

**MERCER COUNTY
IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

December 31, 2020

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

TABLE OF CONTENTS

December 31, 2020

	<u>Page Number</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Statements of Net Position.....	8
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	13
Required Supplementary Information	
Schedule of Proportionate Share of Net Pension Liability (Unaudited).....	41
Schedule of Contributions (Unaudited)	42
Schedule of the Proportionate Share of the Net OPEB Liability and Contributions (Unaudited).....	43
Other Supplementary Information	
Schedule of Operating Expenses – Budget vs. Actual.....	44
Schedule of Expenditures of Federal Awards	46
Schedule of Expenditures of State Awards.....	47
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48
Schedule of Current Year Findings and Recommendations	50
Summary Schedule of Prior Year Audit Findings.....	51

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Mercer County Improvement Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Mercer County Improvement Authority ("Authority"), a component unit of the County of Mercer, State of New Jersey, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, the schedule of proportionate share of net pension liability, the schedule of contributions and the schedule of proportionate share of the net OPEB liability and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The schedule of operating expenses – budget vs. actual, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses – budget vs. actual, the schedule of expenditures of federal awards, and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the part marked "unaudited," has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for the part marked "unaudited," the schedule of operating expenses – budget vs. actual, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Merodien, P.C.
Certified Public Accountants

March 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As financial management of the Mercer County Improvement Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2020 and 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

In 2020, net operating income of the Authority decreased by approximately 19% due to a reduction in tipping revenues as a result of COVID-19. The Authority's net position increased by \$6,124,805 in 2020.

In 2019, net operating income of the Authority increased by approximately 7%. The Authority's net position increased by \$7,891,972 in 2019.

Visit the Authority's website www.mcyanj.org for more information about the Authority's programs and activities and management contact information.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which are comprised of the basic financial statements and the notes to the financial statements. This report also contains other supplementary information, including a schedule of operating expenses - budget vs. actual, a schedule of expenditures of federal awards and a schedule of expenditures of state awards.

Basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to that employed by private-sector businesses.

The statements of net position present information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding decrease to liabilities result in increased net position, which indicate an improved financial position.

The statements of revenues, expenses and changes in net position present information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Overview of the Financial Statements (Continued)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information.

Financial Analysis, Capital Assets and Debt Administration

2020

Cash and equivalents balances of \$63,445,627 comprise the largest portion of the Authority's current assets and consist primarily of project funds and debt service funds held by the trustees on behalf of the Authority in accordance with respective bond resolutions. \$15,277,387 in current assets and \$165,292,583 in non-current assets represent leases and loans receivable in conjunction with project bonds issued by the Authority. In addition, the Authority's non-current assets reflect a significant investment of \$31,487,439 related to the Cure Insurance Arena (Sports Arena) and related parking facilities, administered by the Authority and funded by the issuance of bonds guaranteed by the County of Mercer. At December 31, 2020, the Authority had a total of \$7,186,451 invested in capital assets, which represent \$264,169 decrease from the prior year. More detailed information about the Authority's capital assets is presented in the "Capital Assets" Note to the basic financial statements.

The Authority has \$7,645,000 in current and non-current bonds payable outstanding relating to the Solid Waste Facility, which is administered by the Authority on behalf of the County of Mercer. The remaining bonds payable of \$174,339,208, unearned lease/loan income of \$46,015,708, and escrow funds payable of \$5,956,020 are included in current and non-current liabilities and are secured by bond proceeds and revenues from leases, loans and/or guaranties with the County of Mercer and not-for-profit organizations. In total, at 2020 year end, the Authority had \$181,981,208 in bonds outstanding compared to \$199,039,662 at December 31, 2019. This change represents approximately 9% decrease in bonds outstanding. More detailed information about the Authority's long-term debt is presented in the "Debt-Long-Term Projects" Note to the basic financial statements.

2019

Cash and equivalents balances of \$55,813,200 comprise the largest portion of the Authority's current assets and consist primarily of project funds and debt service funds held by the trustees on behalf of the Authority in accordance with respective bond resolutions. \$18,105,694 in current assets and \$181,793,566 in non-current assets represent leases and loans receivable in conjunction with project bonds issued by the Authority. In addition, the Authority's non-current assets reflect a significant investment of \$32,871,867 related to the Cure Insurance Arena (Sports Arena) and related parking facilities, administered by the Authority and funded by the issuance of bonds guaranteed by the County of Mercer. At December 31, 2019, the Authority had a total of \$7,450,590 invested in capital assets, which represents a \$169,472 decrease from the prior year. More detailed information about the Authority's capital assets is presented in the "Capital Assets" note to the basic financial statements.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Financial Analysis, Capital Assets and Debt Administration (Continued)

The Authority has \$11,190,000 in current and non-current bonds payable outstanding relating to the Solid Waste Facility, which is administered by the Authority on behalf of the County of Mercer. The remaining bonds payable of \$187,849,662, unearned lease/loan income of \$54,062,714, and escrow funds payable of \$9,314,690 are included in current and non-current liabilities and are secured by bond proceeds and revenues from leases, loans and/or guaranties with the County of Mercer and not-for-profit organizations. In total, at 2019 year end, the Authority had \$199,039,662 in bonds outstanding compared to \$236,001,339 at December 31, 2018. This change represents approximately 16% decrease in bonds outstanding. More detailed information about the Authority's long-term debt is presented in "Debt - Long-Term Project Bonds Payable" note to the basic financial statements.

The following tables contain condensed financial information derived from the December 31, 2020, 2019 and 2018 financial statements of the Authority:

Condensed Statements of Net Position

	December 31,			Change 2020-2019	Percentage Change 2020-2019
	2020	2019	2018		
Capital assets	\$ 38,673,890	\$ 41,852,373	\$ 43,432,813	\$ (3,178,483)	-8%
Other assets	258,398,287	269,992,967	321,260,109	(11,594,680)	-4%
Total assets	297,072,177	311,845,340	364,692,922	(14,773,163)	-5%
Deferred outflows of resources	2,697,673	1,462,483	2,046,526	1,235,190	84%
Current liabilities	50,423,230	48,103,400	53,382,584	2,319,830	5%
Long-term liabilities	215,338,124	237,078,345	294,020,843	(21,740,221)	-9%
Total liabilities	265,761,353	285,181,745	347,403,427	(19,420,392)	-7%
Deferred inflows of resources	5,622,954	5,865,340	4,967,255	(242,386)	-4%
Net position:					
Net investment in capital assets	(8,455,162)	(9,851,137)	(13,466,122)	1,395,975	14%
Restricted for debt service	10,256,633	5,636,996	5,629,825	4,619,637	82%
Unrestricted	26,584,072	26,474,879	22,205,063	109,193	0%
Total Net position	\$ 28,385,543	\$ 22,260,738	\$ 14,368,766	\$ 6,124,805	28%

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,			Change 2020-2019	Percentage Change 2020-2019
	2020	2019	2018		
Operating revenues	\$ 31,116,383	\$ 34,440,024	\$ 32,608,806	\$ (3,323,641)	-10%
Waste disposal costs	19,349,104	20,847,915	18,815,631	(1,498,811)	-7%
Gross operating profit	11,767,279	13,592,109	13,793,175	(1,824,830)	-13%
Other operating revenues*	828,536	1,265,372	991,912	(436,836)	-35%
Gross operating profit and other operating revenues	12,595,815	14,857,481	14,785,087	(2,261,666)	-15%
Operating expenses	5,237,727	5,898,895	6,346,546	(661,168)	-11%
Depreciation and amortization	399,749	375,505	390,118	24,244	6%
Income from operations	6,958,339	8,583,081	8,048,423	(1,624,742)	-19%
Non-operating expenses, net	1,085,101	2,362,681	2,588,051	(1,277,580)	-54%
Changes in net position	5,873,239	6,220,400	5,460,372	(347,161)	-6%
Changes in net position - Sports Arena	251,566	1,671,572	2,564,581	(1,420,006)	-85%
Net position, beginning of year	22,260,738	14,368,766	6,343,813	7,891,972	55%
Net position, end of year	\$ 28,385,543	\$ 22,260,738	\$ 14,368,766	\$ 6,124,805	28%
*Other operating revenues:					
Project costs reimbursement	\$ 395,868	\$ 437,459	\$ 354,031	\$ (41,591)	-10%
Interest on investments	432,668	827,913	637,880	(395,245)	-48%
	\$ 828,536	\$ 1,265,372	\$ 991,912	\$ (436,836)	-35%

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Significant Events

2020

The Authority's operating expenses in 2020 were \$2,182,505 under the budget, \$718,304 of which is attributed to the mandatory GASB-68 and GASB-75 annual adjustments provided by the State of New Jersey. Refer to "Supplementary Information", schedule "Budget vs. Actual" for further details.

The Authority's total assets and deferred outflows of resources decreased by approximately 4%. The Authority's total liabilities and deferred inflows of resources decreased by approximately 7%. Both changes resulted primarily due to the repayment of the existing debt during the year.

After 2020 year end, the Authority refunded its Solar Renewable Energy Bonds, Series 2011 with a savings of approximately 8%. More detailed information about this refunding is presented in the "Subsequent Events" Note to the basic financial statements.

2019

The Authority's operating expenses in 2019 were \$1,389,557 under the budget, \$625,447 of which is attributed to the mandatory GASB-68 and GASB-75 annual adjustments provided by the State of New Jersey. Refer to "Supplementary Information", schedule "Budget vs. Actual" for further details.

On February 14, 2019, the Authority refunded its Equipment Lease and Open Space Bonds, Series 2005 A and B, and Special Services School District Bonds, Series 2005A. Refunding provided for the total Net Present Value saving of approximately \$3.8 million.

On August 1, 2019, the Authority refunded its Build America Bonds, Series 2009 (Both Court House and County Capital projects). Refunding provided for the total Net Present Value saving of approximately \$10 million.

The Authority's assets and liabilities decreased by approximately 15% and 17%, respectively, in 2019, primarily due to the repayment of the existing debt during the year.

Contacting the Authority's Financial Management

If you have any questions or need additional financial information, contact the Mercer County Improvement Authority at 80 Hamilton Avenue, 2nd Floor, Trenton, NJ 08611.

BASIC FINANCIAL STATEMENTS

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

STATEMENTS OF NET POSITION

	December 31,	
	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted		
Cash and equivalents	\$ 41,289,255	\$ 36,838,923
Investments	2,150,696	2,113,691
Accounts receivable-haulers, net	1,946,821	2,986,065
Due from restricted funds	4,533,443	3,704,479
Other receivables	1,756,399	1,067,892
Other assets	289,837	97,212
Total Unrestricted	<u>51,966,452</u>	<u>46,808,262</u>
Restricted		
Cash and equivalents	22,156,372	18,974,277
Accounts receivable - recycling	472,476	461,267
Minimum lease payments receivable		
County of Mercer	15,074,508	17,813,801
Loans receivable	202,879	291,893
Loan interest receivable	2,094	2,927
Other receivables	2,249,020	2,973,738
Other assets	312,653	130,486
Total Restricted	<u>40,470,002</u>	<u>40,648,389</u>
Total Current Assets	<u>92,436,454</u>	<u>87,456,651</u>
Non-Current Assets		
Unrestricted		
Property and equipment, net	<u>7,186,451</u>	<u>7,450,590</u>
Restricted		
Minimum lease payments receivable		
County of Mercer	164,785,762	179,860,270
Construction in progress	-	1,529,916
Loans receivable	506,821	1,933,296
Other receivables	669,250	742,750
Sports arena	31,487,439	32,871,867
Total Non-Current Restricted Assets	<u>197,449,272</u>	<u>216,938,099</u>
Total Non-Current Assets	<u>204,635,723</u>	<u>224,388,689</u>
Total Assets	<u>297,072,177</u>	<u>311,845,340</u>
Deferred Outflows of Resources		
Losses on debt restructuring	590,697	886,044
Pension	378,011	573,446
OPEB	1,728,965	2,993
Total Deferred Outflows of Resources	<u>2,697,673</u>	<u>1,462,483</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 299,769,850</u>	<u>\$ 313,307,823</u>

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

STATEMENTS OF NET POSITION (CONTINUED)

	December 31,	
	2020	2019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Restricted		
Current portion of project bonds payable	\$ 15,943,533	\$ 16,095,187
Accounts payable and accrued expenses	7,803,846	7,473,790
Due to unrestricted fund	4,533,443	3,704,479
Accrued interest payable	2,186,741	973,942
Haulers' deposits	828,334	341,700
Unearned lease/loan income	5,923,390	8,047,006
Unearned revenues	6,725,474	1,558,382
State grants unearned	522,448	594,224
Escrow funds payable	5,956,020	9,314,690
Total Current Liabilities	<u>50,423,230</u>	<u>48,103,400</u>
Non-Current Liabilities		
Long-term project bonds payable	166,040,675	182,944,475
Unearned lease/loan income	40,092,318	46,015,708
Unearned revenues	635,250	708,750
Net pension liability	3,058,476	3,775,543
Net OPEB liability	5,511,405	3,633,869
Total Non-Current Liabilities	<u>215,338,124</u>	<u>237,078,345</u>
Total Liabilities	<u>\$ 265,761,353</u>	<u>\$ 285,181,745</u>
Deferred inflows of resources		
Pension	\$ 2,085,118	\$ 1,979,619
OPEB	3,537,836	3,885,721
Total Deferred Inflows of Resources	<u>5,622,954</u>	<u>5,865,340</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 271,384,307</u>	<u>\$ 291,047,085</u>
Net Position		
Net investment in capital assets	\$ (8,455,162)	\$ (9,851,137)
Restricted	10,256,633	5,636,996
Unrestricted	26,584,072	26,474,879
Total Net Position	<u>\$ 28,385,543</u>	<u>\$ 22,260,738</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 299,769,850</u>	<u>\$ 313,307,823</u>

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31,	
	2020	2019
Waste disposal revenues	\$ 27,023,364	\$ 30,448,046
Recycling revenues	4,093,018	3,991,978
Operating revenues	31,116,383	34,440,024
Waste disposal costs	19,349,104	20,847,915
Gross operating profit	11,767,279	13,592,109
Other operating revenues		
Project costs reimbursement and other operating revenues	395,868	437,459
Interest on investments	432,668	827,913
Total other operating revenues	828,536	1,265,372
Gross operating profit and other operating revenues	12,595,815	14,857,481
Operating expenses	5,237,727	5,898,895
Income from operations before depreciation and amortization	7,358,088	8,958,586
Depreciation and amortization	399,749	375,505
Income from operations	6,958,339	8,583,081
Non-operating revenues (expenses)		
Sports Arena revenues	4,337,931	5,321,006
Sports Arena expenses	(4,337,931)	(5,321,006)
Bond interest expense, Solid Waste	(394,626)	(564,085)
Bond interest expense, projects	(8,175,860)	(4,722,653)
Minimum lease income, projects	8,047,006	4,282,529
Loan interest income	128,854	440,124
Other revenues	989,301	316,468
Non-operating expenses before		
bond interest accretion, depreciation and amortization	594,675	(247,617)
Bond interest accretion - Sports Arena	-	(423,265)
Depreciation and amortization - Sports Arena	(1,384,428)	(1,396,452)
Amortization of deferred outflows - Solid Waste	(295,347)	(295,347)
Total non-operating expenses	(1,085,101)	(2,362,681)
Changes in net position	5,873,239	6,220,400
Changes in net position - Sports Arena	251,566	1,671,572
Net position, beginning of year	22,260,738	14,368,766
Net position, end of year	\$ 28,385,543	\$ 22,260,738

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2020	2019
Cash Flows from Operating Activities		
Cash received from		
Waste disposal revenue	\$ 28,504,526	\$ 29,959,689
Recycling revenue	4,081,809	3,888,524
State of New Jersey grants	332,878	851,005
Project costs reimbursement	395,868	437,459
Investment interest	432,668	827,913
Cash used for		
Waste disposal costs	(19,349,104)	(20,847,915)
Operating expenses	(6,061,045)	(6,120,772)
State of New Jersey grants	(364,144)	(655,080)
Net cash from operating activities	<u>7,973,456</u>	<u>8,340,823</u>
Cash Flows from Capital and Related Financing Activities		
Change in net position-Sports Arena	251,566	1,671,572
Net cash from noncapital and related financing activities	<u>251,566</u>	<u>1,671,572</u>
Leases/Loans	27,505,983	35,401,250
Principal paid on bonds and agreements, net	(26,050,776)	(36,753,053)
Interest paid on bonds	(7,578,115)	(7,355,261)
Net cash from capital and related financing activities	<u>(5,871,342)</u>	<u>(7,035,492)</u>
Cash Flows from Investing Activities		
Investments	(37,005)	(31,042)
Sludge facility, net	210,038	392,074
Sports Arena revenues	3,766,461	5,039,516
Sports Arena expenses	(3,947,859)	(4,738,523)
Purchases of property and equipment	(139,360)	(210,783)
Other activities	5,678,038	290,066
Net cash from investing activities	<u>5,530,313</u>	<u>741,308</u>
Net change in cash and equivalents	7,632,427	2,046,639
Cash and equivalents, beginning of year	55,813,200	53,766,561
Cash and equivalents, end of year	<u>\$ 63,445,627</u>	<u>\$ 55,813,200</u>

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended December 31,	
	2020	2019
Reconciliation of Income from Operations to Net Cash		
from Operating Activities		
Income from operations	\$ 6,958,339	\$ 8,583,081
Adjustments to reconcile income from operations to net cash		
from operating activities		
Amortization and depreciation - solid waste	399,749	375,505
Allowance for doubtful accounts	21,240	258,559
Net pension expense	(308,929)	(237,468)
Net OPEB expense	(196,321)	(387,979)
Changes in assets and liabilities		
Accounts receivable - haulers	1,018,003	(539,671)
Accounts receivable - recycling	(11,209)	(103,454)
Other receivables	(23,476)	104,696
Other assets	(192,626)	(1,702)
Accounts payable, accrued expenses and other liabilities	(146,682)	146,713
Haulers' deposits	486,634	(53,382)
State grants unearned	(31,266)	195,925
Net cash from operating activities	<u>\$ 7,973,456</u>	<u>\$ 8,340,823</u>

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Mercer County Improvement Authority (the "Authority") is a public body, corporate and politic, that was created by resolution of the Board of Chosen Freeholders (the "Freeholders") of the County of Mercer (the "County") in 1967 and that constitutes a political subdivision of the State of New Jersey (the "State"). The Authority is a component unit of the County.

The Authority was established as an instrumentality of the State for the purpose of exercising public and essential governmental functions to provide for the public's convenience, benefit and welfare. Under the terms of the Act creating it, the Authority has the power to, among other actions, acquire, construct, equip and lease any public facility as defined in the Act and to issue its bonds, notes, or other obligations to finance the costs of such facilities. Under existing statutes, the Authority is exempt from both federal and state taxes.

The Authority has been designated by the Commissioners of the County as the implementing agency for the Mercer County District Solid Waste Management Plan (the "Solid Waste Management Plan") and is empowered to plan, acquire, maintain and operate facilities for the processing, disposal and recycling of solid waste which is generated in or to be disposed of in the County. Through this Plan the Authority operates a transfer station and is responsible for the Regional Sludge Management Project.

Basis of Accounting

The basic financial statements of the Authority have been prepared under the economic resources measurement focus and accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America that are applicable to governmental proprietary type funds. Revenues are recognized when earned, and expenses are recorded when a liability has been incurred regardless of the timing of the related cash flows.

Operating Revenues

The Authority's operating revenues consist of waste disposal and recycling fees which are earned based on tonnage, as well as project costs reimbursement, interest income and financing fees related to solid waste and recycling programs. These revenues constitute the Authority's principal ongoing operations.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit, change funds and highly liquid debt instruments with original maturities of ninety days or less.

Investments

The Authority has investments in U.S. Treasury Notes which are stated at fair market value.

Accounts Receivable

Accounts receivable are reported net of allowance for doubtful accounts. The allowance for doubtful accounts is based on management's evaluation of potential uncollectible receivables. Accounts receivable deemed uncollectible are charged to the allowance in the year they are deemed uncollectible.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction Projects

The Authority issues bonds to finance various construction projects undertaken by the County and eligible political subdivisions of the County (the “lessees”). In conjunction with these bond issuances, the Authority enters into leases and agreements with the applicable entity under which the lessees, in coordination with the Authority, arrange all contracts for design, acquisition and construction as well as supervise construction work and accept the completed projects. All project costs are paid by the bond trustee after approval by an authorized Authority representative. During the lease terms, the lessees pay for the operation, maintenance and repair, utilities, taxes and government charges in connection with the projects.

Capitalization of Interest

The Authority capitalizes all interest related to projects under construction.

Allocation of Operating Expenses

The Authority allocates salary and certain administrative expenses that can be identified with a specific project to applicable projects or programs. Start-up costs of unrealized projects are covered by funds from unrestricted net position.

Interest Income on Construction Account

Interest income earned on investments for construction projects operated by entities other than the Authority is classified as escrow funds payable, and the related cash and equivalents are classified as restricted assets, as this income has been designated by resolution of the Authority to pay future construction costs. Any excess amounts are to be used to pay debt service in subsequent years.

Deferred Outflows and Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

Pension and OPEB Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority’s proportion of expenses and liabilities to the pension and OPEB as a whole, differences between the Authority’s contribution and its proportionate share of contributions, and the Authority’s contributions subsequent to the valuation measurement date.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

Loss on Debt Refunding - Material differences between the reacquisition price and net carrying amounts of the old debt are deferred and amortized over the life of the new debt when the Authority has performed current and advance refundings.

Net Position

Net Investment in Capital Assets

Net investment in capital assets consists of capital assets of the projects owned and operated by the Authority less accumulated depreciation and debt associated with the projects.

Restricted for Debt Service

In accordance with the terms of the various bond resolutions, cash and cash equivalents of all funds required under such bond resolutions are classified as restricted assets.

Unrestricted

The unrestricted net position may be designated for specific purposes by management and/or the governing body.

Capital Assets

The Authority capitalizes fixed assets of \$5,000 or more. Land, buildings and leasehold improvements, parking facilities, transfer station (building and machinery), office furniture and equipment, computer hardware and software, automobiles, recycling containers and landfill are recorded at cost. Depreciation and amortization are provided over the estimated useful lives of the assets using the straight-line method. The transfer station building and machinery are depreciated over the shorter of the estimated useful lives or the underlying lease term. The estimated useful lives are as follows:

Buildings and leasehold improvements	40 years
Parking facilities	40 years
Transfer station (building and machinery)	9-27 years
Landfill	8 years
Office furniture and equipment	7 years
Electronic hardware and software and automobiles	3-5 years

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Rounding

Some schedules in the financial statements and management's discussion and analysis may have dollar differences due to rounding.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

B. DEPOSITS AND INVESTMENTS

At December 31, 2020 and 2019, the Authority's bank balance on deposit was \$63,647,881 and \$57,878,189, respectively, inclusive of unrestricted and restricted cash. Of the bank balance, \$250,000 in six banks were covered by federal depository insurance and the rest of the balance was covered by a collateral pool maintained by the banks as required by New Jersey statutes in accordance with Government Unit Deposit Protection Act ("GUDPA"), except for funds held by Trustees in Bank of New York Mellon and U.S. Bank, and external investment pool funds held in New Jersey Cash Management Fund ("NJCMF") and New Jersey Asset & Rebate Management Program ("NJ/ARM").

The Authority manages custodial credit risk by depositing funds with banks covered by GUDPA. The Authority's deposits were fully collateralized with all the funds held by the financial institutions but not in the name of the Authority, except for funds held by Trustees in Bank of New York Mellon and U.S. Bank. The Authority's NJCMF and NJ/ARM funds are not subject to custodial credit risk due to the fact that the funds are held by and in the name of NJCMF and NJ/ARM, respectively, in segregated trust accounts with third-party custodians rather than in possession of the third-party custodian.

As of December 31, 2020 and 2019, the Authority's bank balance was exposed to custodial credit risk as follows:

	December 31,	
	2020	2019
Insured	\$ 1,500,000	\$ 1,750,000
Collateralized under GUDPA	16,102,446	32,560,440
NJCMF & NJ/ARM	35,692,113	13,358,153
Uninsured and uncollateralized	10,353,322	10,209,596
	<u>\$ 63,647,881</u>	<u>\$ 57,878,189</u>

Bond related deposits are in compliance with the State of New Jersey Local Bond Law and related bond resolutions.

The Authority has Level 1 investments in U.S. Treasury Notes in the amount of \$2,150,696 and \$2,113,691, that mature in one year at December 31, 2020 and 2019, respectively. The Authority's investment practices are in compliance with N.J.S.A. 40A: 5-15.1.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

C. ACCOUNTS RECEIVABLE - HAULERS

Accounts receivable – haulers as of December 31, 2020 and 2019, are expected to be received within one year. They are as follows:

	December 31,	
	2020	2019
Accounts receivable-haulers	\$ 2,089,001	\$ 3,107,005
Less: Allowance for doubtful accounts	142,180	120,940
Net accounts receivable	<u>\$ 1,946,821</u>	<u>\$ 2,986,065</u>

D. MINIMUM LEASE PAYMENTS RECEIVABLE

Minimum lease payments from lessees are equal to the annual debt service of the outstanding bonds. At any time prior to the expiration of the lease terms, lessees have the option to purchase the projects for \$1 plus an amount sufficient to provide for full payment of the related bonds in conformity with the applicable bond resolutions. If such option has not been exercised prior to the end of the lease term, title to the projects transfers to the lessee at that time. The leases are accounted for as direct financing leases.

Accordingly, the total future interest payments on the bonds issued to cover the cost of the leased properties is recorded as unearned income. This income is amortized ratably over the lease terms and is included in non-operating revenues.

Future minimum lease payments to be collected under the Authority's equipment and project lease programs are as follows:

	Years Ending December 31,
2021	\$ 15,074,508
2022	14,960,641
2023	14,876,209
2024	14,479,712
2025	12,944,650
Thereafter	107,524,550
	<u>\$179,860,270</u>

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

E. LOANS RECEIVABLE

Loans receivable consist of loan agreements between the Authority and the borrower, whereby the Authority issues bonds on behalf of the borrower and lends the proceeds of the bonds for specific purposes defined in the loan agreement. Loan payments from the borrowers are equal to the annual debt service of the outstanding bonds. Loans receivable consist of the following as of December 31, 2020 and 2019:

Project	Borrower	Security	Maturity Date	Interest Rate	Loans Receivable (in thousands)			Loans Receivable (in thousands)	
					December 31, 2019	Additions	Reductions	December 31, 2020	Amounts Due Within One Year
ARC/Mercer, Inc.	ARC/Mercer, Inc.	Mortgage and Security Agreement	2031	4.740%	\$ 1,395	\$ -	\$ (1,395)	\$ -	\$ -
Beth Chaim	Congregation Beth Chaim	Mortgage and Security Agreement	2026	4.690%	618	-	(58)	560	142
Twin Rivers	Twin Rivers Community Trust	Mortgage and Security Agreement	2022	3.000%-5.250%	212	-	(63)	149	61
Westlake Mews	Westlake Mews, L.L.C.	Loan Agreement	2041	7.200%-8.000%	-	-	-	-	-
Total					2,225	\$ -	\$ (1,516)	709	203
Less current portion					292			203	
Net long-term loans receivable					\$ 1,933			\$ 506	

Project	Borrower	Security	Maturity Date	Interest Rate	Loans Receivable (in thousands)			Loans Receivable (in thousands)	
					December 31, 2018	Additions	Reductions	December 31, 2019	Amounts Due Within One Year
ARC/Mercer, Inc.	ARC/Mercer, Inc.	Mortgage and Security Agreement	2031	4.740%	\$ 1,486	\$ -	\$ (91)	\$ 1,395	\$ 95
Beth Chaim	Congregation Beth Chaim	Mortgage and Security Agreement	2026	4.690%	702	-	(84)	618	135
Twin Rivers	Twin Rivers Community Trust	Mortgage and Security Agreement	2022	3.000%-5.250%	275	-	(63)	212	62
Westlake Mews	Westlake Mews, L.L.C.	Loan Agreement	2041	7.200%-8.000%	5,665	-	(5,665)	-	-
Total					8,128	\$ -	\$ (5,903)	2,225	\$ 292
Less current portion					368			292	
Net long-term loans receivable					\$ 7,760			\$ 1,933	

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

E. LOANS RECEIVABLE (CONTINUED)

Maturities of loans receivable are as follows:

Years Ending December 31,	
2021	\$ 202,879
2022	217,001
2023	165,815
2024	124,005
	<u>\$ 709,700</u>

F. CAPITAL ASSETS

Capital assets consists of the following:

	December 31,	
	2020	2019
Other		
Land	\$ 274,919	\$ 274,919
Building	150,000	150,000
Subtotal	<u>424,919</u>	<u>424,919</u>
Less accumulated depreciation	89,990	86,240
Subtotal net of depreciation	<u>\$ 334,929</u>	<u>\$ 338,680</u>
Solid Waste		
Transfer station (building and machinery)	\$ 12,349,517	\$ 12,298,797
Building	5,611,201	5,564,382
Office furniture and equipment	508,814	508,814
Computer hardware and software	414,262	414,262
Automobiles	407,303	365,482
Landfill	415,134	415,134
Subtotal	<u>19,706,232</u>	<u>19,566,872</u>
Less accumulated depreciation and amortization	12,854,710	12,454,961
Subtotal net of depreciation	<u>\$ 6,851,522</u>	<u>\$ 7,111,911</u>
Total capital assets	<u>\$ 7,186,451</u>	<u>\$ 7,450,590</u>

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

F. CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expenses were as follows:

	December 31,	
	2020	2019
Solid Waste		
Transfer station (building and machinery)	\$ 169,796	\$ 158,316
Building	147,497	139,693
Office furniture and equipment	20,269	11,219
Computer hardware and software	13,992	16,206
Automobiles	48,195	50,071
Total depreciation and amortization expense - solid waste	<u>399,749</u>	<u>375,505</u>
Depreciation-other capital assets	<u>3,750</u>	<u>3,750</u>
Total depreciation and amortization expense	<u>\$ 403,499</u>	<u>\$ 379,255</u>

Depreciation of other capital assets totaling \$3,750 is netted against miscellaneous revenue on the statements of revenues, expenses and changes in net position.

Capital asset activities were as follows:

	December 31, 2019	Additions	Retirements	December 31, 2020
Non-Depreciable Assets				
Land	\$ 274,919	\$ -	\$ -	\$ 274,919
Depreciable Assets				
Transfer station (building and machinery)	12,298,797	50,720	-	12,349,517
Buildings	5,714,382	46,819	-	5,761,201
Office furniture and equipment	508,815	-	-	508,815
Computer hardware and software	414,263	-	-	414,263
Automobiles	365,481	41,821	-	407,302
Landfill	415,134	-	-	415,134
Total at historical cost	<u>19,991,791</u>	<u>\$ 139,360</u>	<u>\$ -</u>	<u>20,131,151</u>
Less accumulated depreciation and amortization	<u>12,541,201</u>			<u>12,944,699</u>
Total capital assets	<u>\$ 7,450,590</u>			<u>\$ 7,186,452</u>

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

F. CAPITAL ASSETS (CONTINUED)

	December 31, 2018	Additions	Retirements	December 31, 2019
Non-Depreciable Assets				
Land	\$ 275,919	\$ -	\$ (1,000)	\$ 274,919
Depreciable Assets				
Transfer station (building and machinery)	12,261,885	36,912	-	12,298,797
Buildings	5,694,474	19,908	-	5,714,382
Office furniture and equipment	387,440	121,375	-	508,815
Computer hardware and software	414,263	-	-	414,263
Automobiles	356,138	32,588	(23,245)	365,481
Landfill	415,134	-	-	415,134
Total at historical cost	<u>19,805,253</u>	<u>\$ 210,783</u>	<u>\$ (24,245)</u>	<u>19,991,791</u>
Less accumulated depreciation and amortization	12,185,191			12,541,201
Total capital assets	<u>\$ 7,620,062</u>			<u>\$ 7,450,590</u>

Construction in progress consists of projects in process but not completed as of December 31, 2020 and 2019. The balance at December 31, 2020 and 2019, was \$0 and \$1,529,916, respectively.

G. SOLID WASTE SYSTEM

The Authority has established regulatory flow control over certain solid waste generated within the geographic boundaries of the County. Such regulatory flow control provides for the direct delivery of such solid waste to the Authority's Transfer Station and, after processing, for transportation and disposal to landfills.

The Authority enforces the regulatory wasteflow provisions of the Solid Waste Management Plan and charges and collects solid waste service charges that are sufficient to provide for payment of the Authority's operating and debt service costs. Notwithstanding the County's programs enforcing the flow of solid waste generated within the County, if the County is unable to enforce the wasteflow provisions of the Solid Waste Management Plan, revenues of the Authority necessary to provide for, among other things, debt service on the Authority bonds, may be reduced. If such revenues are significantly reduced, then the County would likely be required to make payments under the County guarantees, which payments could have a material adverse effect on the finances of the County.

The amount of revenues that the Authority can generate through the provision of disposal services by the solid waste system is largely dependent upon the tonnage of solid waste that is serviced by the solid waste system and the per ton charge imposed upon each ton of solid waste which is managed by the solid waste system. The Authority is authorized to charge and collect certain charges, commonly referred to as "tipping fees," from any governmental unit or person that uses the solid waste system. Those fees are the Authority's primary source of revenue. The Authority's annual debt service is reduced to a level that the Authority believes can be serviced by the current tipping fees.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

G. SOLID WASTE SYSTEM (CONTINUED)

The Authority reserves all net income from solid waste operations for future debt service on outstanding bond issues relating to the solid waste system, including maintenance and/or replenishment of the balances required by the bond resolutions. The Authority budgets annually for such reserves.

Transfer Station and Landfill

Waste disposal collections from the County are tipped and weighed at the Authority's Transfer Station and transported to the G.R.O.W.S. landfill site. The Authority charges waste haulers on a per ton basis for waste tipped. Rates charged by the Authority are approved by the New Jersey Department of Environmental Protection. Disposal revenues for waste tipped at the Transfer Station during the years ended December 31, 2020 and 2019, amounted to \$27,023,364 and \$30,448,046, respectively. The Authority is billed by G.R.O.W.S. for waste disposal costs on a per ton basis. Charges by G.R.O.W.S. for the years ended December 31, 2020 and 2019, amounted to \$19,349,104 and \$20,847,915, respectively. Recycling costs for the years ended December 31, 2020 and 2019, amounting to \$3,919,075 and \$3,657,767, respectively, are included in waste disposal costs in the statements of revenues, expenses and changes in net position.

Effective January 1, 2018, an operating lease agreement between the Authority and Ewing Realty Trust for the rent of the Transfer Station has commenced. The term of the lease is ten years with seven consecutive five-year option periods. The rent is \$190,000 per year from January 1, 2018 until December 1, 2023, after which the base rent amount will be revisited.

H. SLUDGE FACILITY

On May 1, 2018, the Authority commenced a Lease Agreement with Trenton BioGas. Costs incurred by the Authority for the Sludge Facility are currently covered by Lease payments.

I. SPORTS ARENA

On December 1, 1999, the Authority was conveyed title of the Sports Arena from Roebing Arena Redevelopment, LLC, in exchange for assumption of debt used to finance acquisition and construction. The Authority pledges for the benefit of the bondholders all revenues derived from the Sports Arena, subject to the application thereof toward operating expenses attributable to it. Any shortfall from operations is reimbursable through a County guarantee. The Authority is depreciating the costs of the Sports Arena over the term of the bonds issued to finance the acquisition and construction. The Authority owns and has designated a management company to operate the Sports Arena.

The following is a summary of the cost of the assets related to the Sports Arena:

	December 31,	
	2020	2019
Land	\$ 5,294,519	\$ 5,294,519
Building	47,672,896	47,672,896
Parking facilities	7,918,333	7,918,333
Furniture and equipment	3,758,424	3,758,424
Subtotal	64,644,172	64,644,172
Less accumulated depreciation	33,156,733	31,772,305
Total	<u>\$ 31,487,439</u>	<u>\$ 32,871,867</u>

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

J. DEBT - LONG-TERM PROJECT BONDS PAYABLE

The following is a summary of long-term project bonds payable as of December 31, 2020:

Project	Lessee/Borrower	Maturity Date	Interest Rate	Bonds Outstanding (in Thousands)		Additions	(Reductions)	Bonds Outstanding (in Thousands)		Amounts Due Within One Year
				December 31, 2019	December 31, 2020			December 31, 2020	December 31, 2020	
ARC/Mercer, Inc.	ARC/Mercer, Inc.	2031	4.74%	\$ 1,396	\$ -	\$ (1,396)	\$ -	\$ -	\$ -	
Beth Chaim	Beth Chaim	2026	4.69%	619	-	(58)	561	142		
County Courthouse Annex	Mercer County Series 2015	2040	2.00%-5.00%	27,460	-	(805)	26,655	845		
Farm Preservation	Mercer County	2021	7.00%	1,356	-	-	1,356	1,356		
*Parking Facilities Project	Mercer County	2031	6.00%	1,987	-	(81)	1,906	86		
Refunding 2011	Mercer County	2020	1.00%-4.00%	625	-	(625)	-	-		
Refunding 2012A	Mercer County	2024	1.50%-5.00%	7,315	-	(1,385)	5,930	1,450		
Refunding, 2019-Equipment Lease program	Mercer County	2035	1.7%-2.38%	12,095	-	(1,810)	10,285	235		
Refunding, 2019-Open Space	Mercer County	2040	1.7%-2.38%	11,535	-	(470)	11,065	480		
Refunding, 2019-Special Services School	Mercer County	2025	1.77%-2.0%	1,795	-	(280)	1,515	290		
Refunding, 2019-Build America Bonds	Mercer County	2034	2.10%	66,295	-	(3,415)	62,880	3,750		
Solar Project 2011A	Mercer County	2027	1.19%-4.90%	15,760	-	(1,970)	13,790	1,970		
*Solid Waste 2010, Series A	MCIA	2022	5.00%	11,190	-	(3,545)	7,645	3,720		
*Sports Arena	MCIA	2034	6.00%-8.27%	22,505	-	(535)	21,970	630		
*Sports Arena	MCIA	2034	6.00%	10,977	-	(205)	10,772	502		
*Sports Arena	MCIA	2031	6.00%	5,043	-	(209)	4,834	222		
Twin Rivers	Community Trust	2022	3.00%-5.25%	162	-	(52)	110	51		
Twin Rivers	Twin Rivers	2024	3.90%-4.75%	50	-	(10)	40	10		
Total				198,165	-	(16,851)	181,314	15,739		
*Original issue premiums				875	-	(205)	670	205		
Subtotal				199,040	\$ -	\$ (17,056)	181,984	\$ 15,944		
Less amounts due within one year				16,095			15,944			
Net long-term project bonds payable				\$ 182,944			\$ 166,040			

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

J. DEBT - LONG-TERM PROJECT BONDS PAYABLE (CONTINUED)

<u>Project</u>	<u>Security</u>
Beth Chaim	Mortgage and Security Agreement
County Courthouse, Series 2015	Mercer County lease
County Capital Build America Bonds, Refunding Series 2019	Mercer County lease
Equipment Lease/Open Space, Refunding Series 2019	Mercer County guarantee
Farm Preservation	Mercer County guarantee
Parking Facilities Project	Mercer County guarantee
Refunding Issue, Series 2012	Mercer County guarantee
Solar Project 2011	Mercer County guarantee
Solid Waste	Mercer County guarantee
Special Service Schools, Refunding Series 2019	Mercer County guarantee
Sports Arena	Mercer County guarantee
Twin Rivers	Mercer County guarantee

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

J. DEBT - LONG-TERM PROJECT BONDS PAYABLE (CONTINUED)

The following is a summary of long-term project bonds payable as of December 31, 2019:

Project	Lessee/Borrower	Maturity Date	Interest Rate	Bonds Outstanding (in Thousands)			Bonds Outstanding (in Thousands)		Amounts Due Within One Year
				December 31, 2018	Additions	(Reductions)	December 31, 2019		
ARC/Mercer, Inc.	ARC/Mercer, Inc.	2031	4.74%	\$ 1,486	\$ -	\$ (90)	\$ 1,396	\$ 95	
Beth Chaim	Beth Chaim	2026	4.69%	702	-	(83)	619	135	
County Courthouse	Mercer County Series 2009A	2019	3.00%-5.00%	2,580	-	(2,580)	-	-	
County Courthouse	Mercer County Series 2009B	2034	5.56%-6.37%	55,940	-	(55,940)	-	-	
County Courthouse Annex	Mercer County Series 2015	2040	2.00%-5.00%	28,235	-	(775)	27,460	805	
County Capital BABs 2009	Mercer County	2029	1.10%-5.95%	22,990	-	(22,990)	-	-	
Farm Preservation	Mercer County	2021	7.00%	1,356	-	-	1,356	-	
Equipment Lease/Open Space 2005A	Mercer County	2035	3.25%-5.00%	15,505	-	(15,505)	-	-	
Equipment Lease/Open Space 2005B	Mercer County	2040	3.25%-5.00%	12,765	-	(12,765)	-	-	
*Parking Facilities Project	Mercer County	2031	6.00%	2,045	-	(58)	1,987	81	
Refunding 2011	Mercer County	2020	1.00%-4.00%	1,910	-	(1,285)	625	625	
Refunding 2012A	Mercer County	2024	1.50%-5.00%	8,645	-	(1,330)	7,315	1,385	
Refunding, 2019-Equipment Lease program	Mercer County	2035	1.7%-2.38%	-	13,825	(1,730)	12,095	1,810	
Refunding, 2019-Open Space	Mercer County	2040	1.7%-2.38%	-	11,930	(395)	11,535	470	
Refunding, 2019-Special Services School	Mercer County	2025	1.77%-2.0%	-	1,795	-	1,795	280	
Refunding, 2019-Build America Bonds	Mercer County	2034	2.10%	-	66,295	-	66,295	3,415	
Solar Project 2011A	Mercer County	2027	1.19%-4.90%	17,730	-	(1,970)	15,760	1,970	
*Solid Waste 2010, Series A	MCIA	2022	5.00%	14,565	-	(3,375)	11,190	3,545	
Special Services School District	Mercer County/Special Services School District	2025	3.25%-4.00%	2,235	-	(2,235)	-	-	
*Sports Arena	MCIA	2034	6.00%-8.27%	24,475	-	(1,970)	22,505	535	
*Sports Arena	MCIA	2034	6.00%	10,554	423	-	10,977	468	
*Sports Arena	MCIA	2031	6.00%	5,259	-	(216)	5,043	208	
Twin Rivers	Community Trust	2022	3.00%-5.25%	215	-	(53)	162	52	
Twin Rivers	Twin Rivers	2024	3.90%-4.75%	60	-	(10)	50	10	
Westlake Mews	Westlake Mews, L.L.C.	2041	7.20%-8.00%	5,665	-	(5,665)	-	-	
Total				<u>234,917</u>	<u>94,268</u>	<u>(131,020)</u>	<u>198,165</u>	<u>15,889</u>	
*Original issue premiums				1,084	-	(209)	875	206	
Subtotal				<u>236,001</u>	<u>\$ 94,268</u>	<u>\$ (131,229)</u>	<u>199,040</u>	<u>\$ 16,095</u>	
Less amounts due within one year				18,490			16,095		
Net long-term project bonds payable				<u>\$ 217,511</u>			<u>\$ 182,944</u>		

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

J. DEBT - LONG-TERM PROJECT BONDS PAYABLE (CONTINUED)

Project	Security
ARC/Mercer, Inc.	Mortgage and Security Agreement
Beth Chaim	Mortgage and Security Agreement
County Courthouse, Series 2009 and 2015	Mercer County lease
County Capital Build America Bonds	Mercer County lease
Equipment Lease/Open Space	Mercer County guarantee
Farm Preservation	Mercer County guarantee
Parking Facilities Project	Mercer County guarantee
Refunding Issues 2011 and 2012	Mercer County guarantee
Solar Project 2011	Mercer County guarantee
Solid Waste	Mercer County guarantee
Special Service Schools	Mercer County guarantee/Special Services School District
Sports Arena	Mercer County guarantee
Twin Rivers	Mercer County guarantee
Westlake Mews	Loan agreement with Westlake Mews, L.L.C.

Annual debt service requirements to maturity for bonds outstanding are as follows:

	Principal (in Thousands)	Interest (in Thousands)	Total (in Thousands)
2021	\$ 15,738	\$ 9,436	\$ 25,174
2022	15,067	8,596	23,663
2023	11,623	7,828	19,451
2024	11,827	7,223	19,050
2025	10,833	6,596	17,429
2026-2030	56,194	23,554	79,748
2031-2035	48,332	9,019	57,351
2036-2040	11,700	1,652	13,352
Total	<u>181,314</u>	<u>\$ 73,904</u>	<u>\$ 255,218</u>
Original issue premiums	670		
Total	<u>\$ 181,984</u>		

Bond premium amortization of \$205,508 and \$208,624, which was netted against interest expense for the years ended December 31, 2020 and 2019, respectively, is included in non-operating expenses.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

J. DEBT – LONG-TERM PROJECT BONDS PAYABLE (CONTINUED)

Solid Waste Bond Issue

In 2010, the Authority refinanced its outstanding solid waste debt. The purpose of the refinancing was to refund the outstanding solid waste bonds to permit the annual debt service on these bonds to be reduced to approximately \$4,200,000 per year, which is expected to be generated from the Authority's operations. The refunding bonds are guaranteed by the County. The proceeds of the Refunding Series 2010 Bonds were deposited in an irrevocable trust with an escrow agent to pay an outstanding interest and principal of 1990, 1992 and 1997 Bonds. The 1990 and 1992 Bonds were paid off on April 1, 2013, and the 1997 Bond was paid off on September 15, 2016. The unamortized deferred amount of refunding totaling \$590,697 and \$886,044 in 2020 and 2019, respectively, is included in the deferred outflows of resources balance and is amortized annually in equal installments over the life of the Refunding Series 2010 Bonds.

Bond Refundings

On February 14, 2019, the Authority refunded its Equipment Lease and Open Space Bonds, Series 2005 A and B, and Special Services School District Bonds, Series 2005A. The total amount of refunding bonds, Series 2019, was \$27,550,000. As of December 31, 2020, approximately \$25,235,000 of previously defeased principal was outstanding on the refunded bonds and held in escrow by the bond trustee.

On August 1, 2019, the Authority refunded its Build America Bonds, Court House, Series 2009 and County Capital, Series 2009. The total amount of Refunding Bonds, Series 2019, was \$66,295,000. As of December 31, 2020, approximately \$72,735,000 of previously defeased principal was outstanding on the refunded bonds and held in escrow by the bond trustee.

The refunded bonds are considered extinguished and accordingly, the assets and related debt obligations are not reflected on the financial statements of the Authority.

K. ESCROW FUNDS PAYABLE

Escrow funds payable consist primarily of the portion of bond proceeds deposited in construction (project) funds, which are held by the bond trustees. All project costs paid by the bond trustees are recorded as a reduction to escrow funds payable. As required by the Authority's bond resolutions, excess bond proceeds over project costs are dedicated to the payment of debt service in subsequent years.

L. PENSION PLAN

Full-time employees of the Authority are covered by the Public Employees' Retirement System of New Jersey ("PERS"). In addition, the Authority has a deferred compensation plan in which all eligible employees may participate and which is funded entirely by employee contributions. PERS is administered by the State of New Jersey, Division of Pensions and Benefits ("Division"). The Authority has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statements No. 68 and 71 require the Authority to report its share of the defined benefit pension liability and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by PERS.

The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Jersey, Division of Pension and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at: www.state.nj.us/treasury/pensions.

Plan Description and Benefits Provided

PERS is a cost-sharing, multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS plan provides retirement, death and disability, and medical benefits to qualified members and their beneficiaries. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:38. 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:

Tier	Definition
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 to enroll 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

As a condition of employment, all Authority full-time employees are required to be members of PERS. PERS members can apply for a service retirement at age 60 if enrolled before November 2, 2008 (Tier 1 or Tier 2), or at age 62 if enrolled on or after November 2, 2008, but before June 28, 2011 (Tier 3 or Tier 4), or at age 65 if enrolled on or after June 28, 2011 (Tier 5), regardless of the amount of service credit earned.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 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 Tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more 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.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 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 employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries determined the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Contributions (Continued)

This unfunded liability will be paid by the employer in level annual payments over a period of 15 years which began with the payments due in the fiscal year ended June 30, 2012, and are adjusted by the rate of return on the actuarial value of assets.

Employee contribution rates to PERS governed by P.L. 2011, C. 78, effective June 28, 2011, were increased from 5.5% of salary to 6.5% of salary, and a phase-in to 7.5% of salary over a seven-year period. Covered Authority employees are required by PERS to contribute 7.5% of their salaries. State statute requires the Authority to contribute an actuarially determined rate which includes the normal cost and the unfunded accrued liability. The amount of the Authority's contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. In accordance with State statute, the long-term expected rate of return on plan investments 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. Specific information on actuarial assumptions and rates of return can be found at

www.nj.gov/treasury/pensions/documents/financial/qasb/qasb68-pers20.pdf.

The payroll for employees covered by PERS for the years ended December 31, 2020 and 2019, was \$1,494,364 and \$1,411,125, respectively. The Authority's total payroll for the years ended December 31, 2020 and 2019, was \$2,025,954 and \$1,943,481, respectively. The Authority is billed annually for its normal contribution plus any accrued liability. Contributions to PERS from the Authority were \$245,893 and \$273,077 for the years ended December 31, 2020 and 2019, respectively. Contributions were made in accordance with the actuarial funding requirement.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amount by employer. The allocation percentages for each group as of June 30, 2020 and 2019, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2020 and 2019, respectively.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the PERS schedule of employer allocations and applied to amounts presented in the PERS schedule of pension amounts by employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2020 and 2019.

At December 31, 2020 and 2019, the Authority reported a net pension liability of \$3,058,476 and \$3,775,543, respectively. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the plan, actuarially determined. At June 30, 2020 and 2019, respectively, the Authority's proportionate share of the collective net pension liability was 0.0187551608% and 0.0209537227%, which was a decrease of 0.00230. For the years ended December 31, 2020 and 2019, the Authority recognized PERS pension expense of (\$95,771) and (\$33,650), respectively. The Authority reported deferred outflows and inflows of resources as follows:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,690	\$ 10,816
Changes of assumptions	99,220	1,280,613
Net difference between projected and actual investment earnings on pension plan investments	104,541	-
Changes in proportion	15,974	793,689
Authority contributions subsequent to the measurement date	102,586	-
	<u>\$ 378,011</u>	<u>\$ 2,085,118</u>
	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,766	\$ 16,679
Changes of assumptions	377,002	1,310,479
Net difference between projected and actual investment earnings on pension plan investments	-	59,598
Changes in proportion	26,769	592,863
Authority contributions subsequent to the measurement date	101,909	-
	<u>\$ 573,446</u>	<u>\$ 1,979,619</u>

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Actuarial Assumptions

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:

Years Ending June 30,	
2021	\$ (489,726)
2022	(693,004)
2023	(453,265)
2024	(149,335)
2025	(24,363)
	<u>\$ (1,809,693)</u>

The collective total pension liability for the June 30, 2020 and 2019, measurement date was determined by an actuarial valuation as of July 1, 2019 and 2018, which was rolled forward to June 30, 2020 and 2019, using the following actuarial assumptions:

	<u>2020</u>
Inflation: Price	2.75%
Inflation: Wage	3.25%
Salary Increases through 2026 (based on years of service)	2.00-6.00%
Salary Increases: Thereafter (based on years of service)	3.00-7.00%
Investment rate of return	7.00%
	<u>2019</u>
Inflation: Price	2.75%
Inflation: Wage	3.25%
Salary Increases through 2026 (based on years of service)	2.00-6.00%
Salary Increases: Thereafter (based on years of service)	3.00-7.00%
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree Mortality Table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree Mortality Table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future 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, 2020, and 2019), is determined by the State Treasurer, after consultation with the directors of the Division of Investment and Division of Pension 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 and 2019, are summarized in the following tables:

Asset Class	2020	
	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%
	<u>100.00%</u>	

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Asset Class	2019	
	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 6.28% as of June 30, 2020 and 2019, respectively. 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 based on 78% and 70%, respectively, of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of the collective net pension liability of the participating employers as of June 30, 2020 and 2019, respectively, 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:

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate (Continued)

June 30, 2020		
At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
\$ 3,880,386	\$ 3,058,476	\$ 2,405,520
June 30, 2019		
At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
\$ 4,769,124	\$ 3,775,543	\$ 2,938,310

M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority participates in a cost sharing multiple-employer defined post-retirement benefit plan (the "Plan"), which is administered by the State of New Jersey. The Plan provides continued health care benefits to employees retiring after twenty-five years of service. Benefits, contributions, funding and the manner of administration are determined by the State of New Jersey Legislature. The Division of Pensions and Benefits charges the Authority for its contributions. The total number of retired participants eligible for benefits was 32 and 30 at December 31, 2020 and 2019, respectively.

The Authority's contribution to the Plan for the years ended December 31, 2020 and 2019, was \$418,015 and \$351,247 respectively.

Please refer to the State website, www.state.nj.us, for more information regarding the Plan. The Plan's financial report may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

General Information About the OPEB Plan

The Authority participates in the State Health Benefit Local Government Retired Employees Plan (the Plan) which is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Authority adopted a resolution to approve participation in the Plan in fiscal year 2012. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml.

M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

General Information About the OPEB Plan (Continued)

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Authority. Chapter 48 allows local employers to establish their own age and service eligibility for employer-paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer-paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters who retire within 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The Authority is in a nonspecial funding situation, therefore, coverage under Chapter 330 does not apply.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2019 through June 30, 2020.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Net OPEB Liability

Components of Net OPEB Liability

The components of the Authority's net OPEB liability as of June 30, 2020 and 2019, is as follows:

	June 30, 2020	June 30, 2019
Total OPEB liability	\$ 5,562,034	\$ 3,707,151
Plan Fiduciary Net Position	50,629	73,282
Net OPEB Liability	<u>\$ 5,511,405</u>	<u>\$ 3,633,869</u>
 Plan Fiduciary Net Position as a % of total OPEB liability	 0.91%	 1.98%

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 and 2019, was determined by an actuarial valuation as of June 30, 2019 and 2018, respectively, which was rolled forward to June 30, 2020 and 2019, respectively. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. The actuarial valuations used the following actuarial assumptions:

	<u>2020</u>
Inflation	2.50%
Salary increases*	
Through 2026	2.00 - 6.00%
Thereafter	3.00 - 7.00%

* Salary increases are based on years of service within the respective plan.

	<u>2019</u>
Inflation	2.50%
Salary increases*	
Through 2026	2.00 - 6.00%
Thereafter	3.00 - 7.00%

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

Mortality Rates

Preretirement mortality rates were based on the Pub-2010 General classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

Actuarial assumptions used in the July 1, 2019, valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

One-hundred percent of active members are considered to participate in the Plan upon retirement.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.50% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.50% for all future years. For prescription drug benefits, the initial trend rate is 7.00% and decreases to a 4.50% long-term trend rate after seven years.

Discount Rate

The discount rate for June 30, 2020 and 2019, was 2.21% and 3.50%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2020 and 2019, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

At June 30, 2020		
At 1% Decrease (1.21%)	At Current Discount Rate (2.21%)	At 1% Increase (3.21%)
\$ 6,515,645	\$ 5,511,405	\$ 4,716,457

At June 30, 2019		
At 1% Decrease (2.50%)	At Current Discount Rate (3.50%)	At 1% Increase (4.50%)
\$ 4,201,677	\$ 3,633,869	\$ 3,172,450

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability as of June 30, 2020 and 2019, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

At June 30, 2020		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 4,560,693	\$ 5,511,405	\$ 6,756,375

At June 30, 2019		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 3,066,538	\$ 3,633,869	\$ 4,357,596

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

Changes in Proportion

The following amounts do not include employer-specific deferred outflows of resources and deferred inflows of resources related to the changes in proportion. These amounts will be recognized (amortized) by the Authority over the average remaining service lives of all plan members, which is 7.87, 8.05, 8.14, and 8.04 years for the 2020, 2019, 2018, and 2017 amounts, respectively.

	Year of Deferral	Amortization Period	Beginning of the Year Balance	Additions	Deductions	End of the Year Balance
Deferred Outflows of Resources:						
Differences between projected and actual investment earnings on OPEB plan investments	2017	5 years	\$ 537	\$ -	\$ 269	\$ 269
	2018	5 years	1,303	-	434	868
	2019	5 years	1,587	-	397	1,190
	2020	5 years	-	1,466	293	1,173
Deferred Outflows of Resources			<u>\$ 3,427</u>	<u>\$ 1,466</u>	<u>\$ 1,393</u>	<u>\$ 3,500</u>
Deferred Inflows of Resources:						
Differences between expected and actual experience	2018	8.14 years	\$ 840,035	\$ -	\$ 136,814	\$ 703,222
	2019	8.05 years	376,510	-	53,406	323,105
Changes of assumptions	2017	8.04 years	498,188	-	98,847	399,341
	2018	8.14 years	536,083	-	87,310	448,773
	2019	8.05 years	439,939	-	62,403	377,537
Deferred Inflows of Resources			<u>\$ 2,690,757</u>	<u>\$ -</u>	<u>\$ 438,779</u>	<u>\$ 2,251,978</u>

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

	OPEB
2021	\$ (555,576)
2022	(126,840)
2023	(127,269)
2024	(127,487)
2025	(269,903)
Thereafter	(71,903)
	<u>\$ (1,278,978)</u>

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

N. COLLECTIVE BARGAINING AGREEMENT

Beginning January 1, 2005, certain Authority employees are represented through American Federation of State, County and Municipal Employees Local #2287. The term of the current contract, including renewals, is January 1, 2017 through December 31, 2022.

O. COMMITMENTS

At December 31, 2020 and 2019, the Authority had uncompleted agreements with contractors to perform various services related to its construction projects. Commitments under contracts in process amounted to \$153,405 and \$515,913, at December 31, 2020 and 2019, respectively.

As a part of the Roebling Steel Complex Rehabilitation Project (the "Roebling Project"), the Authority had entered into two Cooperative Agreements with the United States Environmental Protection Agency related to the Roebling Project's Block 3 development: Petroleum Cleanup and Hazardous Cleanup. The approved assistance amount for each agreement is \$200,000. In 2020 and 2019, total reimbursements received from both agreements were \$43,191 and \$306,421, respectively.

HHG Development Associates was appointed the developer of the Block 3 site of the Roebling Project by the Authority. In January 2016, the Authority sold a parcel of land to the developer for which it held the three-year promissory note of \$1,020,000 originally due January 27, 2019. The note was fully paid off in March 2020.

P. COUNTY ENVIRONMENTAL HEALTH ACT ("CEHA")

The Authority and the County have entered into inter-local services agreements to jointly provide services and carry out the provisions of the CEHA Work Program, including, primarily enforcing compliance with laws, regulations and standards applicable to the Solid Waste Management Plan. Fines and penalties collected by the County or the Authority through enforcement activities undertaken pursuant to the agreement are deposited into the County's Environmental Quality and Enforcement Fund (the "Fund") that are supposed to reimburse the Authority for CEHA related expenses and the Authority's Solid Waste Operating Fund.

Disbursements from the Fund totaled \$0 and \$19,089 in 2020 and 2019, respectively.

Q. ARBITRAGE RULES

The Authority is subject to certain arbitration rules. Under these rules, interest earnings on certain investments of proceeds of the Authority's bond issues are subject to the limitations imposed by the arbitration provisions of the Internal Revenue Code. The Authority is required to rebate certain arbitration profits on non-purpose investments at least once every five years. At December 31, 2020, there were no material arbitration profits subject to rebate.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

NOTES TO FINANCIAL STATEMENTS

R. LITIGATION

On or about December 1, 2011, the Authority entered into a publicly financed renewable energy Lease Purchase Agreement with Sunlight General Mercer, LLC ("SLG"). Pursuant to that agreement, SLG retained Mastec Power Partners ("Mastec") to construct an 8.3 MW solar renewable energy project designed to serve the Mercer County Community College (the "Project"). The Project was completed and placed into operation on October 1, 2013.

On or about January 2014, Mastec filed a Municipal Mechanics Lien Claim with the Authority. The case was settled in 2021.

S. IMPACT OF CORONAVIRUS PANDEMIC

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates.

Due to the impact of New Jersey Governor Murphy's Executive Order No. 107 dated March 21, 2020, mandating statewide stay-at-home practices and closure of all non-essential retail businesses, capital projects have been put on hold and the Arena has been closed, however, the Authority's Transfer Station has remained open and operating at almost full capacity. The Transfer Station solid waste tonnage was 246,766 and 278,423 in 2020 and 2019, respectively. The decrease in tonnage resulted in an approximately \$3 million reduction in tipping fees. It is reasonably possible other revenues, collections on accounts receivables, and related cash flows will be adversely impacted going forward. It is unknown how long these conditions will last and what the complete financial affect will be to the Authority.

T. SUBSEQUENT EVENTS

On September 30, 2021, the Authority refunded its County of Mercer Guaranteed Renewable Energy Program Lease Revenue Bonds, Series 2011A. Total amount of refunding bonds, Series 2021A, is \$11,235,000.

In November 2021, the Authority received a federal Shuttered Venue Operators Grant totaling \$3,741,868 in support of the Sports Arena, which had to shut its doors at the beginning of 2020 due to COVID-19.

REQUIRED SUPPLEMENTARY INFORMATION

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)

	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.018755%	0.020954%	0.022791%	0.024099%	0.023828%	0.023847%	0.026560%
Proportionate share of the net pension liability	\$ 3,058,476	\$ 3,775,543	\$ 4,487,339	\$ 5,609,975	\$ 7,057,219	\$ 5,353,063	\$ 4,972,754
Covered-employee payroll	1,411,125	1,497,101	1,951,017	1,968,910	1,754,197	1,785,202	1,785,202
Proportionate share of the net pension liability as a percentage of covered payroll	216.74%	252.19%	230.00%	284.93%	402.30%	299.86%	278.55%
Plan fiduciary net position as a percentage of the total pension liability	58.65%	56.57%	53.60%	48.10%	40.14%	47.93%	52.08%

This schedule reports information for those years subsequent to the adoption of GASB Statement No. 68.
A full ten years' presentation will be made as appropriate information becomes available in future years.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

SCHEDULE OF CONTRIBUTIONS (UNAUDITED)

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 205,172	\$ 203,818	\$ 226,692	\$ 223,256	\$ 245,299	\$ 205,016	\$ 218,612
Contribution in relation to the contractually required contribution	205,172	203,818	226,692	223,256	245,299	205,016	218,612
Covered-employee payroll	1,494,364	1,411,125	1,497,101	1,951,017	1,968,910	1,754,197	1,785,202
Contributions as a percentage of covered payroll	13.73%	14.44%	15.14%	11.44%	12.46%	11.69%	12.25%

This schedule reports information for those years subsequent to the adoption of GASB Statement No. 68.
A full ten years' presentation will be made as appropriate information becomes available in future years.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND CONTRIBUTIONS (UNAUDITED)

LAST TEN YEARS

	2020	2019	2018	2017	2016
Proportion of the net OPEB liability	0.030710%	0.026826%	0.030899%	0.032407%	0.035812%
Proportionate share of net OPEB liability	\$ 5,511,405	\$ 3,633,869	\$ 4,840,828	\$ 6,616,145	\$ 7,777,458
Contributions	418,015	351,247	134,798	149,367	142,579
Covered-employee payroll	1,411,125	1,497,101	1,951,017	1,968,910	1,754,197
Proportionate share of the net OPEB liability as a percentage of covered payroll	390.57%	242.73%	248.12%	336.03%	443.36%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	1.98%	1.97%	1.03%	0.69%

In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Contributions and Schedule of the Proportionate Share of the Net OPEB Liability and Contributions, however, only five years of data are available at this time.

OTHER SUPPLEMENTARY INFORMATION

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

SCHEDULE OF OPERATING EXPENSES – BUDGET VS. ACTUAL
Year Ended December 31, 2020

Budget Items	Budget (Unaudited)	Actual	(Over) Under Budget
Salaries and wages	\$ 2,300,989	\$ 1,951,598	\$ 349,391
Payroll taxes	161,000	117,436	43,564
Pension plan contribution	520,000	245,893	274,107
Health insurance	556,000	452,721	103,279
Other insurance	90,000	58,780	31,220
Professional fees	195,000	121,007	73,993
Telephone	30,000	30,047	(47)
Office expense	585,730	77,239	508,491
Seminars / CPEs	16,000	1,358	14,642
Automobile expenses	40,000	41,773	(1,773)
Rent expense	190,000	190,000	-
Transfer station costs	2,220,000	2,215,201	4,799
Recycling contract solid waste tires	60,000	13,848	46,152
Repairs and maintenance	167,913	161,638	6,275
Dues and membership fees	6,100	5,348	752
Advertising and printing	13,500	14,677	(1,177)
Postage and freight	5,000	3,749	1,251
Outside services, consultants and temp. staff	245,000	176,476	68,524
Tenant related expenses	18,000	12,608	5,392
COVID-19 expenses	-	39,035	(39,035)
Bad debt	-	25,598	(25,598)
Subtotal	7,420,232	5,956,031	1,464,201
Pension Plan-GASB 68 required adjustment	-	(521,983)	521,983
OPEB Plan-GASB 75 required adjustment	-	(196,321)	196,321
Total	\$ 7,420,232	\$ 5,237,727	\$ 2,182,505

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

SCHEDULE OF OPERATING EXPENSES – BUDGET VS. ACTUAL (CONTINUED)
Year Ended December 31, 2019

Budget Items	Budget (Unaudited)	Actual	(Over) Under Budget
Salaries and wages	\$ 2,233,970	\$ 1,852,544	\$ 381,426
Payroll taxes	157,000	119,132	37,868
Pension plan contribution	650,000	273,077	376,923
Health insurance	596,000	416,209	179,791
Other insurance	90,000	73,342	16,658
Professional fees	245,000	105,821	139,179
Telephone	26,000	33,019	(7,019)
Office expense	546,165	277,356	268,809
Seminars / CPEs	15,500	11,271	4,229
Automobile expenses	35,000	49,042	(14,042)
Rent expense	190,000	190,000	-
Transfer station costs	2,000,000	2,430,992	(430,992)
Recycling contract solid waste tires	50,000	56,766	(6,766)
Repairs and maintenance	161,217	112,123	49,094
Dues and membership fees	6,100	5,752	348
Advertising and printing	15,500	10,047	5,453
Postage and freight	5,000	749	4,251
Outside services, consultants and temp. staff	244,000	220,016	23,984
Tenant related expenses	22,000	28,524	(6,524)
Bad debt	-	258,559	(258,559)
Subtotal	7,288,452	6,524,342	764,110
Pension Plan-GASB 68 required adjustment	-	(237,468)	237,468
OPEB Plan-GASB 75 required adjustment	-	(387,979)	387,979
Total	<u>\$ 7,288,452</u>	<u>\$ 5,898,895</u>	<u>\$ 1,389,557</u>

MERCER COUNTY IMPROVEMENT AUTHORITY
 (A Component Unit of the County of Mercer)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended December 31, 2020

Federal Grantor/Program	Federal CFDA Number	Pass-through Entity Identifying Number (DUNS #)	2020 Expenditures	Subrecipient Expenditures	Cumulative Expenditures
U.S. Environmental Protection Agency					
Brownfields Assessment and Cleanup Grant Program	66.818	N/A			
Roebling Block 3 Lot 1.04			\$ 6,217	\$ -	\$ 200,000
Roebling Block 3 Lot 1.05			36,974	-	200,000
			<u>\$ 43,191</u>	<u>\$ -</u>	<u>\$ 400,000</u>

Note: There was no federal single audit requirement for the year ended December 31, 2020.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended December 31, 2020

State Grantor Pass-through Grantor/Program	State Account/ Grant Number	Grant Period	Program or Award Amount	Program Income	2020 Expenditures	Cumulative Expenditures
New Jersey DEP Clean Community 2019	Unknown	1/1/19-Until Complete	\$ 62,745	\$ -	\$ 28,573	\$ 50,925
Scrap Tire Management Fund Grant	Unknown	7/1/05-Until Complete	30,000	-	-	16,577
Solid Waste REA Tax Grant	2017-042-4910-100-224	(1)	265,142	-	229,089	265,142
Solid Waste REA Tax Grant	2018-042-4910-100-224	(1)	250,810	-	106,483	106,483
Solid Waste REA Tax Grant	2019-042-4910-100-224	(1)	250,810	-	-	-
HDSRF Grant	Unknown	Until complete	137,793	-	40,509	137,793
Total			<u>\$ 997,300</u>	<u>\$ -</u>	<u>\$ 404,653</u>	<u>\$ 576,920</u>

(1) Term and amount is specified when application is prepared. The term can be for up to two years.

Note: There was no state single audit requirement for the year ended December 31, 2020.

INDEPENDENT AUDITORS' 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

To the Board of Commissioners of
Mercer County Improvement Authority

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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Mercer County Improvement Authority (the "Authority"), a component unit of the County of Mercer, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated March 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in 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.

**INDEPENDENT AUDITORS' 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
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercedien, P.C.
Certified Public Accountants

March 14, 2022

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS
Year Ended December 31, 2020

None reported.

MERCER COUNTY IMPROVEMENT AUTHORITY
(A Component Unit of the County of Mercer)

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended December 31, 2020

None reported.