

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

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

December 31, 2023

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 Audit 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, 2023 and 2022, 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, 2023 and 2022, 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 audit 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; and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Audit 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 opinion. 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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey 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*; and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The 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. 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 Information

Management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Expenditures of State Financial Assistance, as listed in the table of contents but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2024, 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

October 1, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

MERCER COUNTY IMPROVEMENT AUTHORITY

(A Component Unit of the County of Mercer)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As financial management of the Mercer County Improvement Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2023 and 2022. 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 2023, net operating income of the Authority decreased by approximately 29% primarily due to a 30% increase in waste disposal costs for the last two months of 2023 and an increase in operating costs caused by inflation. The Authority's net position increased by \$6,060,422 in 2023. Visit the Authority's website www.mcyanj.org for more information about the Authority's programs and activities and management contact information.

Overview of the Financial Statements

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

Overview of the Financial Statements (Continued)

Financial Analysis, Capital Assets and Debt Administration

2023

Cash and equivalents balances of \$51,469,208 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. \$14,301,487 in current assets and \$119,564,562 in non-current assets represent leases and loans receivable in conjunction with project bonds issued by the Authority. In addition, the Authority's non-current assets reflect a significant investment of \$32,967,044 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, 2023, the Authority had a total of \$10,966,950 invested in capital assets, which represent \$168,580 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.

The Authority's bonds payable of \$123,664,040, unearned lease/loan income of \$28,912,615 and escrow funds payable of \$5,777,380 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 bonds outstanding at December 31, 2023 represents approximately 8% decrease in bonds outstanding. More detailed information about the Authority's long-term debt is presented in "Debt-Long-Term Projects" Note to the basic financial statements.

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 were restated due to implementation of GASB 87, *Leases*. 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.

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

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

Overview of the Financial Statements (Continued)

Financial Analysis, Capital Assets and Debt Administration (Continued)

The following tables contain condensed financial information derived from the December 31, 2023, 2022 and 2021 financial statements of the Authority:

Condensed Statements of Net Position

	December 31,			Change 2023-2022	Percentage Change 2023-2022
	2023	2022	2021		
Capital assets	\$ 44,798,108	\$ 40,502,553	\$ 41,603,591	\$ 4,295,555	11%
Other assets	211,600,558	219,800,225	237,321,346	(8,199,667)	-4%
Total assets	<u>256,398,666</u>	<u>260,302,778</u>	<u>278,924,937</u>	<u>(3,904,112)</u>	-1%
Deferred outflows of resources	2,769,275	1,952,590	2,334,346	816,685	42%
Current liabilities	38,735,478	37,299,039	46,086,358	1,436,439	4%
Long-term liabilities	153,797,051	164,095,050	189,980,704	(10,297,999)	-6%
Total liabilities	<u>192,532,529</u>	<u>201,394,089</u>	<u>236,067,062</u>	<u>(8,861,560)</u>	-4%
Deferred inflows of resources	5,341,240	5,627,529	6,800,878	(286,289)	-5%
Net position:					
Net investment in capital assets	24,168,994	15,559,200	2,337,761	8,609,794	-55%
Restricted for debt service	8,707,609	898,635	11,916,943	7,808,974	869%
Unrestricted	28,417,569	38,775,915	24,136,639	(10,358,346)	-27%
Total Net position	<u>\$ 61,294,172</u>	<u>\$ 55,233,750</u>	<u>\$ 38,391,343</u>	<u>\$ 6,060,422</u>	11%

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,			Change 2023-2022	Percentage Change 2023-2022
	2023	2022	2021		
Operating revenues	\$ 31,107,085	\$ 32,060,794	\$ 31,552,362	\$ (953,709)	-3%
Waste disposal costs	(22,058,479)	(20,440,351)	(19,802,563)	(1,618,128)	-8%
Gross operating profit	9,048,606	11,620,443	11,749,799	(2,571,837)	-22%
Other operating revenues**	2,665,710	1,201,286	485,236	1,464,424	122%
Gross operating profit and other operating revenues	11,714,316	12,821,729	12,235,035	(1,107,413)	-9%
Operating expenses	(6,184,009)	(5,560,997)	(5,039,777)	(623,012)	-11%
Depreciation and amortization	(763,506)	(606,546)	(503,170)	(156,960)	-26%
Lessee lease interest expense	(157,040)	(158,487)	(159,871)	1,447	1%
Income from operations	4,609,761	6,495,699	6,532,217	(1,885,938)	-29%
Non-operating expenses, net	(994,924)	(1,418,098)	(2,875,312)	423,174	30%
Changes in net position	3,614,837	5,077,601	3,656,905	(1,462,764)	-29%
Changes in net position - Sports Arena	2,445,585	11,764,806	7,266,046	(9,319,221)	-79%
Net position, beginning of year	55,233,750	38,391,343	27,468,392	16,842,407	44%
Net position, end of year	<u>\$ 61,294,172</u>	<u>\$ 55,233,750</u>	<u>\$ 38,391,343</u>	<u>\$ 6,060,422</u>	11%
** Other operating revenues:					
Project costs reimbursement	\$ 645,251	\$ 570,807	\$ 436,726	\$ 74,444	13%
Interest on investments	2,020,459	630,479	48,510	1,389,980	220%
	<u>\$ 2,665,710</u>	<u>\$ 1,201,286</u>	<u>\$ 485,236</u>	<u>\$ 1,464,424</u>	122%

MERCER COUNTY IMPROVEMENT AUTHORITY

(A Component Unit of the County of Mercer)

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

Significant Events

2023

The Authority's operating expenses in 2023 were \$1,429,063 under budget, \$1,039,674 of which attributed to the mandatory GASB- 68 and GASB-75 annual adjustments provided by the State of New Jersey, and GASB-87 mandatory adjustments for leases. Refer to "Supplementary Information", schedule "Budget vs. Actual" for further details.

The Authority's assets and liabilities decreased by approximately 1% and 4%, respectively, in 2023, primarily due to the repayment of the existing debt during the year.

In June 2023, the Authority received \$5,000,000 of transitional aid program funds from the State of New Jersey to be utilized to fund the rehabilitation of the Broad Street Vision Project. This amount is included in the escrow funds payable recorded on the Authority's statement of net position.

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.

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.

Contacting the Authority's Financial Management

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

BASIC FINANCIAL STATEMENTS

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

STATEMENTS OF NET POSITION

	December 31,	
	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted		
Cash and equivalents	\$ 38,958,970	\$ 35,732,875
Investments	17,520,375	17,144,918
Accounts receivable-haulers, net	2,459,881	2,195,720
Due from restricted funds	3,674,279	3,537,222
Other receivables	-	1,533,813
Lease receivable - short-term	204,482	183,555
Other assets	-	15,833
Total Unrestricted	<u>62,817,987</u>	<u>60,343,936</u>
Restricted		
Cash and equivalents	12,510,238	7,964,745
Accounts receivable - recycling	626,364	367,252
Minimum lease payments receivable		
County of Mercer	14,138,146	14,539,514
Loans receivable	163,341	158,593
Loan interest receivable	-	359
Other receivables	1,312,920	2,034,503
Other assets	112,750	105,658
Total Restricted	<u>28,863,759</u>	<u>25,170,624</u>
Total Current Assets	<u>91,681,746</u>	<u>85,514,560</u>
Non-Current Assets		
Unrestricted		
Property and equipment, net	10,966,950	10,798,370
Lease receivable - long-term	864,114	997,625
Total Non-Current Unrestricted Assets	<u>11,831,064</u>	<u>11,795,995</u>
Restricted		
Minimum lease payments receivable		
County of Mercer	119,451,754	133,589,898
Loans receivable	112,808	236,517
Other receivables	354,250	459,250
Sports arena	32,967,044	28,706,558
Total Non-Current Restricted Assets	<u>152,885,856</u>	<u>162,992,223</u>
Total Non-Current Assets	<u>164,716,920</u>	<u>174,788,218</u>
Total Assets	<u>256,398,666</u>	<u>260,302,778</u>
Deferred Outflows of Resources		
Pension	360,190	571,527
OPEB	2,409,085	1,381,063
Total Deferred Outflows of Resources	<u>2,769,275</u>	<u>1,952,590</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 259,167,941</u>	<u>\$ 262,255,368</u>

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

STATEMENTS OF NET POSITION (CONTINUED)

	December 31,	
	2023	2022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Restricted		
Current portion of project bonds payable	\$ 10,860,662	\$ 10,742,299
Accounts payable and accrued expenses	9,444,282	11,631,386
Lease liability - short-term	310,070	177,181
Due to unrestricted fund	3,674,279	3,537,222
Accrued interest payable	1,383,498	1,487,882
Haulers' deposits	238,027	534,255
Unearned lease/loan income	4,736,312	4,736,312
Unearned revenues	1,919,084	3,262,845
State grants unearned	391,884	314,338
Escrow funds payable	5,777,380	875,319
Total Current Liabilities	<u>38,735,478</u>	<u>37,299,039</u>
Non-Current Liabilities		
Long-term project bonds payable	112,803,378	123,624,410
Lease liability - long-term	9,007,923	3,431,195
Unearned lease/loan income	24,176,304	28,912,615
Unearned revenues	-	425,250
Net pension liability	2,709,774	3,141,903
Net OPEB liability	5,099,672	4,559,677
Total Non-Current Liabilities	<u>153,797,051</u>	<u>164,095,050</u>
Total Liabilities	<u>\$ 192,532,529</u>	<u>\$ 201,394,089</u>
Deferred inflows of resources		
Pension	\$ 585,916	\$ 827,332
OPEB	3,737,473	3,630,663
Lease deferrals, net of accumulated amortization	1,017,851	1,169,534
Total Deferred Inflows of Resources	<u>5,341,240</u>	<u>5,627,529</u>
Total Liabilities and Deferred Inflows of Resources	<u>197,873,769</u>	<u>207,021,618</u>
Net Position		
Net investment in capital assets	24,168,994	15,559,200
Restricted	8,707,609	898,635
Unrestricted	28,417,569	38,775,915
Total Net Position	<u>61,294,172</u>	<u>55,233,750</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 259,167,941</u>	<u>\$ 262,255,368</u>

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31,	
	2023	2022
Waste disposal revenues	\$ 26,372,548	\$ 27,746,044
Recycling revenues	4,734,537	4,314,750
Operating revenues	31,107,085	32,060,794
Waste disposal costs	(22,058,479)	(20,440,351)
Gross operating profit	9,048,606	11,620,443
Other operating revenues		
Project costs reimbursement and other operating revenues	645,251	570,807
Interest on investments	2,020,459	630,479
Total other operating revenues	2,665,710	1,201,286
Gross operating profit and other operating revenues	11,714,316	12,821,729
Operating expenses	(6,184,009)	(5,560,997)
Income from operations before depreciation and amortization	5,530,307	7,260,732
Depreciation and amortization	(763,506)	(606,546)
Lessee lease interest expense	(157,040)	(158,487)
Income from operations	4,609,761	6,495,699
Non-operating revenues (expenses)		
Sports Arena revenues	2,818,692	18,073,590
Sports Arena expenses	(2,818,692)	(18,073,590)
Parking Facilities revenue	661,408	624,422
Parking Facilities expenses	(463,360)	(420,377)
Lessor lease amortization and interest revenue (Sludge)	218,377	270,677
Lease pass-through expense (Sludge)	(218,377)	(224,860)
Sludge Facility-net income	2,069	-
Bond interest expense, Solid Waste	-	(11,194)
Bond interest expense, projects	(4,750,692)	(5,165,295)
Minimum lease income, projects	4,736,311	5,144,044
Loan interest income	14,381	21,251
Other revenues including other leases	362,176	23,013
Non-operating expenses before depreciation and amortization	562,293	261,681
Depreciation and amortization - Sports Arena	(1,350,852)	(1,182,230)
Depreciation and amortization - Parking	(206,365)	(202,199)
Amortization of deferred outflows - Solid Waste	-	(295,350)
Total non-operating expenses	(994,924)	(1,418,098)
Changes in net position	3,614,837	5,077,601
Changes in net position - Sports Arena	2,445,585	11,764,806
Net position, beginning of year	55,233,750	38,391,343
Net position, end of year	\$ 61,294,172	\$ 55,233,750

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2023	2022
Cash Flows from Operating Activities		
Cash received from		
Waste disposal revenue	\$ 25,906,850	\$ 27,382,019
Recycling revenue	4,475,425	4,339,523
State of New Jersey grants	353,984	62,886
Project costs reimbursement	645,251	570,807
Investment interest	2,020,458	630,479
Cash used for		
Waste disposal costs	(20,324,861)	(20,440,351)
Operating expenses	(6,487,879)	(6,651,965)
State of New Jersey grants	(276,437)	(350,477)
Net cash from operating activities	<u>6,312,791</u>	<u>5,542,921</u>
Cash Flows from Capital and Related Financing Activities		
Change in net position-Sports Arena	<u>2,445,585</u>	<u>11,764,806</u>
Net cash from noncapital and related financing activities	2,445,585	11,764,806
Leases/Loans	19,830,162	14,059,384
Principal paid on bonds and agreements, net	(10,702,665)	(25,057,845)
Interest paid on bonds	<u>(4,849,252)</u>	<u>(5,239,578)</u>
Net cash from capital and related financing activities	<u>6,723,830</u>	<u>(4,473,233)</u>
Cash Flows from Investing Activities		
Investments	(375,457)	(14,998,520)
Sludge facility, net	197,484	152,258
Sports Arena and Parking revenues	1,576,734	12,911,332
Sports Arena and Parking expenses	(4,469,217)	(17,572,478)
Purchases of property and equipment	(935,835)	(1,049,360)
Other activities	<u>(1,258,742)</u>	<u>2,311,292</u>
Net cash from investing activities	<u>(5,265,033)</u>	<u>(18,245,476)</u>
Net change in cash and equivalents	7,771,588	(17,175,787)
Cash and equivalents, beginning of year	<u>43,697,620</u>	<u>60,873,407</u>
Cash and equivalents, end of year	<u>\$ 51,469,208</u>	<u>\$ 43,697,620</u>

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

STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended December 31,	
	2023	2022
Reconciliation of Income from Operations to Net Cash		
from Operating Activities		
Income from operations	\$ 4,609,761	\$ 6,495,699
Adjustments to reconcile income from operations to net cash		
from operating activities		
Amortization and depreciation - solid waste	763,506	523,153
Allowance for doubtful accounts	95,351	54,773
Net pension expense	(468,457)	(621,129)
Net OPEB expense	(96,196)	(285,021)
Changes in assets and liabilities		
Accounts receivable - haulers	(64,318)	(182,675)
Accounts receivable - recycling	(259,112)	24,774
Other receivables	(105,152)	(88,531)
Other assets	15,833	(15,833)
Accounts payable, accrued expenses and other liabilities	2,070,418	(33,758)
Haulers' deposits	(296,228)	(92,820)
State grants unearned	77,546	(287,591)
Lease deferrals	(30,161)	51,880
Net cash from operating activities	<u>\$ 6,312,791</u>	<u>\$ 5,542,921</u>

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

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The Authority has been designated by the 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 the New Jersey Asset & Rebate Management Program's ("NJ/ARM") NJ/Term portfolio of securities, which are stated at fair market value.

Accounts Receivable

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

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

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction Projects

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

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

Net Position

Net Investment in Capital Assets

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

Restricted for Debt Service

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

Unrestricted

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

Capital Assets

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

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

Use of Estimates

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

Rounding

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

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

NOTES TO FINANCIAL STATEMENTS

B. DEPOSITS AND INVESTMENTS

At December 31, 2023 and 2022, the Authority's bank balance on deposit was \$52,269,826 and \$44,271,225, respectively, inclusive of unrestricted and restricted cash. Of the bank balance, \$1,200,591 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 NJ/ARM's Joint Account program.

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, 2023 and 2022, the Authority's bank balance was exposed to custodial credit risk as follows:

	December 31,	
	2023	2022
Insured	\$ 1,200,591	\$ 1,268,900
Collateralized under GUDPA	18,087,275	16,377,498
NJCMF & NJ/ARM	32,786,890	21,006,802
Uninsured and uncollateralized	374,886	5,618,025
	<u>\$ 52,449,642</u>	<u>\$ 44,271,225</u>

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

The Authority has Level 2 investments in NJ/ARM's NJ/TERM portfolio of securities, consisting of fixed-rate, fixed-term investments in U.S. Treasury, short-term Federal Agency, other permitted securities that mature within one year. Investments held were in the amount of \$17,520,375 and \$17,144,918 at December 31, 2023 and 2022, respectively. The Authority's investment practices are in compliance with N.J.S.A. 40A: 5-15.1.

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

NOTES TO FINANCIAL STATEMENTS

C. ACCOUNTS RECEIVABLE - HAULERS

Accounts receivable – haulers as of December 31, 2023 and 2022, are expected to be received within one year. They are as follows:

	December 31,	
	2023	2022
Accounts receivable-haulers	\$ 2,459,881	\$ 2,395,563
Less: Allowance for doubtful accounts	-	199,843
Net accounts receivable	<u>\$ 2,459,881</u>	<u>\$ 2,195,720</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,	
2024	\$	14,138,146
2025		12,603,807
2026		12,842,447
2027		12,690,964
2028		10,933,463
Thereafter		<u>70,381,071</u>
	<u>\$</u>	<u>133,589,898</u>

MERCER COUNTY IMPROVEMENT AUTHORITY
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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, 2023 and 2022:

Project	Borrower	Security	Maturity Date	Interest Rate	Loans Receivable (in thousands)			Amounts Due Within One Year	
					December 31, 2022	Additions	Reductions		
Beth Chaim	Congregation Beth Chaim	Mortgage and Security Agreement	2026	4.690%	\$ 375	\$ -	\$ (99)	\$ 276	\$ 163
Twin Rivers	Twin Rivers Community Trust	Mercer County Guarantee Agreement	2022	3.000%-5.250%	20		(20)	-	
Total					395	\$ -	\$ (119)	276	\$ 163
Less current portion					158			163	
Net long-term loans receivable					\$ 237			\$ 113	

MERCER COUNTY IMPROVEMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

E. LOANS RECEIVABLE (CONTINUED)

Maturities of loans receivable are as follows:

	Years Ending December 31,	
2024	\$	163,341
2025		112,808
	\$	<u>276,149</u>

F. CAPITAL ASSETS

Capital assets consists of the following:

	December 31,	
	2023	2022
Other		
Land	\$ 274,419	\$ 274,419
Building	150,000	150,000
Subtotal	<u>424,419</u>	<u>424,419</u>
Less accumulated depreciation	101,240	97,490
Subtotal net of depreciation	<u>\$ 323,179</u>	<u>\$ 326,929</u>
Solid Waste		
Transfer station (building and machinery)	\$ 14,119,129	\$ 13,312,034
Right-to-use asset - transfer station lease	3,752,694	3,752,694
Building	5,824,270	5,786,166
Office furniture and equipment	515,265	515,264
Computer hardware and software	489,274	435,451
Automobiles	474,497	437,685
Landfill	415,134	415,134
Subtotal	<u>25,590,263</u>	<u>24,654,428</u>
Less accumulated depreciation and amortization	14,946,492	14,182,987
Subtotal net of depreciation	<u>\$ 10,643,771</u>	<u>\$ 10,471,441</u>
 Total capital assets	 <u>\$ 10,966,950</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)

Depreciation and amortization expenses were as follows:

	December 31,	
	2023	2022
Solid Waste		
Transfer station (building and machinery)	\$ 433,855	\$ 272,436
Right-to-use asset - transfer station lease	83,393	83,393
Building	177,982	170,361
Office furniture and equipment	18,629	20,361
Computer hardware and software	15,002	11,644
Automobiles	34,645	48,351
Total depreciation and amortization expense - solid waste	<u>763,506</u>	<u>606,546</u>
Depreciation-other capital assets	<u>3,750</u>	<u>3,750</u>
Total depreciation and amortization expense	<u>\$ 767,256</u>	<u>\$ 610,296</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, 2022	Additions	Retirements	December 31, 2023
Non-Depreciable Assets				
Land	\$ 274,419	\$ -	\$ -	\$ 274,419
Depreciable Assets				
Transfer station (building and machinery)	13,312,034	807,095	-	14,119,129
Right-to-use asset - transfer station lease	3,752,694	-	-	3,752,694
Buildings	5,936,166	38,104	-	5,974,270
Office furniture and equipment	515,265	-	-	515,265
Computer hardware and software	435,451	53,823	-	489,274
Automobiles	437,684	36,813	-	474,497
Landfill	415,134	-	-	415,134
Total at historical cost	<u>25,078,847</u>	<u>\$ 935,835</u>	<u>\$ -</u>	<u>26,014,682</u>
Less accumulated depreciation and amortization	<u>14,280,477</u>			<u>15,047,732</u>
Total capital assets	<u>\$ 10,798,370</u>			<u>\$ 10,966,950</u>

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

NOTES TO FINANCIAL STATEMENTS

F. CAPITAL ASSETS (CONTINUED)

	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	24,061,105	<u>\$ 1,049,862</u>	<u>\$ (32,120)</u>	25,078,847
Less accumulated depreciation and amortization	13,701,799			14,280,477
Total capital assets	<u>\$ 10,359,306</u>			<u>\$ 10,798,370</u>

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.

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, 2023 and 2022, amounted to \$26,372,548 and \$27,746,044, 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, 2023 and 2022, amounted to \$22,058,479 and \$20,440,351, respectively. Recycling costs for the years ended December 31, 2023 and 2022, amounting to \$4,317,912 and \$4,135,523, respectively, are included in waste disposal costs in the statements of revenues, expenses and changes in net position.

MERCER COUNTY IMPROVEMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

G. SOLID WASTE SYSTEM (CONTINUED)

Transfer Station and Landfill (Continued)

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 Note V for detail on the related right-to-use asset and lease liability that were recognized in accordance with 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 Note V for detail on the related lease receivable and deferred inflow of resources – lease deferrals, net of accumulated amortization that were recognized in accordance with 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,	
	2023	2022
Land	\$ 5,294,519	\$ 5,294,519
Building	47,672,896	47,672,896
Parking facilities	7,918,333	7,918,333
Right to use assets	5,817,703	-
Furniture and equipment	3,758,424	3,758,424
Subtotal	70,461,875	64,644,172
Less accumulated depreciation	37,494,831	35,937,614
Total	<u>\$ 32,967,044</u>	<u>\$ 28,706,558</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, 2023:

Project	Lessee/Borrower	Maturity Date	Interest Rate	Bonds Outstanding (in Thousands)			Bonds Outstanding (in Thousands)		Amounts Due Within One Year
				December 31, 2022	Additions	(Reductions)	December 31, 2023		
Beth Chaim	Beth Chaim	2026	4.69%	\$ 375	\$ -	\$ (99)	\$ 276	\$ 163	
County Courthouse Annex	Mercer County Series 2015	2040	2%-5%	24,925	-	(930)	23,995	980	
Refunding 2012A	Mercer County	2024	1.50%-5.00%	2,965	-	(1,590)	1,375	1,375	
Refunding, 2019-Equipment Lease Program	Mercer County	2035	1.7%-2.38%	9,815	-	(240)	9,575	245	
Refunding, 2019-Open Space	Mercer County	2040	1.7%-2.38%	10,100	-	(495)	9,605	505	
Refunding, 2019-Special Services School	Mercer County	2025	1.77%-2.0%	930	-	(310)	620	300	
Refunding, 2019-Build America Bonds	Mercer County	2034	2.10%	55,180	-	(4,165)	51,015	4,400	
Solar Project 2021A	Mercer County	2027	0.399%-1.603%	9,185	-	(1,975)	7,210	1,900	
*Sports Arena	MCIA	2034	6.00%-8.27%	20,610	-	(845)	19,765	960	
Twin Rivers	Twin Rivers	2024	3.90%-4.75%	20	-	(20)	-	-	
Total				134,105	-	(10,669)	123,436	10,828	
*Original issue premiums				262		(34)	228	32	
Subtotal				134,367	\$ -	\$ (10,703)	123,664	\$ 10,860	
Less amounts due within one year				10,742			10,860		
Net long-term project bonds payable				\$ 123,625			\$ 112,804		

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

NOTES TO FINANCIAL STATEMENTS

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

Project	Security
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 Services Schools, Refunding Series 2019	Mercer County guarantee
Sports Arena	Mercer County guarantee

MERCER COUNTY IMPROVEMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

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

The following is a summary of long-term project bonds payable as of December 31, 2022:

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

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

NOTES TO FINANCIAL STATEMENTS

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

Project	Security
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)
2024	\$ 10,828	\$ 6,082	\$ 16,910
2025	9,783	5,581	15,364
2026	10,430	5,108	15,538
2027	10,830	4,605	15,435
2028	9,660	4,068	13,728
2029-2033	46,755	12,887	59,642
2034-2038	20,225	3,078	23,303
2039-2043	4,925	332	5,257
Total	123,436	\$ 41,741	\$ 165,177
Original Issue Premium	228		
Total	\$ 123,664		

Bond premium amortization of \$33,706 and \$203,602, which was netted against interest expense for the years ended December 31, 2023 and 2022, respectively, is included in non-operating expenses.

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NOTES TO FINANCIAL STATEMENTS

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

Solid Waste Bond Issue

In 2010, the Authority refinanced its outstanding solid waste debt. The purpose of the refinancing was to refund the outstanding solid waste bonds to permit the annual debt service on these bonds to be reduced to approximately \$4,200,000 per year, which is expected to be generated from the Authority's operations. The refunding bonds 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. 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, 2023, approximately \$21,725,000 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, 2023, approximately \$58,290,000 of previously defeased principal was outstanding on the refunded bonds and held in escrow by the bond trustee.

On September 30, 2022, 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, 2023, the outstanding balance is \$7,210,000.

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*

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NOTES TO FINANCIAL STATEMENTS

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:

<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

Or the reports can be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295, Trenton, New Jersey, 08625-0295

Plan Description

The PERS was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other State local jurisdiction.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service. 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
3	Members who were eligible to enroll on or after May 22, 2010, and prior to June 28, 2011
4	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.

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NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

Service retirement benefits of 1/55th 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 1/60th 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.

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, 2023 and 2022), 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-notices.shtml>.

MERCER COUNTY IMPROVEMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Contributions (Continued)

The payroll for employees covered by PERS for the years ended December 31, 2023 and 2022, was \$1,439,614 and \$1,470,247, respectively. The Authority's total payroll for the years ended December 31, 2023 and 2022, was \$2,297,659, and \$2,207,149, respectively. The Authority is billed annually for its normal contribution plus any accrued liability. Contributions to PERS from the Authority were \$287,325 and \$266,893 for the years ended December 31, 2023 and 2022, respectively. Contributions were made in accordance with the actuarial funding requirement.

A special funding situation exists for the local employers of PERS. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by local employers under Chapter 133, P.L. 2001. The special funding situation for Chapter 133, P.L. 2001 is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2023, there is no net pension liability associated with this special funding situation and there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date. The state special funding situation pension expense of \$45,000,471, for the fiscal year ended June 30, 2023, is the actuarially determined contribution amount that the State owes for the fiscal year ended June 30, 2023. The pension expense is deemed to be a state administrative expense due to the special funding situation. The portion of the non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Authority is \$0 and the total proportionate share of the employer pension benefit is \$8,451 for the June 30, 2023, measurement date.

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

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amount by employer. The allocation percentages for each group as of June 30, 2023 and 2022, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2023 and 2022, 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

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NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

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

of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2023 and 2022.

At December 31, 2023 and 2022, the Authority reported a net pension liability of \$2,709,774 and \$3,141,903. The net pension liability was measured as of June 30, 2023 and 2022, 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, 2023, 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, 2023 and 2022, respectively, the Authority's proportionate share of the collective net pension liability was 0.0187082604% and 0.0208191913%, which was a decrease of 0.0021109309%. For the years ended December 31, 2023 and 2022, the Authority recognized PERS pension expense of (\$218,416) and (\$358,588), respectively. The Authority reported deferred outflows and inflows of resources as follows:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,909	\$ 11,077	\$ 22,677	\$ 19,998
Changes in assumptions	5,953	164,224	9,735	470,467
Net difference between projected and actual				
investment earnings on pension plan investments	12,479	-	130,041	-
Changes in proportion	190,828	410,615	277,804	336,867
Authority contributions subsequent to the measurement date	125,021	-	131,270	-
	<u>\$ 360,190</u>	<u>\$ 585,916</u>	<u>\$ 571,527</u>	<u>\$ 827,332</u>

Actuarial Assumptions

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer-specific amounts) related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2024	\$ (1,273,069)
2025	382,385
2026	437,340
2027	96,120
2028	6,477
	<u>\$ (350,747)</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 5.08, 5.04, 5.13, 5.16, 5.21 and 5.63 years for 2023, 2022, 2021, 2020, 2019, and 2018, respectively.

The collective total pension liability for the June 30, 2023 and 2022, measurement date, respectively, was determined by an actuarial valuation as of July 1, 2022 and 2021, respectively, which was rolled forward to June 30, 2023 and 2022, respectively, using the following actuarial assumptions:

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NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

	2023 & 2022
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%

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions the emerging liability may be higher or lower than anticipated. The more the expectation deviates, the larger the impact on amounts.

Mortality Rates

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.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023 and 2022), 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, 2023 and 2022, are summarized in the following tables:

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NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Long-Term Rate of Return (Continued)

Asset Class	2023	
	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	28.00%	8.98%
Non-U.S. developed markets equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging markets equity	5.50%	11.13%
Private equity	13.00%	12.50%
Real assets	8.00%	8.58%
Real estate	3.00%	8.40%
High yield	4.50%	6.97%
Private credit	8.00%	9.20%
Investment grade credit	7.00%	5.13%
Cash equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk mitigation strategies	3.00%	6.21%
	<u>100.00%</u>	
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>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023 and 2022. 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 payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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L. PENSION PLAN (CONTINUED)

Discount Rate (Continued)

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.

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

The following presents the Authority’s proportionate share of the collective net pension liability of the participating employers as of June 30, 2023 and 2022, 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:

June 30, 2023		
At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
\$ 3,557,290	\$ 2,709,774	\$ 2,030,717
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

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 31 and 30 at December 31, 2023 and 2022, respectively.

The Authority's contribution to the Plan for the years ended December 31, 2023 and 2022, was \$478,572 and \$458,397 respectively.

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

General Information About the OPEB Plan

The Authority participates in the State Health Benefit Local Government Retired Employees Plan (the Plan) which is a cost-sharing multiple-employer defined benefit other post-employment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers

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NOTES TO FINANCIAL STATEMENTS

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

General Information About the OPEB Plan (Continued)

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.

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,

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NOTES TO FINANCIAL STATEMENTS

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

Allocation Methodology (Continued)

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, 2022 through June 30, 2023.

Net OPEB Liability

Components of Net OPEB Liability

The components of the Authority's net OPEB liability as of June 30, 2023 and 2022, are as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Total OPEB liability	\$ 5,059,925	\$ 4,543,112
Plan Fiduciary Net Position (Deficit)	<u>(39,747)</u>	<u>(16,565)</u>
Net OPEB Liability	<u>\$ 5,099,672</u>	<u>\$ 4,559,677</u>
 Plan Fiduciary Net Position as a % of total OPEB liability	 (0.79%)	 (0.36%)

Actuarial Assumptions

The total OPEB liability as of June 30, 2023 and 2022, was determined by an actuarial valuation as of June 30, 2022 and 2021, respectively, which was rolled forward to June 30, 2023 and 2022, 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>2023 & 2022</u>
Salary increases*	
All future years	2.75% - 6.55%
* 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.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 6.50% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 14.8% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO, the trend is increasing to 17.4% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.5% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

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NOTES TO FINANCIAL STATEMENTS

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

Discount Rate

The discount rate for June 30, 2023 and 2022, was 3.65% and 3.54%, 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, 2023 and 2022, 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, 2023		
At 1% Decrease (2.65%)	At Current Discount Rate (3.65%)	At 1% Increase (4.65%)
\$ 5,907,046	\$ 5,099,672	\$ 4,450,265

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

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

The following presents the net OPEB liability as of June 30, 2023 and 2022, 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, 2023		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 4,334,121	\$ 5,099,672	\$ 6,079,811

At June 30, 2022		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 3,868,111	\$ 4,559,677	\$ 5,445,378

MERCER COUNTY IMPROVEMENT AUTHORITY
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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

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 235,171	\$ 1,384,904
Changes in assumptions	660,599	1,441,514
Net difference between projected and actual investment earnings on pension plan investments	-	841
Changes in proportion	1,513,315	910,214
	<u>\$ 2,409,085</u>	<u>\$ 3,737,473</u>

	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>

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 June 30,	OPEB
2024	\$ (5,933,667)
2025	103,902
2026	1,035,693
2027	1,312,314
2028	711,246
Thereafter	839,023
	<u>\$ (1,931,489)</u>

Changes in Proportion

The previous amounts do not include employer-specific deferred outflows of resources and deferred inflows 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 7.89, 7.82, 7.82, 7.87, 8.05, 8.14 and 8.04 years for the 2023, 2022, 2021, 2020, 2019, 2018, and 2017 amounts, respectively.

MERCER COUNTY IMPROVEMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

N. COLLECTIVE BARGAINING AGREEMENT

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

O. COMMITMENTS

At December 31, 2023 and 2022, the Authority had uncompleted agreements with contractors to perform various services related to its construction projects. Commitments under contracts in process amounted to \$7,108 and \$73,729 at December 31, 2023 and 2022, 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 \$0 and \$8,423 for years ended December 31, 2023 and 2022, respectively.

Q. ARBITRAGE RULES

The Authority is subject to certain arbitration rules. Under these rules, interest earnings on certain investments of proceeds of the Authority’s bond issues are subject to the limitations imposed by the arbitration provisions of the Internal Revenue Code. The Authority is required to rebate certain arbitration profits on non-purpose investments at least once every five years. At December 31, 2023, there were no material arbitration profits subject to rebate.

R. LITIGATION

As of December 31, 2023, the Authority was not a party to pending litigation or legal matters that would potentially have a material adverse effect on the financial position of the Authority in the event of an unfavorable or adverse outcome.

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.

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

NOTES TO FINANCIAL STATEMENTS

T. ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The GASB has issued Statement No. 87, "*Leases.*" This Statement was adopted by the Authority for the year ended December 31, 2022. See Note V for further details.

The GASB has issued Statement No. 91, "*Conduit Debt Obligations.*" This Statement was adopted by the Authority for the year ended December 31, 2022. The adoption of this Statement had no effect on previously reported amounts.

The GASB has issued Statement No. 92, "*Omnibus 2020.*" This Statement clarifies the effective date of Statement No. 87 and addresses other topics adopted by the Authority for the year ended December 31, 2022. The adoption of these provisions had no effect on previously reported amounts.

The GASB has issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*" Certain requirements in this Statement were adopted by the Authority for the year ended December 31, 2022. The adoption of this Statement had no effect on previously reported amounts.

The GASB has issued Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance.*" This Statement postponed the effective dates of applicable Statements described above. The effective dates mentioned above are the applicable postponed dates as prescribed by Statement No. 95. The adoption of this Statement had no effect on previously reported amounts.

The GASB has issued Statement No. 98, "*Annual Comprehensive Financial Report.*" This Statement was adopted by the Authority for the year ended December 31, 2022. The adoption of this Statement had no effect on previously reported amounts.

The GASB has issued Statement No. 99, "*Omnibus 2022.*" Certain provisions of this Statement were adopted by the Authority for the year ended December 31, 2022. The adoption of this Statement had no effect on previously reported amounts.

The GASB has issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements.*" This Statement was adopted by the Authority for the year ended December 31, 2023. The adoption of this Statement had no effect on previously reported amounts.

The GASB has issued Statement No. 96, "*Subscription-Based Information Technology Arrangements.*" This Statement was adopted by the Authority for the year ended December 31, 2023. The adoption of this Statement had no effect on previously reported amounts.

The GASB has issued Statement No. 99, "*Omnibus 2022.*" Certain provisions of this Statement were required to be adopted by the Authority for the year ended December 31, 2023. The adoption of this Statement had no effect on previously reported amounts.

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

NOTES TO FINANCIAL STATEMENTS

U. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) 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 GASB 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 GASB Statement No. 101 on the financial statements.

The GASB has issued Statement No. 102, “*Certain Risk Disclosures.*” This Statement is required to be adopted by the Authority for the year ending December 31, 2025. The Authority has not determined the effect of GASB Statement No. 102 on the financial statements.

The GASB has issued Statement No. 103, “*Financial Reporting Model Improvements.*” This Statement is required to be adopted by the Authority for the year ending December 31, 2026. The Authority has not determined the effect of GASB Statement No. 103 on the 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 as of lease commencement, or at the interest rate explicitly prescribed in the lease agreement. As of December 31, 2023, leases receivable are \$1,068,596, and lease revenue and interest income earned during the year are \$206,787 and \$67,131, respectively, and summarized as follows:

Lessor Lease Description	Lease Term	Lease Receivable, December 31, 2023	2023 Rent Revenue	2023 Interest Revenue
50 Riverview Plaza, City of Trenton (Cooper's Riverview)	6/18/1996 - 6/17/2036	\$ 346,244	\$ 14,185	\$ 30,009
Block 80A, Lot 10, City of Trenton (Trenton BioGas) (Pass-Through)	5/1/2018 - 4/30/2028	674,942	183,381	34,996
EFK Group - Suite 1	5/15/2023 - 5/14/2026	28,762	7,576	1,723
EFK Group - Suite 2	10/13/2023 - 10/12/2026	18,648	1,625	403
		<u>\$ 1,068,596</u>	<u>\$ 206,767</u>	<u>\$ 67,131</u>

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

Years Ending December 31,	Principal (Undiscounted)	Interest	Total
2024	\$ 204,482	\$ 40,608	\$ 245,090
2025	211,877	34,773	246,650
2026	191,698	14,875	206,573
2027	187,309	16,858	204,167
2028	69,419	24,330	93,749
2029 - 2033	166,668	83,331	249,999
2034 - 2038	109,655	11,178	120,833
	<u>\$ 1,141,108</u>	<u>\$ 225,953</u>	<u>1,367,061</u>
			Less: Present Value Discount (298,465)
			<u>\$ 1,068,596</u>

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

NOTES TO FINANCIAL STATEMENTS

V. LONG-TERM LEASES (CONTINUED)

Lessee Leases (Continued)

The Authority entered into various noncancelable leases for real estate and equipment. The interest rates on the leases are fixed based on the prime interest rate as of lease commencement, or at the interest rate explicitly prescribed in the lease agreement.

Lessee Lease Description	Lease Term	Annual Payment Amount	Interest Rate	Total Lease Liability	Balance December 31, 2023
Lots 10 and 17, Block 13, Ewing Township (Transfer Station)	1/1/2018 - 12/31/2062	\$ 190,000	4.50%	\$ 3,752,694	\$ 3,575,416
Vicinity Energy Trenton, L.P - Energy Service Agreement	6/1/2023 - 5/31/2043	587,100	8.25%	5,781,403	5,713,413
Lot 6 - Franklin-Griffith Property LLC	6/13/2023 - 6/12/2028	8,500	8.25%	36,300	29,167
		<u>\$ 785,600</u>		<u>\$ 9,570,397</u>	<u>\$ 9,317,996</u>

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

Years Ending December 31,	Principal (Undiscounted)	Interest	Total
2024	\$ 310,070	\$ 475,530	\$ 785,600
2025	320,906	464,694	785,600
2026	332,666	452,934	785,600
2027	345,428	440,172	785,600
2028	350,719	426,381	777,100
2029 - 2033	2,005,332	1,880,168	3,885,500
2034 - 2038	2,576,398	1,309,101	3,885,499
Thereafter	6,602,578	550,446	7,153,024
	<u>\$ 12,844,097</u>	<u>\$ 5,999,426</u>	<u>18,843,523</u>
		Less: Present Value Discount	(9,525,527)
		Lease Liability, December 31, 2023	<u>\$ 9,317,996</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.018708%	0.020819%	0.020657%	0.018755%	0.020954%	0.022791%	0.024099%	0.023828%	0.023847%	0.026518%
Proportionate share of the net pension liability	\$2,709,774	\$ 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
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
Proportionate share of the net pension liability as a percentage of covered payroll	188.23%	214.06%	163.76%	216.74%	252.19%	230.00%	284.93%	402.30%	299.86%	N/A
Plan fiduciary net position as a percentage of the total pension liability	65.52%	63.22%	70.65%	58.65%	56.57%	53.60%	48.10%	40.14%	47.93%	52.08%

N/A = Information not available.

MERCER COUNTY IMPROVEMENT AUTHORITY
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SCHEDULE OF CONTRIBUTIONS (UNAUDITED)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 250,041	\$ 262,540	\$ 241,919	\$ 205,172	\$ 203,818	\$ 226,692	\$ 223,256	\$ 245,299	\$ 205,016	\$ 218,612
Contribution in relation to the contractually required contribution	250,041	262,540	241,919	205,172	203,818	226,692	223,256	245,299	205,016	218,612
Covered-employee payroll	1,439,614	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
Contributions as a percentage of covered payroll	17.37%	17.86%	16.48%	13.73%	14.44%	15.14%	11.44%	12.46%	11.69%	12.25%

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

LAST TEN YEARS

	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net OPEB liability	0.033983%	0.028234%	0.029370%	0.030710%	0.026826%	0.030899%	0.032407%	0.035812%
Proportionate share of net OPEB liability	\$5,099,672	\$4,559,677	\$5,286,536	\$5,511,405	\$3,633,869	\$4,840,828	\$6,616,145	\$7,777,458
Contributions	478,572	458,397	427,044	418,015	351,247	134,798	149,367	142,579
Covered-employee payroll	1,439,614	1,467,747	1,494,364	1,411,125	1,497,101	1,951,017	1,968,910	1,754,197
Proportionate share of the net OPEB liability as a percentage of covered payroll	354.24%	310.66%	353.76%	390.57%	242.73%	248.12%	336.03%	443.36%
Plan fiduciary net position as a percentage of the total OPEB liability	(0.79%)	(0.36%)	0.28%	0.91%	1.98%	1.97%	1.03%	0.69%

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.

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, 2023

Budget Items	Budget (Unaudited)	Actual	(Over) Under Budget
1 Salaries and wages	\$ 2,055,072	\$ 2,090,523	\$ (35,451)
2 Payroll taxes	126,500	124,274	2,226
3 Pension plan contribution	275,000	286,358	(11,358)
4 Health insurance	733,000	531,581	201,419
5 Other insurance	75,000	60,322	14,678
6 Professional fees	175,000	133,462	41,538
7 Telephone	45,000	32,111	12,889
8 Office expense	599,000	418,262	180,738
9 Seminars / CPEs	15,000	17,232	(2,232)
10 Automobile expenses	55,000	62,322	(7,322)
11 Rent expense	200,000	190,000	10,000
12 Transfer station costs	2,400,000	2,584,292	(184,292)
13 Recycling contract solid waste tires	250,000	125,467	124,533
14 Repairs and maintenance	203,000	195,890	7,110
15 Dues and membership fees	6,500	5,405	1,095
16 Advertising and printing	16,500	5,022	11,478
17 Postage and freight	6,500	3,667	2,833
18 Outside services, consultants and temp. staff	325,000	238,124	86,876
19 Tenant related expenses	32,000	24,018	7,982
20 COVID-19 expenses	20,000	-	20,000
21 Bad debt	-	95,351	(95,351)
Subtotal	7,613,072	7,223,683	389,389
22 GASB-68 required adjustment to pension expense	-	(468,457)	468,457
23 GASB-75 required adjustment to OPEB expense	-	(381,217)	381,217
24 GASB-87 required adjustment to rent expense	-	(190,000)	190,000
Total	\$ 7,613,072	\$ 6,184,009	\$ 1,429,063

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
22 GASB-68 required adjustment to pension expense	-	(621,129)	621,129
23 GASB-75 required adjustment to OPEB expense	-	(285,021)	285,021
24 GASB-87 required adjustment to rent expense	-	(190,000)	190,000
Total	<u>\$ 6,939,215</u>	<u>\$ 5,560,997</u>	<u>\$ 1,378,218</u>

OTHER INFORMATION

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

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2023

State Grantor Pass-through Grantor/Program	State Account/ Grant Number	Grant Period	Program or Award Amount	Program Income	2023 Expenditures	Cumulative Expenditures
New Jersey DEP Clean Community 2022	Unknown	1/1/22-Until Complete	\$ 62,886	\$ -	\$ 56,372	\$ 62,886
New Jersey DEP Clean Community 2023	Unknown	1/1/23-Until Complete	70,484	-	59,693	59,693
Scrap Tire Management Fund Grant	Unknown	7/1/05-Until Complete	30,000	-	-	16,577
Solid Waste REA Tax Grant	2021-042-4910-100-224	(1)	267,300	-	160,373	183,129
Solid Waste REA Tax Grant	2022-042-4910-100-224	(1)	283,500	-	-	-
State of NJ S. Broad Street Vision Plan	Unknown	Until Complete	5,000,000	-	-	-
Total			<u>\$ 5,714,170</u>	<u>\$ -</u>	<u>\$ 276,438</u>	<u>\$ 322,285</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, 2023.

**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, 2023, 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 October 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the 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

October 1, 2024

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

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None reported.

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None reported.