,049,729	1,459,254
Other	701,438	24,206	230,027	1,106,669
	<u>467,667,029</u>	<u>483,633,623</u>	<u>497,153,152</u>	<u>512,988,270</u>
 <u>EXPENDITURES AND OTHER CHARGES</u>				
Budget Appropriations	459,871,477	471,711,836	487,208,056	502,632,150
Other	169,927	63,429		378,495
	<u>460,041,404</u>	<u>471,775,265</u>	<u>487,208,056</u>	<u>503,010,645</u>
Excess (Deficit) in Revenue	7,625,625	11,858,358	9,945,096	9,977,625
Statutory Adjustments to Income Before Fund Balance:				
Statutory Excess to Fund Balance	<u>7,625,625</u>	<u>11,858,358</u>	<u>9,945,096</u>	<u>9,977,625</u>
Deficit in Operations to be Raised in Budget of Succeeding Year				
Statutory Excess to Fund Balance (brought forward)	<u>\$ 7,625,625</u>	<u>\$ 11,858,358</u>	<u>\$ 9,945,096</u>	<u>\$ 9,977,625</u>
Balance - January 1	<u>34,617,206</u>	<u>42,242,831</u>	<u>54,101,189</u>	<u>64,046,285</u>
Balance - December 31	<u>\$ 42,242,831</u>	<u>\$ 54,101,189</u>	<u>\$ 64,046,285</u>	<u>\$ 74,023,910</u>

Source: County Reports of Audit, 2018 Unaudited Annual Financial Statement

BALANCE SHEET - CURRENT FUND

	<u>YEAR 2015</u>	<u>YEAR 2016</u>	<u>YEAR 2017</u>	<u>(Unaudited)</u> <u>YEAR 2018</u>
<u>ASSETS</u>				
Regular Fund:				
Cash and Investments	\$ 69,258,442	\$ 74,166,939	\$ 71,709,384	\$ 82,185,001
Cash - Change Fund	600	600	600	600
Local Grants Receivable	9,643	39,999	648,360	276,739
State and Federal Grants Receivable	37,938,751	41,439,944	49,937,120	32,306,888
<i>Total Regular Fund Assets</i>	<u>107,207,436</u>	<u>115,647,482</u>	<u>122,295,464</u>	<u>114,769,228</u>
Receivables and Other Assets with Full Reserves:				
Inventory	855,182	992,192	1,918,800	1,635,637
Added & Omitted Taxes Receivable	204,826	140,178	194,352	429,870
Revenue Accounts Receivable	483,121	214,969	1,454,593	1,454,595
<i>Total Receivables and Other Assets with Full Reserves</i>	<u>1,543,129</u>	<u>1,347,339</u>	<u>3,567,745</u>	<u>3,520,102</u>
<b>Total Assets</b>	<b><u>\$ 108,750,565</u></b>	<b><u>\$ 116,994,821</u></b>	<b><u>\$ 125,863,209</u></b>	<b><u>\$ 118,289,330</u></b>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>				
Regular Fund:				
Liabilities:				
Appropriation Reserves	\$ 15,827,658	\$ 13,559,427	\$ 6,354,429	\$ 5,410,739
Reserve for Encumbrances	14,757,481	9,243,660	10,639,108	4,110,326
Accounts Payable	677,815	3,437,539	1,912,964	588,673
Payroll Deductions	1,660,477	1,372,004	1,713,412	1,452,156
Unappropriated Reserves	135,278	164,623	1,211	2,671
Reserve for Local Grants:				
Appropriated	1,269,048	1,336,289	1,951,041	2,067,706
Unappropriated	808,728	1,003,900	1,760,134	1,376,725
Reserve for Federal & State Grants:				
Appropriated	29,044,709	30,936,134	33,599,612	24,700,098
Unappropriated	783,411	492,717	317,268	1,036,224
<i>Total Liabilities and Reserve for Grants</i>	<u>64,964,605</u>	<u>61,546,293</u>	<u>58,249,179</u>	<u>40,745,318</u>
Reserve for Receivables	1,543,129	1,347,339	3,567,745	3,520,102
Fund Balance	42,242,831	54,101,189	64,046,285	74,023,910
<b>Total Liabilities, Reserves and Fund Balance</b>	<b><u>\$ 108,750,565</u></b>	<b><u>\$ 116,994,821</u></b>	<b><u>\$ 125,863,209</u></b>	<b><u>\$ 118,289,330</u></b>

Source: County Reports of Audit, 2018 Unaudited Annual Financial Statement



BALANCE SHEET-TRUST FUND

	(Unaudited)			
	<u>YEAR 2015</u>	<u>YEAR 2016</u>	<u>YEAR 2017</u>	<u>YEAR 2018</u>
<b><u>ASSETS</u></b>				
Cash and Investments	\$ 69,859,043	\$ 75,472,994	\$ 62,690,115	\$ 69,045,588
Motor Vehicle Fines	374,604	345,592	346,856	295,980
Federal Aid Receivable:				
Housing and Community Development Act 1974	6,125,360	6,368,754	6,097,101	7,575,806
Federal Aid Receivable:				
Section 8 Housing Assistance Payments Prog.	128,049	4,905	-	-
State Aid Receivable: Alcoholism Rehabilitation Program	856,970	825,717	2,070,780	965,202
Section 8 Housing Assistance Prepayments	598,399	585,312	654,931	668,890
Open Space Program Receivable	16,841	11,626	16,068	51,615
Community Development Block Grant: Urban Housing Preservation Program Loans - Mortgages Receivable	1,511,063	1,317,418	1,213,570	1,169,570
<b>Total Assets</b>	<b>\$ 79,470,329</b>	<b>\$ 84,932,318</b>	<b>\$ 73,089,421</b>	<b>\$ 79,772,651</b>
<b><u>LIABILITIES, RESERVES AND FUND BALANCE</u></b>				
Reserve for Motor Vehicle Fines Receivable	\$ 374,604	\$ 345,592	\$ 346,856	\$ 295,980
Environmental Quality	652,945	707,389	553,066	693,340
Motor Vehicle Fines - Road Fund	2,276,767	4,116,895	125,500	416,705
Reserve for Encumbrances	1,497,581	11,757,802	5,678,498	4,492,090
Performance and Escrow Deposits	3,194,287	412,060	-	110,600
Reserve for Open Space Program Receivable	16,841	11,626	16,068	51,615
Worker's Compensation Self-Insurance Fund	871,859	981,796	1,836,082	426,400
Supplemental Compensation at Retirement	18,685	67,466	83,006	19,557
Unemployment Compensation Fund	461,625	234,514	230,338	239,769
Reserve for Alcoholism Rehabilitation Program	1,467	12,589	161,627	308,577
Reserve for Housing and Community Development Expenditures	6,009,200	5,514,048	4,963,697	7,001,603
Reserve for CDBG Funds on Hand	192,577	361,364	692,735	773,732
Reserve for Refundable Consumer Affairs Deposits	83,045	72,392	74,243	32,917
Reserve for Section 8 Housing Assistance Payments Program	927,778	937,919	765,032	733,115
Road Opening Bonds	1,555,721	34,210	947,307	2,028,479
Self-Insurance Liability Trust Fund	525,901	1,121,572	3,080,433	1,946,134
Miscellaneous Trust Accounts	7,713,127	6,340,846	5,957,155	6,122,759
Dedicated Revenue by Statute	1,092,832	1,339,834	1,501,654	1,713,819
Prosecutor's Office - Dedicated Funds	2,572,851	2,615,335	2,523,921	3,559,046
State Seized Assets	2,732,311	3,052,250	3,537,210	6,420,587
Reserve for Debt Service - Open Space and Farmland Preservation	13,603,305	12,964,218	13,684,029	10,644,247
Reserve for Urban Housing & Preservation Program Loans	1,511,063	1,317,418	1,213,570	1,169,570
Reserve for BSS Building Lease Purchase Payments	912,007	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	30,667,328	29,452,704	23,712,490	28,922,106
<b>Total Liabilities, Reserves and Fund Balance</b>	<b>\$ 79,470,329</b>	<b>\$ 84,932,318</b>	<b>\$ 73,089,421</b>	<b>\$ 79,772,651</b>

Source: County Reports of Audit, 2018 Unaudited Annual Financial Statement

BALANCE SHEET- GENERAL CAPITAL FUND

(Unaudited)

	<u>YEAR 2015</u>	<u>YEAR 2016</u>	<u>YEAR 2017</u>	<u>YEAR 2018</u>
<u>ASSETS</u>				
Cash and Investments	\$ 636,683	\$ 3,719,591	\$ 566,235	\$ 4,849,007
Leases Receivable	10,701,568	9,588,069	8,938,069	8,253,069
Loans/Other Accounts Receivable	11,977,441	11,605,740	10,804,453	10,381,841
Deferred Charges to Future Taxation:				
Funded	323,532,000	322,869,000	287,599,000	268,224,000
Funded Loans	31,788,962	29,438,697	28,126,648	24,935,291
Funded - Capital Leases	172,991,869	156,867,814	141,520,994	126,338,148
Unfunded	194,498,683	179,616,778	179,802,059	191,542,059
<b>Total Assets</b>	<b><u>\$ 746,127,206</u></b>	<b><u>\$ 713,705,689</u></b>	<b><u>\$ 657,357,458</u></b>	<b><u>\$ 634,523,415</u></b>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>				
General Serial Bonds	\$ 255,856,000	\$ 251,559,000	\$ 217,359,000	\$ 192,224,000
Capital Transportation Grant Reserves	12,965,474	12,965,474	11,913,361	13,228,551
County College Bonds	27,578,000	30,625,000	30,935,000	33,562,500
County College Bonds (Ch. 12, P.L. 1971)	14,843,000	14,475,000	14,775,000	15,387,500
Vocational School Bonds	24,630,000	26,210,000	24,530,000	27,050,000
Bond Anticipation Notes	34,200,000	34,000,000	34,000,000	39,000,000
Open Space Bonds	625,000	-	-	-
MCIA Loans Payable	26,906,727	23,736,058	23,102,445	20,600,065
Green Acres Loan Payable	4,882,235	5,702,639	5,024,203	4,335,226
Capital Leases Payable	172,991,869	156,867,814	141,520,994	126,338,148
Improvement Authorizations:				
Funded	38,078,701	27,560,875	27,431,103	50,083,404
Unfunded	48,645,360	41,642,298	39,755,713	71,183,488
Capital Improvement Fund	1,080,001	774,096	878,027	11,636,520
Reserve For:				
Payment of Debt Service	422,446	204,135	-	-
Leases Receivable	10,701,568	9,588,069	8,938,069	8,253,069
Bond Issue Costs	314,187	309,757	115,704	45,776
Encumbrances	58,441,713	61,841,427	64,471,016	9,806,727
Loans/Other Accounts Receivable	11,977,441	11,605,740	10,804,453	10,381,841
Fund Balance	987,484	4,038,307	1,803,370	1,406,600
<b>Total Liabilities, Reserves and Fund Balance</b>	<b><u>\$ 746,127,206</u></b>	<b><u>\$ 713,705,689</u></b>	<b><u>\$ 657,357,458</u></b>	<b><u>\$ 634,523,415</u></b>
 Bonds and Notes Authorized but not Issued	 <b><u>\$ 160,298,683</u></b>	 <b><u>\$ 145,616,778</u></b>	 <b><u>\$ 145,802,059</u></b>	 <b><u>\$ 152,542,059</u></b>

Source: County Reports of Audit, 2018 Unaudited Annual Financial Statement

**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION FOR THE BONDS**

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

June \_\_, 2019

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

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of \$12,500,000 aggregate principal amount of General Obligation Bonds, Series 2019, consisting of \$3,100,000 aggregate principal amount of County Vocational-Technical Schools Bonds, Series 2019 (New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended) (the "Vocational-Technical Schools Bonds"), \$2,000,000 aggregate principal amount of County College Bonds, Series 2019 (the "County College Bonds") and \$7,400,000 aggregate principal amount of County College Bonds, Series 2019 (County College Bond Act, 1971 N.J. Laws c. 12, as Amended) (the "Chapter 12 Bonds" and together with the Vocational-Technical Schools Bonds and the County College Bonds, the "Bonds") of the County of Middlesex (the "County"), a body politic and corporate of the State of New Jersey (the "State").

The Vocational-Technical Schools Bonds are authorized by and are issued pursuant to the provisions of N.J.S.A. 18A:54-1 et seq., as amended and supplemented, the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), Bond Ordinance Number 446 duly adopted by the Board of Chosen Freeholders of the County on April 18, 2019 and published as required by law, and by a resolution duly adopted by the Board of Chosen Freeholders of the County on May 2, 2019 (the "Resolution").

The County College Bonds are authorized by and are issued pursuant to the provisions of N.J.S.A. 18A:64A-1 et seq., as amended and supplemented, the Local Bond Law, Bond Ordinance Number 447 duly adopted by the Board of Chosen Freeholders of the County on April 18, 2019 and published as required by law, and by the Resolution.

The Chapter 12 Bonds are authorized by and are issued pursuant to the provisions of N.J.S.A. 18A:64A-1 et seq., as amended and supplemented, the Local Bond Law, Bond Ordinance Number 448 duly adopted by the Board of Chosen Freeholders of the County on April 18, 2019 and published as required by law, and by the Resolution.

The Vocational-Technical Schools Bonds are being issued to provide for the permanent financing of capital improvements and the acquisition of related capital equipment at and for the Middlesex County Vocational and Technical High Schools in the amount of \$3,100,000.

The County College Bonds are being issued to provide for the permanent financing of capital improvements and acquisition of related capital equipment and furniture at and for certain facilities of Middlesex County College in the amount of \$2,000,000.

The Chapter 12 Bonds are being issued to provide for the permanent financing of capital improvements at and for certain facilities of Middlesex County College in the amount of \$7,400,000.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds of each series maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$5,000 each or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the County as Paying Agent (or a duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the first day of June and December (each an "Interest Payment Date"), commencing June 1, 2020, in each year until maturity or earlier redemption, as applicable. The Bonds shall mature on June 1 in each of the years, in the principal amounts and at the interest rates as follows:

**\$3,100,000 COUNTY VOCATIONAL-TECHNICAL SCHOOLS BONDS, SERIES 2019**  
**(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended)**

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>
2020	\$ 130,000		2028	\$ 220,000	
2021	170,000		2029	225,000	
2022	170,000		2030	230,000	
2023	180,000		2031	235,000	
2024	185,000		2032	250,000	
2025	190,000		2033	255,000	
2026	200,000		2034	260,000	
2027	200,000				

**\$2,000,000 COUNTY COLLEGE BONDS, SERIES 2019**

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>
2020	\$ 95,000		2027	\$ 160,000	
2021	130,000		2028	165,000	
2022	135,000		2029	170,000	
2023	140,000		2030	180,000	
2024	145,000		2031	185,000	
2025	150,000		2032	190,000	
2026	155,000				

**\$7,400,000 COUNTY COLLEGE BONDS, SERIES 2019**  
**(County College Bond Act, 1971 N.J. Laws c. 12, As Amended)**

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>
2020	\$ 310,000		2028	\$ 510,000	
2021	400,000		2029	530,000	
2022	410,000		2030	550,000	
2023	430,000		2031	570,000	
2024	440,000		2032	580,000	
2025	460,000		2033	620,000	
2026	480,000		2034	620,000	
2027	490,000				

The Bonds maturing on or after June 1, 2027 are subject to optional redemption prior to their stated maturities as set forth in each of the Bonds.

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

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the New Jersey Statutes, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the County enforceable in accordance with their terms, and (iii) the County has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, all the taxable property within the County is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

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

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

[The Bonds maturing on June 1 in the years \_\_\_\_ through \_\_\_\_ (collectively, the "Premium Bonds") were purchased at a premium ("original issue premium") over the stated principal amounts of the Bonds. For federal income tax purposes, original issue premium generally must be amortized over the term of the Premium Bonds. Amortizable bond premium is accounted for as reducing the tax-exempt interest on the Premium Bonds rather



than creating a deductible expense or loss. Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the purchaser's basis in the Premium Bonds to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code. Holders of the Premium Bonds should consult their tax advisors for an explanation of the bond premium amortization rules.]

[We are also of the opinion that the difference between the stated principal amount of the Bonds maturing on June 1 in the years \_\_\_\_ through \_\_\_\_ (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is treated as interest and is excludable from gross income for federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.]

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

Except as stated in the preceding paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

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

We have examined one of the Vocational-Technical Schools Bonds, one of the County College Bonds and one of the Chapter 12 Bonds, as executed by the County, and, in our opinion, the form of each such Bond and its execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

**APPENDIX D**

**FORM OF APPROVING LEGAL OPINION FOR THE NOTES**

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# WILENTZ

—ATTORNEYS AT LAW—

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

June \_\_, 2019

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

**\$37,739,000**  
**BOND ANTICIPATION NOTES**

**COUNTY OF MIDDLESEX**  
**STATE OF NEW JERSEY**

**Dated: June 6, 2019**

The \$37,739,000 aggregate principal amount of Bond Anticipation Notes (the "Notes") of the County are dated June 6, 2019, mature on June 5, 2020 and bear interest at the rate of \_\_\_\_ and \_\_\_\_\_ hundredths percentum (\_\_\_\_%) 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 2, 2019.

The Notes are being issued to provide for the current refunding of a \$37,739,000 principal portion of \$39,000,000 Bond Anticipation Notes of the County dated June 12, 2018 and maturing June 11, 2019 (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 2019 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 E**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS**

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## CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated as of June \_\_, 2019 (the "Disclosure Certificate") is executed and delivered by the County of Middlesex, State of New Jersey (the "County" or the "Issuer") in connection with the issuance of its \$12,500,000 aggregate principal amount of General Obligation Bonds, Series 2019, consisting of (i) \$3,100,000 aggregate principal amount of County Vocational-Technical Schools Bonds, Series 2019 (New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended) (the "Vocational-Technical Schools Bonds"), (ii) \$2,000,000 aggregate principal amount of County College Bonds, Series 2019 (the "County College Bonds" ) and (iii) \$7,400,000 aggregate principal amount of County College Bonds, Series 2019 (County College Bond Act, 1971 N.J. Laws c. 12, as Amended) (the "Chapter 12 Bonds" and together with the Vocational-Technical Schools Bonds and the County College Bonds, the "Bonds"), all such Bonds being dated June 6, 2019. The Bonds are being issued pursuant to various bond ordinances duly adopted by the Board of Chosen Freeholders of the County and published as required by law, and a resolution entitled, "Resolution Determining the Form and Other Details of the Offering of \$12,500,000 General Obligation Bonds, Series 2019 of the County of Middlesex, State of New Jersey, Consisting of \$3,100,000 County Vocational-Technical Schools Bonds, Series 2019 (New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as Amended), \$2,000,000 County College Bonds, Series 2019 and \$7,400,000 County College Bonds, Series 2019 (County College Bond Act, 1971 N.J. Laws c. 12, as Amended) and Providing for the Sale of Such Bonds, and Determining Certain Matters with Respect Thereto and with Respect to the Sale and Issuance of \$37,739,000 Bond Anticipation Notes" (the "Bond Resolution"), such Bond Resolution being duly adopted by the Board of Chosen Freeholders of the County on May 2, 2019. The County covenants and agrees as follows:

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

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

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

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

"*Business Day*" shall mean any day other than a Saturday, Sunday or a day on which the County or the Dissemination Agent is authorized by law or contract to remain closed.

"*Continuing Disclosure Information*" shall mean, collectively, (i) each Annual Report, (ii) any notice required to be electronically filed by the County with the MSRB through EMMA pursuant to Section 3 of this Disclosure Certificate, and (iii) any notice of a Listed Event required to be filed by the County with the MSRB through EMMA pursuant to Section 5 of this Disclosure Certificate.

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

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

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

"*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 (as defined below) consistent with the Rule (as defined below).

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

"*MSRB*" shall mean the Municipal Securities Rulemaking Board.

"*National Repository*" shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the SEC (as defined below) as a repository for purposes of the Rule (as defined below).

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

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

"*State*" shall mean the State of New Jersey.

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

### SECTION 3. Provision of Annual Reports.

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

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

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

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

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

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

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

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

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

3. The general financial information and operating data of the County consistent with the information set forth in Appendices A and B to the Official Statement dated \_\_\_\_\_, 2019, prepared in connection with the sale of the Bonds (the "Official Statement"), and in the forepart thereof under the heading entitled, "LITIGATION".

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the County is an "Obligated Person" (as defined by the Rule), which have been filed with the MSRB, through the EMMA system, or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so incorporated by reference.

#### SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the County;
13. The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, 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 Bondholders, if material; and
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 of which reflect financial difficulties.

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

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

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

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

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

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the County is no longer an "Obligated Person" (as defined in the Rule). The County shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with the MSRB, through the EMMA system, in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The County hereby covenants for the benefit of the holders of the Bonds and the beneficial holders of the Bonds to provide certain financial information and operating data of the County, as detailed in Sections 3, 4 and 5 hereof, and to comply with the provisions of the Rule.

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



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

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the County to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the County, such determination being supported by an opinion of counsel expert in Federal securities laws, or by the approving vote of a majority of Beneficial Owners of the Bonds at the time of the amendment. The County shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

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

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by

this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

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

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

(a) If to the County

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

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

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

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

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

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the County and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

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

**COUNTY OF MIDDLESEX**

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

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

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**AUTHORIZED SIGNATORY**

**EXHIBIT A**

**NOTICE TO MSRB VIA EMMA OF FAILURE TO FILE ANNUAL REPORT**

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

Name of Bond Issue: \$3,100,000 County Vocational-Technical Schools Bonds,  
Series 2019 (New Jersey School Bond Reserve Act, 1980  
N.J. Laws c. 72, as Amended)  
Dated June 6, 2019  
(CUSIP Number 59656N\_\_\_\_)

\$2,000,000 County College Bonds, Series 2019  
Dated June 6, 2019  
(CUSIP Number 59656N\_\_\_\_)

\$7,400,000 County College Bonds, Series 2019  
(County College Bond Act, 1971 N.J. Laws c. 12, as Amended)  
Dated June 6, 2019  
(CUSIP Number 59656N\_\_\_\_)

Date of Issuance: June 6, 2019

NOTICE IS HEREBY GIVEN that the above designated County has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate dated as of June 6, 2019 executed by the County.

DATED: \_\_\_\_\_

\_\_\_\_\_  
DISSEMINATION AGENT  
(on behalf of the County)

cc: County of Middlesex

**APPENDIX F**

**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 \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, the purchaser (the "Purchaser") of \$37,739,000 aggregate principal amount of Bond Anticipation Notes of the County dated June 6, 2019 and maturing June 5, 2020 (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](http://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.

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 6th day of June, 2019.

**COUNTY OF MIDDLESEX**

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