

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

December 31, 2022

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

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## **INDEPENDENT AUDITORS' REPORT**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners of  
Mercer County Improvement Authority

### **Report on the Audits of the Financial Statements**

#### ***Opinion***

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, 2022 and 2021, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

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, 2022 and 2021, and the changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note U to the financial statements, in fiscal year 2022 the Authority adopted new accounting guidance GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### ***Auditors' Responsibilities for the Audits of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS; *Government Auditing Standards*; audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS; *Government Auditing Standards*; audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audits 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.

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### ***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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 GAAS. In our opinion, except for budgeted amounts, the other supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2023, 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.

*Mercedien, P.C.*

*Certified Public Accountants*

September 18, 2023

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

# MERCER COUNTY IMPROVEMENT AUTHORITY

(A Component Unit of the County of Mercer)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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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, 2022 and 2021. 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 2022, net operating income of the Authority decreased by approximately 1%, with increased investment return offsetting increased operating expenses. The Authority's net position increased by \$16,842,407 in 2022.

In 2021, net operating income of the Authority decreased by approximately 5% primarily due to significant reduction in investment return in 2021. The Authority's restated net position increased by \$10,922,951 in 2021.

Visit the Authority's website [www.mccianj.org](http://www.mccianj.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 financial assistance.

**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 statement of net position presents 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 statement of revenues, expenses and changes in net position presents 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.

**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.



## MERCER COUNTY IMPROVEMENT AUTHORITY

(A Component Unit of the County of Mercer)

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

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#### Overview of the Financial Statements (Continued)

#### Financial Analysis, Capital Assets and Debt Administration

##### 2022

Cash and equivalents balances of \$43,697,620 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. \$14,698,107 in current assets and \$133,826,415 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 \$28,706,558 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, 2022, the Authority had a total of \$10,798,370 invested in capital assets, which represents a \$439,064 increase 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.

During fiscal year 2022, the bonds payable relating to the Solid Waste Facility, which were administered by the Authority on behalf of the County of Mercer, fully matured. The remaining bonds payable of \$134,366,709, unearned lease/loan income of \$33,648,927, and escrow funds payable of \$875,319 are included in current and long-term 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. The Authority's \$134,366,709 in bonds outstanding at December 31, 2022, decreased \$25,261,446 from the \$159,628,155 bonds outstanding at December 31, 2021. This change represents a decrease of approximately 16% 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.

##### 2021

Cash and equivalents balances of \$60,873,406 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. \$14,838,233 in current assets and \$148,470,533 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 \$30,090,987 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, 2021, the Authority had a total of \$10,359,306 invested in capital assets, which were restated due to implementation of GASB 87, *Leases* (see Note U to the basic financial statements). More detailed information about the Authority's capital assets is presented in the "Capital Assets" note to the basic financial statements.

The Authority has \$3,925,000 in 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 \$155,703,155, unearned lease/loan income of \$38,792,971, and escrow funds payable of \$1,647,574 are included in current and long-term 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 2021 year end, the Authority had \$159,628,155 in bonds outstanding compared to \$181,984,208 at December 31, 2020. This change represents a decrease of approximately 12% 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.

**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 following tables contain condensed financial information derived from the December 31, 2022, 2021 and 2020 financial statements of the Authority:

**Condensed Statements of Net Position**

	December 31,			Change 2022-2021	Percentage Change 2022-2021
	2022	2021*	2020		
Capital assets	\$ 40,502,553	\$ 41,603,591	\$ 38,673,890	\$ (1,101,038)	-3%
Other assets	219,800,225	237,321,346	258,398,287	(17,521,121)	-7%
Total assets	<u>260,302,778</u>	<u>278,924,937</u>	<u>297,072,177</u>	<u>(18,622,159)</u>	-7%
Deferred outflows of resources	1,952,590	2,334,346	2,697,673	(381,756)	-16%
Current liabilities	37,299,039	46,086,358	50,423,230	(8,787,319)	-19%
Long-term liabilities	164,095,050	189,980,704	215,338,124	(25,885,654)	-14%
Total liabilities	<u>201,394,089</u>	<u>236,067,062</u>	<u>265,761,353</u>	<u>(34,672,973)</u>	-15%
Deferred inflows of resources	5,627,529	6,800,878	5,622,954	(1,173,349)	-17%
Net position:					
Net investment in capital assets	15,559,200	2,337,761	(8,455,162)	13,221,439	-566%
Restricted for debt service	898,635	11,916,943	10,256,633	(11,018,308)	-92%
Unrestricted	38,775,915	24,136,639	26,584,072	14,639,276	61%
Total Net position	<u>\$ 55,233,750</u>	<u>\$ 38,391,343</u>	<u>\$ 28,385,543</u>	<u>\$ 16,842,407</u>	44%

\*Certain account balances have been restated to conform to current year presentation. See Note U for details.

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	Years Ended December 31,			Change 2022-2021	Percentage Change 2022-2021
	2022	2021*	2020		
Operating revenues	\$ 32,060,794	\$ 31,552,362	\$ 31,116,383	\$ 508,432	2%
Waste disposal costs	(20,440,351)	(19,802,563)	(19,349,104)	(637,788)	-3%
Gross operating profit	11,620,443	11,749,799	11,767,279	(129,356)	-1%
Other operating revenues**	1,201,286	485,236	828,536	716,050	148%
Gross operating profit and other operating revenues	12,821,729	12,235,035	12,595,815	586,694	5%
Operating expenses	(5,560,997)	(5,039,777)	(5,237,727)	(521,220)	-10%
Depreciation and amortization	(606,546)	(503,170)	(399,749)	(103,376)	-21%
Lessee lease interest expense	(158,487)	(159,871)	-	1,384	1%
Income from operations	6,495,699	6,532,217	6,958,339	(36,518)	-1%
Non-operating expenses, net	(1,418,098)	(2,875,312)	(1,085,101)	1,457,214	51%
Changes in net position	5,077,601	3,656,905	5,873,238	1,420,696	39%
Changes in net position - Sports Arena	11,764,806	7,266,046	251,566	4,498,760	62%
Net position, beginning of year, as restated (see Note U)	38,391,343	27,468,392	22,260,738	10,922,951	40%
Net position, end of year	<u>\$ 55,233,750</u>	<u>\$ 38,391,343</u>	<u>\$ 28,385,543</u>	<u>\$ 16,842,407</u>	44%

\* Certain account balances have been restated to conform to current year presentation. See Note U for details.

\*\* Other operating revenues:

Project costs reimbursement	\$ 570,807	\$ 436,726	\$ 395,868	\$ 134,081	31%
Interest on investments	630,479	48,510	432,668	581,969	1200%
	<u>\$ 1,201,286</u>	<u>\$ 485,236</u>	<u>\$ 828,536</u>	<u>\$ 716,050</u>	148%

## **MERCER COUNTY IMPROVEMENT AUTHORITY**

(A Component Unit of the County of Mercer)

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

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#### **Significant Events**

##### **2022**

The Authority's operating expenses in 2022 were \$5,560,997 (\$1,378,218 under budget, \$1,096,150 of which is attributed to the unbudgeted, required annual adjustments related to GASB-68 and GASB-75 pension and OPEB expense adjustments provided by the State of New Jersey and GASB-87 rent expense adjustment. Refer to "Supplementary Information", schedule of operating expenses - budget vs. actual for further details.

The Authority's assets and liabilities decreased by approximately 7% and 15%, respectively, in 2022, primarily due to the repayment of the existing debt during the year.

During fiscal year 2022, the Authority recognized approximately \$3.7M of revenue and expense related to the Federal Shuttered Venue Operators Grant (SVOG) for the Sports Arena that had to close its doors in 2020-2021 due to COVID-19.

##### **2021**

The Authority's operating expenses in 2021 were \$5,039,777 (\$1,627,575 under budget, \$1,129,020 of which is attributed to the unbudgeted, required annual adjustments related to GASB-68 and GASB-75 pension and OPEB expense adjustments provided by the State of New Jersey and GASB-87 rent expense adjustment.

The Authority's assets and liabilities decreased by approximately 8% and 13%, respectively, in 2021, primarily due to the repayment of the existing debt during the year.

The Authority finalized its Solar Renewable Energy Bonds, Series 2011 in 2021 with approximately 8% savings by issuing Renewable Energy Bonds, Series 2021.

In November 2021, the Authority received a Federal Shuttered Venue Operators Grant (SVOG) of approximately \$3.7M for the Sports Arena that had to close its doors in 2020-2021 due to COVID-19.

#### **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, 2<sup>nd</sup> 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,	
	2022	2021*
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets</b>		
Unrestricted		
Cash and equivalents	\$ 35,732,875	\$ 42,881,278
Investments	17,144,918	2,146,398
Accounts receivable-haulers, net	2,195,720	2,067,818
Due from restricted funds	3,537,222	3,658,922
Other receivables	1,533,813	1,583,899
Lease receivable - short-term	183,555	179,771
Other assets	15,833	-
Total Unrestricted	<u>60,343,936</u>	<u>52,518,086</u>
Restricted		
Cash and equivalents	7,964,745	17,992,129
Accounts receivable - recycling	367,252	392,026
Minimum lease payments receivable		
County of Mercer	14,539,514	14,621,232
Loans receivable	158,593	217,001
Loan interest receivable	359	1,260
Other receivables	2,034,503	2,436,802
Other assets	105,658	108,026
Total Restricted	<u>25,170,624</u>	<u>35,768,476</u>
Total Current Assets	<u>85,514,560</u>	<u>88,286,563</u>
<b>Non-Current Assets</b>		
Unrestricted		
Property and equipment, net	10,798,370	10,359,306
Lease receivable - long-term	997,625	1,153,298
Total Non-Current Unrestricted Assets	<u>11,795,995</u>	<u>11,512,604</u>
Restricted		
Minimum lease payments receivable		
County of Mercer	133,589,898	148,129,442
Loans receivable	236,517	341,091
Other receivables	459,250	564,250
Sports arena	28,706,558	30,090,987
Total Non-Current Restricted Assets	<u>162,992,223</u>	<u>179,125,770</u>
Total Non-Current Assets	<u>174,788,218</u>	<u>190,638,374</u>
Total Assets	<u>260,302,778</u>	<u>278,924,936</u>
<b>Deferred Outflows of Resources</b>		
Losses on debt restructuring	-	295,350
Pension	571,527	511,433
OPEB	1,381,063	1,527,563
Total Deferred Outflows of Resources	<u>1,952,590</u>	<u>2,334,346</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 262,255,368</u>	<u>\$ 281,259,282</u>

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

STATEMENTS OF NET POSITION (CONTINUED)

	December 31,	
	2022	2021*
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>Current Liabilities</b>		
Restricted		
Current portion of project bonds payable	\$ 10,742,299	\$ 15,023,137
Accounts payable and accrued expenses	11,631,386	8,720,999
Lease liability - short-term	177,181	177,063
Due to unrestricted fund	3,537,222	3,658,922
Accrued interest payable	1,487,882	1,623,550
Haulers' deposits	534,255	627,075
Unearned lease/loan income	4,736,312	5,144,044
Unearned revenues	3,262,845	5,120,197
State grants unearned	314,338	4,343,796
Escrow funds payable	875,319	1,647,574
Total Current Liabilities	<u>37,299,039</u>	<u>46,086,358</u>
<b>Non-Current Liabilities</b>		
Long-term project bonds payable	123,624,410	144,605,018
Lease liability - long-term	3,431,195	3,462,826
Unearned lease/loan income	28,912,615	33,648,927
Unearned revenues	425,250	530,250
Net pension liability	3,141,903	2,447,147
Net OPEB liability	4,559,677	5,286,536
Total Non-Current Liabilities	<u>164,095,050</u>	<u>189,980,704</u>
Total Liabilities	<u>\$ 201,394,089</u>	<u>\$ 236,067,062</u>
<b>Deferred inflows of resources</b>		
Pension	\$ 827,332	\$ 2,098,453
OPEB	3,630,663	3,335,325
Lease deferrals, net of accumulated amortization	1,169,534	1,367,100
Total Deferred Inflows of Resources	<u>5,627,529</u>	<u>6,800,878</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>207,021,618</u>	<u>242,867,940</u>
<b>Net Position</b>		
Net investment in capital assets	15,559,200	2,337,761
Restricted	898,635	11,916,943
Unrestricted	38,775,915	24,136,639
Total Net Position	<u>55,233,750</u>	<u>38,391,343</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 262,255,368</u>	<u>\$ 281,259,282</u>

\*Certain account balances have been restated to conform with current year presentation.  
See Note U for details.

**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,	
	2022	2021*
Waste disposal revenues	\$ 27,746,044	\$ 27,357,671
Recycling revenues	4,314,750	4,194,691
Operating revenues	32,060,794	31,552,362
Waste disposal costs	(20,440,351)	(19,802,563)
Gross operating profit	11,620,443	11,749,799
Other operating revenues		
Project costs reimbursement and other operating revenues	570,807	436,726
Interest on investments	630,479	48,510
Total other operating revenues	1,201,286	485,236
Gross operating profit and other operating revenues	12,821,729	12,235,035
Operating expenses	(5,560,997)	(5,039,777)
Income from operations before depreciation and amortization	7,260,732	7,195,258
Depreciation and amortization	(606,546)	(503,170)
Lessee lease interest expense	(158,487)	(159,871)
Income from operations	6,495,699	6,532,217
Non-operating revenues (expenses)		
Sports Arena revenues	18,073,590	8,116,664
Sports Arena expenses	(18,073,590)	(8,116,664)
Parking Facilities revenue	624,422	2,319,480
Parking Facilities expenses	(420,377)	(2,319,480)
Lessor lease amortization and interest revenue	270,677	278,350
Lease pass-through expense	(224,860)	(231,041)
Bond interest expense, Solid Waste	(11,194)	(215,097)
Bond interest expense, projects	(5,165,295)	(5,896,018)
Minimum lease income, projects	5,144,044	5,772,619
Loan interest income	21,251	123,399
Other revenues	23,013	(1,015,725)
Non-operating expenses before bond interest accretion, depreciation and amortization	261,681	(1,183,513)
Depreciation and amortization - Sports Arena	(1,182,230)	(1,194,253)
Depreciation and amortization - Parking	(202,199)	(202,199)
Amortization of deferred outflows - Solid Waste	(295,350)	(295,347)
Total non-operating expenses	(1,418,098)	(2,875,312)
Changes in net position	5,077,601	3,656,905
Changes in net position - Sports Arena	11,764,806	7,266,046
Net position, beginning of year, as restated (see Note U)	38,391,343	27,468,392
Net position, end of year	\$ 55,233,750	\$ 38,391,343

\*Certain account balances have been restated to conform with current year presentation.  
See Note U for details.

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2022	2021*
Cash Flows from Operating Activities		
Cash received from		
Waste disposal revenue	\$ 27,382,019	\$ 26,993,094
Recycling revenue	4,339,523	4,275,142
State of New Jersey grants	62,886	328,034
Project costs reimbursement	570,807	436,726
Investment interest	630,479	48,510
Cash used for		
Waste disposal costs	(20,440,351)	(19,802,563)
Operating expenses	(6,651,965)	(5,983,801)
State of New Jersey grants	(350,477)	(248,554)
Net cash from operating activities	<u>5,542,921</u>	<u>6,046,588</u>
Cash Flows from Capital and Related Financing Activities		
Change in net position-Sports Arena	11,764,806	7,266,046
Net cash from noncapital and related financing activities	<u>11,764,806</u>	<u>7,266,046</u>
Leases/Loans	14,059,384	12,203,082
Principal paid on bonds and agreements, net	(25,057,845)	(22,560,685)
Interest paid on bonds	(5,239,578)	(6,393,836)
Net cash from capital and related financing activities	<u>(4,473,233)</u>	<u>(9,485,393)</u>
Cash Flows from Investing Activities		
Investments	(14,998,520)	4,298
Sludge facility, net	152,258	155,197
Sports Arena and Parking revenues	12,911,332	12,549,837
Sports Arena and Parking expenses	(17,572,478)	(10,631,219)
Purchases of property and equipment	(1,049,360)	(177,261)
Other activities	2,311,292	(1,034,268)
Net cash from investing activities	<u>(18,245,476)</u>	<u>866,584</u>
Net change in cash and equivalents	(17,175,787)	(2,572,220)
Cash and equivalents, beginning of year	60,873,407	63,445,627
Cash and equivalents, end of year	<u>\$ 43,697,620</u>	<u>\$ 60,873,407</u>



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

STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended December 31,	
	2022	2021*
Reconciliation of Income from Operations to Net Cash		
from Operating Activities		
Income from operations	\$ 6,495,699	\$ 6,532,217
Adjustments to reconcile income from operations to net cash		
from operating activities		
Amortization and depreciation - solid waste	523,153	419,777
Allowance for doubtful accounts	54,773	(2,889)
Net pension expense	(621,129)	(713,042)
Net OPEB expense	(285,021)	(225,978)
Changes in assets and liabilities		
Accounts receivable - haulers	(182,675)	(123,887)
Accounts receivable - recycling	24,774	80,450
Other receivables	(88,531)	(39,431)
Other assets	(15,833)	289,837
Accounts payable, accrued expenses and other liabilities	(33,758)	(101,952)
Haulers' deposits	(92,820)	(201,258)
State grants unearned	(287,591)	79,480
Lease deferrals	51,880	53,264
Net cash from operating activities	<u>\$ 5,542,921</u>	<u>\$ 6,046,588</u>

\*Certain account balances have been restated to conform with current year presentation.  
See Note U for details.

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

NOTES TO FINANCIAL STATEMENTS

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**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 Freeholders 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

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**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.

**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 represent 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 represent 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

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**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

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**B. DEPOSITS AND INVESTMENTS**

At December 31, 2022 and 2021, the Authority's bank balance on deposit was \$44,271,225 and \$60,436,300, respectively, inclusive of unrestricted and restricted cash. Of the bank balance, \$1,268,900 in six banks was 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 the Governmental 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 the 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 custodians.

As of December 31, 2022 and 2021, the Authority's bank balance was exposed to custodial credit risk as follows:

	December 31,	
	2022	2021
Insured	\$ 1,268,900	\$ 1,500,000
Collateralized under GUDPA	16,377,498	15,384,800
NJCMF & NJ/ARM	21,006,802	37,527,115
Uninsured and uncollateralized	5,618,025	6,024,385
	<u>\$ 44,271,225</u>	<u>\$ 60,436,300</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 \$17,144,918 and \$2,146,398, that mature in one year at December 31, 2022 and 2021, 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

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**C. ACCOUNTS RECEIVABLE - HAULERS**

Accounts receivable – haulers as of December 31, 2022 and 2021, are expected to be received within one year. They are as follows:

	December 31,	
	2022	2021
Accounts receivable-haulers	\$ 2,395,563	\$ 2,212,888
Less: Allowance for doubtful accounts	199,843	145,070
Net accounts receivable	<u>\$ 2,195,720</u>	<u>\$ 2,067,818</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 are 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,	
2023	\$	14,539,514
2024		14,138,146
2025		12,603,807
2026		12,842,447
2027		12,690,964
Thereafter		81,314,534
	<u>\$</u>	<u>148,129,412</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, 2022 and 2021:

Project	Borrower	Security	Maturity Date	Interest Rate	Loans Receivable (in thousands)			Amounts Due Within One Year	
					December 31, 2021	Additions	Reductions		
Beth Chaim	Congregation Beth Chaim	Mortgage and Security Agreement	2026	4.690%	\$ 470	\$ -	\$ (95)	\$ 375	\$ 148
Twin Rivers	Twin Rivers Community Trust	Mercer County Guarantee Agreement	2022	3.000%-5.250%	88	-	(68)	20	10
Total					558	\$ -	\$ (163)	395	\$ 158
Less current portion					217			158	
Net long-term loans receivable					<u>\$ 341</u>			<u>\$ 237</u>	

Project	Borrower	Security	Maturity Date	Interest Rate	Loans Receivable (in thousands)			Amounts Due Within One Year	
					December 31, 2020	Additions	Reductions		
Beth Chaim	Congregation Beth Chaim	Mortgage and Security Agreement	2026	4.690%	\$ 560	\$ -	\$ (90)	\$ 470	\$ 149
Twin Rivers	Twin Rivers Community Trust	Mercer County Guarantee Agreement	2022	3.000%-5.250%	149	-	(61)	88	68
Total					709	\$ -	\$ (151)	558	\$ 217
Less current portion					203			217	
Net long-term loans receivable					<u>\$ 506</u>			<u>\$ 341</u>	

**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,	
2023	\$	158,593
2024		165,815
2025		70,702
	\$	<u>395,110</u>

**F. CAPITAL ASSETS**

Capital assets consists of the following:

	December 31,	
	2022	2021*
Other		
Land	\$ 274,419	\$ 274,919
Building	150,000	150,000
Subtotal	<u>424,419</u>	<u>424,919</u>
Less accumulated depreciation	97,490	93,740
Subtotal net of depreciation	<u>\$ 326,929</u>	<u>\$ 331,179</u>
Solid Waste		
Transfer station (building and machinery)	\$ 13,312,034	\$ 12,378,607
Right-to-use asset - transfer station lease	3,752,694	3,752,694
Building	5,786,166	5,741,689
Office furniture and equipment	515,264	515,264
Computer hardware and software	435,451	425,495
Automobiles	437,685	407,303
Landfill	415,134	415,134
Subtotal	<u>24,654,428</u>	<u>23,636,185</u>
Less accumulated depreciation and amortization	<u>14,182,987</u>	<u>13,608,059</u>
Subtotal net of depreciation	<u>\$ 10,471,441</u>	<u>\$ 10,028,126</u>
 Total capital assets	 <u>\$ 10,798,370</u>	 <u>\$ 10,359,306</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,	
	2022	2021*
<b>Solid Waste</b>		
Transfer station (building and machinery)	\$ 272,436	\$ 176,534
Right-to-use asset - transfer station lease	83,393	83,393
Building	170,361	161,466
Office furniture and equipment	20,361	21,271
Computer hardware and software	11,644	16,260
Automobiles	48,351	44,246
Total depreciation and amortization expense - solid waste	<u>606,546</u>	<u>503,170</u>
Depreciation-other capital assets	<u>3,750</u>	<u>3,750</u>
Total depreciation and amortization expense	<u>\$ 610,296</u>	<u>\$ 506,920</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, 2021*	Additions	Retirements	December 31, 2022
Non-Depreciable Assets				
Land	\$ 274,919	\$ -	\$ (500)	\$ 274,419
Depreciable Assets				
Transfer station (building and machinery)	12,378,607	933,427	-	13,312,034
Right-to-use asset - transfer station lease	3,752,694	-	-	3,752,694
Buildings	5,891,689	44,477	-	5,936,166
Office furniture and equipment	515,265	-	-	515,265
Computer hardware and software	425,495	9,956	-	435,451
Automobiles	407,302	62,002	(31,620)	437,684
Landfill	415,134	-	-	415,134
Total at historical cost	<u>24,061,105</u>	<u>\$ 1,049,862</u>	<u>\$ (32,120)</u>	<u>25,078,847</u>
Less accumulated depreciation and amortization	<u>13,701,799</u>			<u>14,280,477</u>
Total capital assets	<u>\$ 10,359,306</u>			<u>\$ 10,798,370</u>

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

NOTES TO FINANCIAL STATEMENTS

**F. CAPITAL ASSETS (CONTINUED)**

	December 31, 2020*	Additions	Retirements	December 31, 2021*
Non-Depreciable Assets				
Land	\$ 274,919	\$ -	\$ -	\$ 274,919
Depreciable Assets				
Transfer station (building and machinery)	12,349,517	29,090	-	12,378,607
Right-to-use asset - transfer station lease	3,752,694	-	-	3,752,694
Buildings	5,761,201	130,489	-	5,891,689
Office furniture and equipment	508,815	6,450	-	515,265
Computer hardware and software	414,263	11,232	-	425,495
Automobiles	407,302	-	-	407,302
Landfill	415,134	-	-	415,134
Total at historical cost	<u>23,883,845</u>	<u>\$ 177,261</u>	<u>\$ -</u>	24,061,105
Less accumulated depreciation and amortization	13,194,877			13,701,799
Total capital assets	<u>\$ 10,688,968</u>			<u>\$ 10,359,306</u>

\*Certain account balances have been restated to conform with current year presentation. See Note U for details.

**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 may be reduced. The Authority's solid waste debt was paid in full on December 1, 2022.

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.

**MERCER COUNTY IMPROVEMENT AUTHORITY**  
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NOTES TO FINANCIAL STATEMENTS

**G. SOLID WASTE SYSTEM (CONTINUED)**

**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, 2022 and 2021, amounted to \$27,746,044 and \$27,357,671, 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, 2022 and 2021, amounted to \$20,440,351 and \$19,802,563, respectively. Recycling costs for the years ended December 31, 2022 and 2021, amounting to \$4,135,523 and \$3,988,675, 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 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. See Notes U and V for detail on the related right-to-use asset and lease liability that were recorded due to implementation of GASB 87, *Leases*.

**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, with the remaining due back to the project owners. A lease pass-through liability (included in accounts payable and accrued expenses on the statements of net position) is recognized for lease payments due back to the project owners. See Notes U and V for details on the related lease receivable and deferred inflow of resources – lease deferrals, net of accumulated amortization that were recorded due to implementation of GASB 87, *Leases*.

**I. SPORTS ARENA**

On December 1, 1999, the Authority was conveyed title of the Sports Arena from Roebling 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,	
	2022	2021
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	35,937,614	34,553,185
Total	<u>\$ 28,706,558</u>	<u>\$ 30,090,987</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, 2022:

Project	Lessee/Borrower	Maturity Date	Interest Rate	Bonds Outstanding (in Thousands)			Bonds Outstanding (in Thousands) December 31, 2022	Amounts Due Within One Year
				December 31, 2021	Additions	(Reductions)		
Beth Chaim	Beth Chaim	2026	4.69%	\$ 470	\$ -	\$ (95)	\$ 375	\$ 148
County Courthouse Annex Refunding 2012A	Mercer County Series 2015	2040	2%-5%	25,810	-	(885)	24,925	930
Refunding, 2019-Equipment Lease Program	Mercer County	2024	1.50%-5.00%	4,480	-	(1,515)	2,965	1,590
Refunding, 2019-Open Space	Mercer County	2035	1.7%-2.38%	10,050	-	(235)	9,815	240
Refunding, 2019-Special Services School	Mercer County	2040	1.7%-2.38%	10,585	-	(485)	10,100	495
Refunding, 2019-Build America Bonds	Mercer County	2025	1.77%-2.0%	1,225	-	(295)	930	310
Solar Project 2011	Mercer County	2034	2.10%	59,130	-	(3,950)	55,180	4,165
Solar Project 2021A	Mercer County	2027	1.19%-4.90%	-	-	-	-	-
*Solid Waste 2010, Series A	Mercer County	2027	0.399%-1.603%	11,235	-	(2,050)	9,185	1,975
*Sports Arena	MCIA	2022	5.00%	3,925	-	(3,925)	-	-
*Sports Arena	MCIA	2034	6.00%-8.27%	21,340	-	(730)	20,610	845
*Sports Arena	MCIA	2034	6.00%	10,824	-	(10,824)	-	-
*Sports Arena	MCIA	2031	6.00%	-	-	-	-	-
Twin Rivers	Community Trust	2022	3.00%-5.25%	59	-	(59)	-	-
Twin Rivers	Twin Rivers	2024	3.90%-4.75%	30	-	(10)	20	10
<b>Total</b>				<b>159,163</b>	<b>-</b>	<b>(25,058)</b>	<b>134,105</b>	<b>10,708</b>
*Original issue premiums				465	-	(203)	262	34
<b>Subtotal</b>				<b>159,628</b>	<b>\$ -</b>	<b>\$ (25,261)</b>	<b>134,367</b>	<b>\$ 10,742</b>
Less amounts due within one year				15,023			10,742	
<b>Net long-term project bonds payable</b>				<b>\$ 144,605</b>			<b>\$ 123,625</b>	

**MERCER COUNTY IMPROVEMENT AUTHORITY**  
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NOTES TO FINANCIAL STATEMENTS

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

Project	Security
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
Refunding Issue, Series 2012	Mercer County guarantee
Solar Project 2021A	Mercer County guarantee
Special Service Schools, Refunding Series 2019	Mercer County guarantee
Sports Arena	Mercer County guarantee
Twin Rivers	Mercer County guarantee

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

The following is a summary of long-term project bonds payable as of December 31, 2021:

Project	Lessee/Borrower	Maturity Date	Interest Rate	Bonds Outstanding			Bonds Outstanding (in Thousands) December 31, 2021	Amounts Due Within One Year
				(in Thousands) December 31, 2020	Additions	(Reductions)		
ARC/Mercer, Inc.	ARC/Mercer, Inc.	2031	4.74%	\$ -	\$ -	\$ -	\$ -	\$ -
Beth Chaim	Beth Chaim	2026	4.69%	561	-	(91)	470	148
County Courthouse Annex	Mercer County Series 2015	2040	2.00%-5.00%	26,655	-	(845)	25,810	885
Farm Preservation	Mercer County	2021	7.00%	1,356	-	(1,356)	-	-
*Parking Facilities Project	Mercer County	2031	6.00%	1,906	-	(1,906)	-	-
Refunding 2011	Mercer County	2020	1.00%-4.00%	-	-	-	-	-
Refunding 2012A	Mercer County	2024	1.50%-5.00%	5,930	-	(1,450)	4,480	1,515
Refunding, 2019-Equipment Lease Program	Mercer County	2035	1.7%-2.38%	10,285	-	(235)	10,050	235
Refunding, 2019-Open Space	Mercer County	2040	1.7%-2.38%	11,065	-	(480)	10,585	485
Refunding, 2019-Special Services School	Mercer County	2025	1.77%-2.0%	1,515	-	(290)	1,225	295
Refunding, 2019-Build America Bonds	Mercer County	2034	2.10%	62,880	-	(3,750)	59,130	3,950
Solar Project 2011	Mercer County	2027	1.19%-4.90%	13,790	-	(13,790)	-	-
*Solid Waste 2010, Series A	MCIA	2022	5.00%	7,645	11,235	(3,720)	15,160	2,050
*Sports Arena	MCIA	2034	6.00%-8.27%	21,970	-	(630)	21,340	3,925
*Sports Arena	MCIA	2034	6.00%	10,772	52	-	10,824	730
*Sports Arena	MCIA	2031	6.00%	4,834	-	(4,834)	-	532
Twin Rivers	Community Trust	2022	3.00%-5.25%	110	-	(51)	59	58
Twin Rivers	Twin Rivers	2024	3.90%-4.75%	40	-	(10)	30	10
<b>Total</b>				<b>181,314</b>	<b>11,287</b>	<b>(33,438)</b>	<b>159,163</b>	<b>14,818</b>
*Original issue premiums				670	-	(205)	465	205
<b>Subtotal</b>				<b>181,984</b>	<b>\$ 11,287</b>	<b>\$ (33,643)</b>	<b>159,628</b>	<b>\$ 15,023</b>
Less amounts due within one year				15,944			15,023	
<b>Net long-term project bonds payable</b>				<b>\$ 166,040</b>			<b>\$ 144,605</b>	

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

Project	Security
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
Refunding Issue, Series 2012	Mercer County guarantee
Solar Project 2021A	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

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

	Principal (in Thousands)	Interest (in Thousands)	Total (in Thousands)
2023	\$ 10,709	\$ 6,562	\$ 17,271
2024	10,831	6,083	16,914
2025	9,740	5,581	15,321
2026	10,430	5,108	15,538
2027	10,830	4,605	15,435
2028-2032	46,545	15,308	61,853
2033-2037	27,760	4,391	32,151
2038-2040	7,260	665	7,925
TOTAL	<u>134,105</u>	<u>\$ 48,303</u>	<u>\$ 182,408</u>
OIP	262		
TOTAL	<u>\$ 134,367</u>		

Bond premium amortization of \$203,602 and \$204,633, which was netted against interest expense for the years ended December 31, 2022 and 2021, respectively, is included in non-operating expenses.

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**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 were 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 \$0 and \$295,350 in 2022 and 2021, 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. Refunding Series 2010 Bonds were paid in full on December 1, 2022.

**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, 2022, approximately \$22,925,000 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, 2022, approximately \$63,295,000 of previously defeased principal was outstanding on the refunded bonds and held in escrow by the bond trustee.

On September 30, 2021, the Authority refunded its County of Mercer Guaranteed Renewable Energy Program Lease Revenue Bonds, Series 2011A. The total amount of refunding bonds, Series 2021A, was \$11,235,000. As of December 31, 2022, the outstanding balance is \$9,185,000.

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*



**MERCER COUNTY IMPROVEMENT AUTHORITY**  
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NOTES TO FINANCIAL STATEMENTS

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**L. PENSION PLAN (CONTINUED)**

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 the 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 Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at: [www.state.nj.us/treasury/pensions](http://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 1/55<sup>th</sup> of final average salary for each year of service credit are available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit are 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 their respective tier.

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**L. PENSION PLAN (CONTINUED)**

**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.

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 (7.00% on June 30, 2022 and 2021), 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 <https://www.state.nj.us/treasury/pensions/gasb-notice.shtml>.

The payroll for employees covered by PERS for the years ended December 31, 2022 and 2021, was \$1,470,247 and \$1,467,747, respectively. The Authority's total payroll for the years ended December 31, 2022 and 2021, was \$2,207,149, and \$2,008,589, respectively. The Authority is billed annually for its normal contribution plus any accrued liability. Contributions to PERS from the Authority were \$271,913 and \$229,554 for the years ended December 31, 2022 and 2021, 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.

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**L. PENSION PLAN (CONTINUED)**

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

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, 2022 and 2021, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2022 and 2021, respectively.

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, collected 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, 2022 and 2021.

At December 31, 2022 and 2021, the Authority reported a net pension liability of \$3,141,903 and \$2,447,147. The net pension liability was measured as of June 30, 2022 and 2021, 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 as of December 31, 2022, 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, 2022 and 2021, respectively, the Authority's proportionate share of the collective net pension liability was 0.0208191913% and 0.0206571299%, which was an increase of 0.0001620614%. For the years ended December 31, 2022 and 2021, the Authority recognized PERS pension expense of (\$358,588) and (\$471,124), respectively. The Authority reported deferred outflows and inflows of resources as follows:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,677	\$ 19,998	\$ 38,595	\$ 17,519
Changes in assumptions	9,735	470,467	12,745	871,200
Net difference between projected and actual investment earnings on pension plan investments	130,041	-	-	644,643
Changes in proportion	277,804	336,867	339,133	565,091
Authority contributions subsequent to the measurement date	131,270	-	120,960	-
	<u>\$ 571,527</u>	<u>\$ 827,332</u>	<u>\$ 511,433</u>	<u>\$ 2,098,453</u>

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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:

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ (1,204,175)
2024	168,373
2025	293,346
2026	348,300
2027	7,081
	<u>\$ (387,075)</u>

The previous amounts do not include employer-specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.04, 5.13, 5.16, 5.21, 5.63, and 5.48 years for 2022, 2021, 2020, 2019, 2018, and 2017, respectively.

The collective total pension liability for the June 30, 2022 and 2021, measurement date, respectively, was determined by an actuarial valuation as of July 1, 2021 and 2020, respectively, which was rolled forward to June 30, 2022 and 2021, respectively, using the following actuarial assumptions:

<u>2022</u>	
Inflation: Price	2.75%
Inflation: Wage	3.25%
Salary Increases (based on years of service)	2.75 - 6.55%
Investment rate of return	7.00%
<u>2021</u>	
Inflation: Price	2.75%
Inflation: Wage	3.25%
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-2021.

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**L. PENSION PLAN (CONTINUED)**

**Actuarial Assumptions (Continued)**

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2022 and 2021), is determined by the State Treasurer, after consultation with the directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees, and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 and 2021, are summarized in the following tables:

Asset Class	2022	
	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	27.00%	8.12%
Non-U.S. developed markets equity	13.50%	8.38%
Emerging markets equity	5.50%	10.33%
Private equity	13.00%	11.80%
Real assets	3.00%	7.60%
Real estate	8.00%	11.19%
High yield	4.00%	4.95%
Private credit	8.00%	8.10%
Investment grade credit	7.00%	3.38%
Cash equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk mitigation strategies	3.00%	4.91%
	<u>100.00%</u>	

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**L. PENSION PLAN (CONTINUED)**

**Actuarial Assumptions (Continued)**

Asset Class	2021	
	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real assets	3.00%	7.40%
Real estate	8.00%	9.15%
High yield	2.00%	3.75%
Private credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%
	<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% as of June 30, 2022 and 2021. 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 100% 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, 2022 and 2021, 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:

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**L. PENSION PLAN (CONTINUED)**

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

June 30, 2022		
At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
\$ 4,070,609	\$ 3,141,903	\$ 2,400,790

  

June 30, 2021		
At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
\$ 3,368,042	\$ 2,447,147	\$ 1,713,861

**M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The Authority participates in a cost sharing multiple-employer defined post-retirement benefit plan (the "Plan"), which is administered by the State. 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 30 and 32 at December 31, 2022 and 2021, respectively.

The Authority's contribution to the Plan for the years ended December 31, 2022 and 2021, was \$458,397 and \$427,044 respectively.

Please refer to the State website, [www.state.nj.us](http://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 post-employment 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 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") Annual Comprehensive Financial Report (ACFR), which can be found at [www.state.nj.us/treasury/pensions/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

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**M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 post-retirement 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 post-retirement 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 post-retirement 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 post-retirement 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, 2021 through June 30, 2022.



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

NOTES TO FINANCIAL STATEMENTS

**M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Net OPEB Liability**

*Components of Net OPEB Liability*

The components of the Authority's net OPEB liability as of June 30, 2022 and 2021, are as follows:

	June 30, 2022	June 30, 2021
Total OPEB liability	\$ 4,543,112	\$ 5,301,301
Plan Fiduciary Net Position (Deficit)	(16,565)	14,765
Net OPEB Liability	<u>\$ 4,559,677</u>	<u>\$ 5,286,536</u>
 Plan Fiduciary Net Position as a % of total OPEB liability	 (0.36%)	 0.28%

**Actuarial Assumptions**

The total OPEB liability as of June 30, 2022 and 2021, was determined by an actuarial valuation as of June 30, 2021 and 2020, respectively, which was rolled forward to June 30, 2022 and 2021, 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>2022</u>
Salary increases*	
All future years	2.75% - 6.55%
	<u>2021</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 PERS.

**Mortality Rates**

Pre-retirement 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-2021.

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NOTES TO FINANCIAL STATEMENTS

**M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Health Care Trend Assumptions**

For pre-Medicare medical benefits, the trend is initially 6.25% and decreases to a 4.5% long-term trend rate after seven years and for all future years. For post-65 PPO and HMO medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal years 2023 through 2033 and all future years are reflected. The rates used for 2023 are -1.89% and -1.99%, respectively, trending to 4.5% in 2033 and for all future years. For prescription drug benefits, the initial trend rate is 8.0% and decreases to a 4.5% long-term trend rate after seven years and for all future years.

**Discount Rate**

The discount rate for June 30, 2022 and 2021, was 3.54% and 2.16%, 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, 2022 and 2021, 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, 2022		
At 1% Decrease (2.54%)	At Current Discount Rate (3.54%)	At 1% Increase (4.54%)
\$ 5,285,583	\$ 4,559,677	\$ 3,975,617

  

At June 30, 2021		
At 1% Decrease (1.16%)	At Current Discount Rate (2.16%)	At 1% Increase (3.16%)
\$ 6,221,239	\$ 5,286,536	\$ 4,545,764

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

The following presents the net OPEB liability as of June 30, 2022 and 2021, 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, 2022		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 3,868,111	\$ 4,559,677	\$ 5,445,378

  

At June 30, 2021		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 4,410,751	\$ 5,286,536	\$ 6,429,326

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NOTES TO FINANCIAL STATEMENTS

**M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Deferred Outflows of Resources and Deferred Inflows of Resources**

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 235,467	\$ 845,170
Changes in assumptions	608,508	1,556,130
Net difference between projected and actual investment earnings on pension plan investments	1,200	-
Changes in proportion	535,888	1,229,363
	<u>\$ 1,381,063</u>	<u>\$ 3,630,663</u>

  

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 118,624	\$ 1,106,021
Changes in assumptions	760,484	934,457
Net difference between projected and actual investment earnings on pension plan investments	2,528	-
Changes in proportion	645,927	1,294,847
	<u>\$ 1,527,563</u>	<u>\$ 3,335,325</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:

Years Ending	OPEB
2023	\$ (4,803,371)
2024	(336,962)
2025	33,542
2026	965,335
2027	1,241,953
Thereafter	1,343,377
	<u>\$ (1,556,125)</u>

*Changes in Proportion*

The previous amounts do not include employer-specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by the Authority over the average remaining service lives of all plan members, which are 7.82, 7.82, 7.87, 8.05, 8.14, and 8.04 years for the 2022, 2021, 2020, 2019, 2018, and 2017 amounts, respectively.

**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 was January 1, 2017 through December 31, 2022. The future contract is currently under negotiations.

**MERCER COUNTY IMPROVEMENT AUTHORITY**  
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NOTES TO FINANCIAL STATEMENTS

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**O. COMMITMENTS**

At December 31, 2022 and 2021, the Authority had uncompleted agreements with contractors to perform various services related to its construction projects. Commitments under contracts in process amounted to \$73,729 and \$1,012,303 at December 31, 2022 and 2021, respectively.

**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.

Funds disbursed from the Fund were \$8,423 and \$0 for years ended December 31, 2022 and 2021, respectively.

**Q. ARBITRAGE RULES**

The Authority is subject to certain arbitrage 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 arbitrage provisions of the Internal Revenue Code. The Authority is required to rebate certain arbitrage profits on non-purpose investments at least once every five years. At December 31, 2022, there were no material arbitrage profits subject to rebate.

**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. The case was settled in October 2021.

**S. SHUTTERED VENUE OPERATORS GRANT**

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. The Sports Arena re-opened in summer 2021. The Authority recognized this grant funding as revenue and expense in fiscal year 2022 (see Schedule of Expenditures of Federal Awards and Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance).

**T. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

The GASB has issued Statement No. 94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements.*” This statement is required to be adopted by the Authority for the year ending December 31, 2023. The Authority has not determined the effect of Statement No. 94 on the financial statements.

**MERCER COUNTY IMPROVEMENT AUTHORITY**  
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NOTES TO FINANCIAL STATEMENTS

**T. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS (CONTINUED)**

The GASB has issued Statement No. 96, “*Subscription-Based Information Technology Arrangements.*” This statement is required to be adopted by the Authority for the year ending December 31, 2023. The Authority has not determined the effect of Statement No. 96 on the financial statements.

The GASB has issued Statement No. 99, “*Omnibus 2022.*” Certain provisions of this statement are required to be adopted by the Authority for the year ending December 31, 2024. The Authority has not determined the effect of these provisions on the financial statements.

The GASB has issued Statement No. 100, “*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62.*” This statement is required to be adopted by the Authority for the year ending December 31, 2024. The Authority has not determined the effect of Statement No. 100 on the financial statements.

The GASB has issued Statement No. 101, “*Compensated Absences.*” This statement is required to be adopted by the Authority for the year ending December 31, 2024. The Authority has not determined the effect of Statement No. 101 on the financial statements.

**U. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD RESTATEMENT**

Effective December 31, 2022, the Authority implemented GASB Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Accordingly, net position as of January 1, 2021, was restated by (\$917,151). The effect on net position from the implementation of GASB Statement No. 87 is summarized below.

Net Position	
December 31, 2020	\$ 28,385,543
Adjustments, as of December 31, 2020:	
Lessor:	
Lease receivable - short-term	176,219
Lease receivable - long-term	1,301,066
Deferred inflows of resources - leases, net of accumulated amortization	(1,564,667)
Lease Pass-Through Payable (see Note H)	(662,265)
Lessee:	
Right-to-use lease asset, net of accumulated amortization	3,502,514
Lease liability - short-term	(176,950)
Lease liability - long-term	<u>(3,493,068)</u>
Restated Net Position	
December 31, 2020	<u>\$ 27,468,392</u>

See Note V for additional detail regarding the active Authority leases subject to this standard.

**MERCER COUNTY IMPROVEMENT AUTHORITY**  
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NOTES TO FINANCIAL STATEMENTS

**V. LONG-TERM LEASES**

**Lessor Leases**

The Authority leases various real estate to tenants. The interest rates on the leases are fixed based on the U.S. prime interest rate of lease commencement, or at the interest rate explicitly prescribed in the lease agreement. As of December 31, 2022, leases receivable are \$1,181,180, and lease revenue and interest income earned during the year are \$197,567 and \$73,110, respectively, and summarized as follows:

Lessor Lease Description	Lease Term	Lease Receivable, December 31, 2022	2022 Rent Revenue	2022 Interest Revenue
50 Riverview Plaza, City of Trenton (Cooper's Riverview)	6/18/1996 - 6/17/2036	\$ 366,235	\$ 14,185	\$ 31,632
Block 80A, Lot 10, City of Trenton (Trenton BioGas) (Pass-Through)	5/1/2018 - 4/30/2028	814,945	183,382	41,478
		<u>\$ 1,181,180</u>	<u>\$ 197,567</u>	<u>\$ 73,110</u>

Future payments due to the Authority under non-cancelable agreements are as follows:

Years Ending December 31,	Principal (Undiscounted)	Interest	Total
2023	\$ 183,556	\$ 41,444	\$ 225,000
2024	187,588	37,412	225,000
2025	191,887	33,113	225,000
2026	181,172	14,662	195,834
2027	187,309	16,858	204,167
2028-2032	196,883	96,867	293,750
2033-2036	148,858	21,973	170,831
	<u>\$ 1,277,253</u>	<u>\$ 262,329</u>	1,539,582
		Less: Present Value Discount	(358,402)
		Lease Receivable, December 31, 2022	<u>\$ 1,181,180</u>

**Lessee Lease**

The Authority entered into a noncancelable lease for real estate at the Transfer Station. The lease expires December 31, 2062. The interest rate on the lease is fixed based on the prime interest rate as of the lease commencement date.

Lessee Lease Description	Lease Term	Annual Payment Amount	Interest Rate	Total Lease Liability	Balance December 31, 2022
Lots 10 and 17, Block 13, Ewing Township (Transfer Station)	1/1/2018 - 12/31/2062	<u>\$ 190,000</u>	4.50%	<u>\$ 3,752,694</u>	<u>\$ 3,608,376</u>

Annual requirements to amortize the long-term obligation and related interest are as follows:

Years Ending December 31,	Principal (Undiscounted)	Interest	Total
2023	\$ 177,181	\$ 12,819	\$ 190,000
2024	177,305	12,695	190,000
2025	177,434	12,566	190,000
2026	177,569	12,431	190,000
2027	177,711	12,289	190,000
2028-2032	890,913	59,087	950,000
2033-2037	895,561	54,439	950,000
Thereafter	4,600,497	149,503	4,750,000
	<u>\$ 7,274,171</u>	<u>\$ 325,829</u>	7,600,000
		Less: Present Value Discount	(3,991,624)
		Lease Liability, December 31, 2022	<u>\$ 3,608,376</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**MERCER COUNTY IMPROVEMENT AUTHORITY**  
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**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.020819%	0.020657%	0.018755%	0.020954%	0.022791%	0.024099%	0.023828%	0.023847%	0.026518%	0.026560%
Proportionate share of the net pension liability	\$ 3,141,903	\$2,447,147	\$ 3,058,476	\$ 3,775,543	\$ 4,487,339	\$ 5,609,975	\$ 7,057,219	\$ 5,353,063	\$ 4,964,927	\$ 5,076,139
Covered-employee payroll	1,467,747	1,494,364	1,411,125	1,497,101	1,951,017	1,968,910	1,754,197	1,785,202	N/A	N/A
Proportionate share of the net pension liability as a percentage of covered payroll	214.06%	163.76%	216.74%	252.19%	230.00%	284.93%	402.30%	299.86%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	63.22%	70.65%	58.65%	56.57%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

N/A = Information not available.



**MERCER COUNTY IMPROVEMENT AUTHORITY**  
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**SCHEDULE OF CONTRIBUTIONS (UNAUDITED)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 262,540	\$ 241,919	\$ 205,172	\$ 203,818	\$ 226,692	\$ 223,256	\$ 245,299	\$ 205,016	\$ 218,612	\$ 200,124
Contribution in relation to the contractually required contribution	262,540	241,919	205,172	203,818	226,692	223,256	245,299	205,016	218,612	200,124
Covered-employee payroll	1,470,247	1,467,747	1,494,364	1,411,125	1,497,101	1,951,017	1,968,910	1,754,197	1,785,202	N/A
Contributions as a percentage of covered payroll	17.86%	16.48%	13.73%	14.44%	15.14%	11.44%	12.46%	11.69%	12.25%	N/A

N/A = Information not available.

**MERCER COUNTY IMPROVEMENT AUTHORITY**  
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SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND CONTRIBUTIONS (UNAUDITED)

LAST TEN YEARS

	2022	2021	2020	2019	2018	2017
Proportion of the net OPEB liability	0.028234%	0.029370%	0.030710%	0.026826%	0.030899%	0.032407%
Proportionate share of net OPEB liability	\$4,559,677	\$5,286,536	\$5,511,405	\$3,633,869	\$4,840,828	\$6,616,145
Contributions	458,397	427,044	418,015	351,247	134,798	149,367
Covered-employee payroll	1,467,747	1,494,364	1,411,125	1,497,101	1,951,017	1,968,910
Proportionate share of the net OPEB liability as a percentage of covered payroll	310.66%	353.76%	390.57%	242.73%	248.12%	336.03%
Plan fiduciary net position as a percentage of the total OPEB liability	(0.36%)	0.28%	0.91%	1.98%	1.97%	1.03%

This schedule reports information for those years subsequent to the adoption of GASB Statement No. 75. A full ten years' presentation will be made as appropriate information becomes available in future years.

## **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, 2022

Budget Items	Budget (Unaudited)	Actual	(Over) Under Budget
1 Salaries and wages	\$ 1,981,515	\$ 2,025,325	\$ (43,810)
2 Payroll taxes	126,500	125,984	516
3 Pension plan contribution	250,000	271,913	(21,913)
4 Health insurance	553,000	553,931	(931)
5 Other insurance	70,000	71,592	(1,592)
6 Professional fees	158,500	145,157	13,343
7 Telephone	30,000	37,594	(7,594)
8 Office expense	549,400	240,604	308,796
9 Seminars / CPEs	10,000	7,793	2,207
10 Automobile expenses	50,000	52,092	(2,092)
11 Rent expense	190,000	190,000	-
12 Transfer station costs	2,250,000	2,367,278	(117,278)
13 Recycling contract solid waste tires	200,000	135,913	64,087
14 Repairs and maintenance	165,000	175,981	(10,981)
15 Dues and membership fees	6,100	5,623	477
16 Advertising and printing	15,500	2,341	13,159
17 Postage and freight	5,000	3,837	1,163
18 Outside services, consultants and temp. staff	280,000	169,144	110,856
19 Tenant related expenses	28,700	15,556	13,144
20 COVID-19 expenses	20,000	4,715	15,285
21 Bad debt	-	54,774	(54,774)
Subtotal	6,939,215	6,657,147	282,068
23 GASB-68 required adjustment to pension expense	-	(621,129)	621,129
24 GASB-75 required adjustment to OPEB expense	-	(285,021)	285,021
25 GASB-87 required adjustment to rent expense	-	(190,000)	190,000
Total	\$ 6,939,215	\$ 5,560,997	\$ 1,378,218

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

**SCHEDULE OF OPERATING EXPENSES – BUDGET VS. ACTUAL**  
Year Ended December 31, 2021

Budget Items	Budget (Unaudited)	Actual	(Over) Under Budget
1 Salaries and wages	\$ 1,908,120	\$ 1,927,760	\$ (19,640)
2 Payroll taxes	131,000	121,067	9,933
3 Pension plan contribution	300,000	229,554	70,446
4 Health insurance	472,000	469,232	2,768
5 Other insurance	65,000	63,095	1,905
6 Professional fees	163,500	91,013	72,487
7 Telephone	30,000	29,139	861
8 Office expense	579,432	173,800	405,632
9 Seminars / CPEs	10,000	5,023	4,977
10 Automobile expenses	50,000	43,131	6,869
11 Rent expense	190,000	190,000	-
12 Transfer station costs	2,200,000	2,259,317	(59,317)
13 Recycling contract solid waste tires	60,000	167,725	(107,725)
14 Repairs and maintenance	170,000	158,926	11,074
15 Dues and membership fees	6,100	5,395	705
16 Advertising and printing	13,500	8,699	4,801
17 Postage and freight	5,000	790	4,210
18 Outside services, consultants and temp. staff	285,000	207,649	77,351
19 Tenant related expenses	28,700	14,336	14,364
20 COVID-19 expenses	-	1,269	(1,269)
21 Bad debt	-	1,877	(1,877)
Subtotal	6,667,352	6,168,797	498,555
23 GASB-68 required adjustment to pension expense	-	(713,042)	713,042
24 GASB-75 required adjustment to OPEB expense	-	(225,978)	225,978
25 GASB-87 required adjustment to rent expense	-	(190,000)	190,000
Total	\$ 6,667,352	\$ 5,039,777	\$ 1,627,575

**MERCER COUNTY IMPROVEMENT AUTHORITY**

(A Component Unit of the County of Mercer)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2022

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<u>Federal Grantor/Program</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number (DUNS #)</u>	<u>Program Period</u>	<u>Program or Award Amount</u>	<u>2022 Expenditures</u>	<u>Cumulative Expenditures</u>
U.S. Small Business Administration						
Shuttered Venue Operators Grant (SVOG)	59.075	N/A	10/1/2020-06/30/2023	\$ 2,494,579	\$ 2,494,579	\$ 2,494,579
			10/1/2020-06/30/2023	<u>1,247,289</u>	<u>1,247,289</u>	<u>1,247,289</u>
Total U.S. Small Business Administration				<u>\$ 3,741,868</u>	<u>\$ 3,741,868</u>	<u>\$ 3,741,868</u>

**MERCER COUNTY IMPROVEMENT AUTHORITY**

(A Component Unit of the County of Mercer)

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

Year Ended December 31, 2022

State Grantor Pass-through Grantor/Program	State Account/ Grant Number	Grant Period	Program or Award Amount	Program Income	2022 Expenditures	Cumulative Expenditures
New Jersey DEP Clean Community 2019/2020	Unknown	1/1/20-Until Complete	\$ 113,888	\$ -	\$ 79,097	\$ 141,842
New Jersey DEP Clean Community 2021	Unknown	1/1/21-Until Complete	60,734	-	60,734	83,705
New Jersey DEP Clean Community 2022	Unknown	1/1/22-Until Complete	62,886	-	6,514	6,514
Scrap Tire Management Fund Grant	Unknown	7/1/05-Until Complete	30,000	-	-	16,577
Solid Waste REA Tax Grant	2018-042-4910-100-224	(1)	250,810	-	181,374	250,810
Solid Waste REA Tax Grant	2019-042-4910-100-224	(1)	267,300	-	22,757	22,757
Total			<u>\$ 785,619</u>	<u>\$ -</u>	<u>\$ 350,477</u>	<u>\$ 522,206</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, 2022.

**MERCER COUNTY IMPROVEMENT AUTHORITY**  
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**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

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**A. Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the Authority and is presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance") and State of New Jersey Circular Letter 15-08-OMB ("Circular Letter 15-08-OMB"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**B. Significant Accounting Policy**

The Authority recognizes grant revenue when earned on an accrual basis; that is, activities prerequisite to obtaining benefit have been completed, such as complying with the terms and conditions of the grant agreement.

**C. Indirect Cost Rate**

The Authority does not have an indirect cost allocation plan nor does it use the de minimis indirect cost rate of 10%.

**D. Relationship to Basic Financial Statements**

Amounts reported in the accompanying schedules of expenditures of federal awards and state financial assistance agree with amounts reported in the Authority's basic financial statements. See Note B for the summary of significant accounting policies.



**MERCER COUNTY IMPROVEMENT AUTHORITY**  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported

Type of auditors' report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?  Yes  No

Identification of major program:

*Federal Assistance*  
Listing Number  
59.075

Name of Federal Program  
Shuttered Venue Operators Grant (SVOG)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

**MERCER COUNTY IMPROVEMENT AUTHORITY**

(A Component Unit of the County of Mercer)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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**Section II - Financial Statement Findings**

None reported.

**Section III – Federal Awards Findings and Questioned Costs**

None reported.

**Section IV - Summary Schedule of Prior Year Audit Findings**

None reported.

**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, 2022, and the related notes to the financial statements, which comprise the Authority's basic financial statements, as listed in the table of contents and have issued our report thereon dated September 18, 2023.

**Report on 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 or significant deficiencies may exist that were not 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)**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants 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*

September 18, 2023

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

To the Board of Commissioners of  
Mercer County Improvement Authority

### **Report on Compliance for the Major Federal program**

#### ***Opinion on the Major Federal program***

We have audited Mercer County Improvement Authority's (the "Authority"), (a component unit of the County of Mercer), compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2022. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2022.

#### ***Basis for Opinion on the Major Federal program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal program.

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE (CONTINUED)

### *Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS; *Government Auditing Standards*; and Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE (CONTINUED)**

**Report on Internal Control Over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mercedien, P.C.*  
*Certified Public Accountants*

September 18, 2023