

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

December 31, 2021

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

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Mercer County Improvement Authority

Report on the Audits of the Financial Statements

Opinions

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, 2021 and 2020, 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, 2021 and 2020, 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 Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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 Audits of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that comprise the Authority's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, except for budgeted amounts, the other supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercadieu, P.C.

Certified Public Accountants

December 27, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As financial management of the Mercer County Improvement Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2021 and 2020. 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 2021, net operating income of the Authority decreased by approximately 5% primarily due to significant reduction in investment return in 2021. The Authority's net position increased by \$11,153,904 in 2021.

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

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

Overview of the Financial Statements

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

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

The 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

2021

Cash and equivalents balances of \$60,873,406 comprise the largest portion of the Authority's current assets and consist primarily of project funds and debt service funds held by the trustees on behalf of the Authority in accordance with respective bond resolutions. \$14,838,233 in current assets and \$148,470,533 in non-current assets represent leases and loans receivable in conjunction with project bonds issued by the Authority. In addition, the Authority's non-current assets reflect a significant investment of \$30,090,987 related to the Cure Insurance Arena (Sports Arena) and related parking facilities, administered by the Authority and funded by the issuance of bonds guaranteed by the County of Mercer. At December 31, 2021, the Authority had a total of \$6,940,185 invested in capital assets, which represents a \$246,266 decrease from the prior year. More detailed information about the Authority's capital assets is presented in the "Capital Assets" note to the basic financial statements.

The Authority has \$3,925,000 in current bonds payable outstanding relating to the Solid Waste Facility, which is administered by the Authority on behalf of the County of Mercer. The remaining bonds payable of \$155,703,155, unearned lease/loan income of \$38,792,971, and escrow funds payable of \$1,647,574 are included in current and long-term liabilities and are secured by bond proceeds and revenues from leases, loans and/or guaranties with the County of Mercer and not-for-profit organizations. In total, at 2021 year end, the Authority had \$159,628,155 in bonds outstanding compared to \$181,984,208 at December 31, 2020. This change represents a decrease of approximately 12% in bonds outstanding. More detailed information about the Authority's long-term debt is presented in the "Debt-Long-Term Projects" note to the basic financial statements.

2020

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

The Authority has \$7,645,000 in current and non-current bonds payable outstanding relating to the Solid Waste Facility, which is administered by the Authority on behalf of the County of Mercer. The remaining bonds payable of \$174,339,208, unearned lease/loan income of \$46,015,708, and escrow funds payable of \$5,956,020 are included in current and non-current liabilities and are secured by bond proceeds and revenues from leases, loans and/or guaranties with the County of Mercer and not for-profit organizations. In total, at 2020 year end, the Authority had \$181,984,208 in bonds outstanding compared to \$199,039,662 at December 31, 2019. This change represents a decrease of approximately 9% in bonds outstanding. More detailed information about the Authority's long-term debt is presented in the "Debt-Long-Term Projects" note to the basic financial statements.

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

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

Financial Analysis, Capital Assets and Debt Administration (Continued)

The following tables contain condensed financial information derived from the December 31, 2021, 2020 and 2019 financial statements of the Authority:

Condensed Statements of Net Position

	December 31,			Change 2021-2020	Percentage Change 2021-2020
	2021	2020	2019		
Capital assets	\$ 37,031,172	\$ 38,673,890	\$ 41,852,373	\$ (1,642,718)	-4%
Other assets	237,141,575	258,398,287	269,992,967	(21,256,712)	-8%
Total assets	<u>274,172,746</u>	<u>297,072,177</u>	<u>311,845,340</u>	<u>(22,899,431)</u>	-8%
Deferred outflows of resources	2,334,346	2,697,673	1,462,483	(363,327)	-13%
Current liabilities	45,015,989	50,423,230	48,103,400	(5,407,242)	-11%
Long-term liabilities	186,517,878	215,338,124	237,078,345	(28,820,246)	-13%
Total liabilities	<u>231,533,867</u>	<u>265,761,353</u>	<u>285,181,745</u>	<u>(34,227,487)</u>	-13%
Deferred inflows of resources	5,433,778	5,622,954	5,865,340	(189,176)	-3%
Net position:					
Net investment in capital assets	2,337,761	(8,455,162)	(9,851,137)	10,792,923	128%
Restricted for debt service	11,916,943	10,256,633	5,636,996	1,660,310	16%
Unrestricted	25,284,744	26,584,072	26,474,879	(1,299,328)	-5%
Total Net position	<u>\$ 39,539,448</u>	<u>\$ 28,385,543</u>	<u>\$ 22,260,738</u>	<u>\$ 11,153,905</u>	39%

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,			Change 2021-2020	Percentage Change 2021-2020
	2021	2020	2019		
Operating revenues	\$ 31,552,362	\$ 31,116,383	\$ 34,440,024	\$ 435,979	1%
Waste disposal costs	19,802,563	19,349,104	20,847,915	453,459	2%
Gross operating profit	11,749,799	11,767,279	13,592,109	(17,480)	0%
Other operating revenues*	485,236	828,536	1,265,372	(343,300)	-41%
Gross operating profit and other operating revenues	12,235,035	12,595,815	14,857,481	(360,780)	-3%
Operating expenses	5,229,777	5,237,727	5,898,895	(7,950)	0%
Depreciation and amortization	419,777	399,749	375,505	20,028	5%
Income from operations	6,585,481	6,958,339	8,583,081	(372,859)	-5%
Non-operating expenses, net	2,697,621	1,085,101	2,362,681	1,612,521	149%
Changes in net position	3,887,859	5,873,239	6,220,400	(1,985,379)	-34%
Changes in net position - Sports Arena	7,266,046	251,566	1,671,572	7,014,480	2788%
Net position, beginning of year	28,385,543	22,260,738	14,368,766	6,124,805	28%
Net position, end of year	<u>\$ 39,539,449</u>	<u>\$ 28,385,543</u>	<u>\$ 22,260,738</u>	<u>\$ 11,153,906</u>	39%
*Other operating revenues:					
Project costs reimbursement	\$ 436,726	\$ 395,868	\$ 437,459	\$ 40,857	10%
Interest on investments	48,510	432,668	827,913	(384,158)	-89%
	<u>\$ 485,236</u>	<u>\$ 828,536</u>	<u>\$ 1,265,372</u>	<u>\$ (343,300)</u>	-41%

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

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

Significant Events

2021

The Authority's operating expenses in 2021 were \$1,437,575 under the budget, \$939,020 of which attributed to the mandatory GASB-68 and GASB-75 annual adjustments provided by the State of New Jersey. Refer to "Supplementary Information", schedule of operating expenses - budget vs. actual for further details.

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

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

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

2020

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

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

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

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,	
	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted		
Cash and equivalents	\$ 42,881,278	\$ 41,289,255
Investments	2,146,398	2,150,696
Accounts receivable-haulers, net	2,067,818	1,946,821
Due from restricted funds	3,658,922	4,533,443
Other receivables	1,583,899	1,756,399
Other assets	-	289,837
Total Unrestricted	52,338,315	51,966,452
Restricted		
Cash and equivalents	17,992,129	22,156,372
Accounts receivable - recycling	392,026	472,476
Minimum lease payments receivable		
County of Mercer	14,621,232	15,074,508
Loans receivable	217,001	202,879
Loan interest receivable	1,260	2,094
Other receivables	2,436,802	2,249,020
Other assets	108,026	312,653
Total Restricted	35,768,476	40,470,002
Total Current Assets	88,106,792	92,436,454
Non-Current Assets		
Unrestricted		
Property and equipment, net	6,940,185	7,186,451
Restricted		
Minimum lease payments receivable		
County of Mercer	148,129,442	164,785,762
Loans receivable	341,091	506,821
Other receivables	564,250	669,250
Sports arena	30,090,987	31,487,439
Total Non-Current Restricted Assets	179,125,770	197,449,272
Total Non-Current Assets	186,065,955	204,635,723
Total Assets	274,172,746	297,072,177
Deferred Outflows of Resources		
Losses on debt restructuring	295,350	590,697
Pension	511,433	378,011
OPEB	1,527,563	1,728,965
Total Deferred Outflows of Resources	2,334,346	2,697,673
Total Assets and Deferred Outflows of Resources	\$ 276,507,092	\$ 299,769,850

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

STATEMENTS OF NET POSITION (CONTINUED)

	December 31,	
	2021	2020
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Restricted		
Current portion of project bonds payable	\$ 15,023,137	\$ 15,943,533
Accounts payable and accrued expenses	7,827,693	7,803,846
Due to unrestricted fund	3,658,922	4,533,443
Accrued interest payable	1,623,550	2,186,741
Haulers' deposits	627,075	828,334
Unearned lease/loan income	5,144,044	5,923,390
Unearned revenues	5,120,197	6,725,474
State grants unearned	4,343,796	522,448
Escrow funds payable	1,647,574	5,956,020
Total Current Liabilities	<u>45,015,989</u>	<u>50,423,230</u>
Non-Current Liabilities		
Long-term project bonds payable	144,605,018	166,040,675
Unearned lease/loan income	33,648,927	40,092,318
Unearned revenues	530,250	635,250
Net pension liability	2,447,147	3,058,476
Net OPEB liability	5,286,536	5,511,405
Total Non-Current Liabilities	<u>186,517,878</u>	<u>215,338,124</u>
Total Liabilities	<u>\$ 231,533,867</u>	<u>\$ 265,761,353</u>
Deferred inflows of resources		
Pension	\$ 2,098,453	\$ 2,085,118
OPEB	3,335,325	3,537,836
Total Deferred Inflows of Resources	<u>\$ 5,433,778</u>	<u>\$ 5,622,954</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 236,967,645</u>	<u>\$ 271,384,307</u>
Net Position		
Net investment in capital assets	\$ 2,337,761	\$ (8,455,162)
Restricted	11,916,943	10,256,633
Unrestricted	25,284,744	26,584,072
Total Net Position	<u>\$ 39,539,448</u>	<u>\$ 28,385,543</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 276,507,092</u>	<u>\$ 299,769,850</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,	
	2021	2020
Waste disposal revenues	\$ 27,357,671	\$ 27,023,364
Recycling revenues	4,194,691	4,093,018
Operating revenues	31,552,362	31,116,383
Waste disposal costs	19,802,563	19,349,104
Gross operating profit	11,749,799	11,767,279
Other operating revenues		
Project costs reimbursement and other operating revenues	436,726	395,868
Interest on investments	48,510	432,668
Total other operating revenues	485,236	828,536
Gross operating profit and other operating revenues	12,235,035	12,595,815
Operating expenses	5,229,777	5,237,727
Income from operations before depreciation and amortization	7,005,258	7,358,088
Depreciation and amortization	419,777	399,749
Income from operations	6,585,481	6,958,339
Non-operating revenues (expenses)		
Sports Arena revenues	10,436,144	4,337,931
Sports Arena expenses	(10,436,144)	(4,337,931)
Bond interest expense, Solid Waste	(215,097)	(394,626)
Bond interest expense, projects	(5,896,018)	(8,175,860)
Minimum lease income, projects	5,772,619	8,047,006
Loan interest income	123,399	128,854
Other revenues	(790,725)	989,301
Non-operating expenses before bond interest accretion, depreciation and amortization	(1,005,822)	594,675
Depreciation and amortization - Sports Arena	(1,396,452)	(1,384,428)
Amortization of deferred outflows - Solid Waste	(295,347)	(295,347)
Total non-operating expenses	(2,697,621)	(1,085,101)
Changes in net position	3,887,859	5,873,239
Changes in net position - Sports Arena	7,266,046	251,566
Net position, beginning of year	28,385,543	22,260,738
Net position, end of year	\$ 39,539,448	\$ 28,385,543

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2021	2020
Cash Flows from Operating Activities		
Cash received from		
Waste disposal revenue	\$ 26,993,094	\$ 28,504,526
Recycling revenue	4,275,142	4,081,809
State of New Jersey grants	328,034	332,878
Project costs reimbursement	436,726	395,868
Investment interest	48,510	432,668
Cash used for		
Waste disposal costs	(19,802,563)	(19,349,104)
Operating expenses	(5,983,801)	(6,061,045)
State of New Jersey grants	(248,554)	(364,144)
Net cash from operating activities	<u>6,046,588</u>	<u>7,973,456</u>
Cash Flows from Capital and Related Financing Activities		
Change in net position-Sports Arena	7,266,046	251,566
Net cash from noncapital and related financing activities	7,266,046	251,566
Leases/Loans	12,203,082	27,505,983
Principal paid on bonds and agreements, net	(22,560,685)	(26,050,776)
Interest paid on bonds	(6,393,836)	(7,578,115)
Net cash from capital and related financing activities	<u>(9,485,393)</u>	<u>(5,871,342)</u>
Cash Flows from Investing Activities		
Investments	4,298	(37,005)
Sludge facility, net	155,197	210,038
Sports Arena revenues	12,549,837	3,766,461
Sports Arena expenses	(10,631,219)	(3,947,859)
Purchases of property and equipment	(177,261)	(139,360)
Other activities	(1,034,268)	5,678,038
Net cash from investing activities	<u>866,584</u>	<u>5,530,313</u>
Net change in cash and equivalents	(2,572,220)	7,632,427
Cash and equivalents, beginning of year	63,445,627	55,813,200
Cash and equivalents, end of year	<u>\$ 60,873,407</u>	<u>\$ 63,445,627</u>

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

STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended December 31,	
	2021	2020
Reconciliation of Income from Operations to Net Cash from Operating Activities		
Income from operations	\$ 6,585,481	\$ 6,958,339
Adjustments to reconcile income from operations to net cash from operating activities		
Amortization and depreciation - solid waste	419,777	399,749
Allowance for doubtful accounts	(2,889)	21,240
Net pension expense	(713,042)	(308,929)
Net OPEB expense	(225,978)	(196,321)
Changes in assets and liabilities		
Accounts receivable - haulers	(123,887)	1,018,003
Accounts receivable - recycling	80,450	(11,209)
Other receivables	(39,431)	(23,476)
Other assets	289,837	(192,626)
Accounts payable, accrued expenses and other liabilities	(101,952)	(146,682)
Haulers' deposits	(201,258)	486,634
State grants unearned	79,480	(31,266)
Net cash from operating activities	<u>\$ 6,046,588</u>	<u>\$ 7,973,456</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 U.S. Treasury Notes which are stated at fair market value.

Accounts Receivable

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

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

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction Projects

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

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, 2021 and 2020, the Authority's bank balance on deposit was \$60,436,300 and \$63,647,881, respectively, inclusive of unrestricted and restricted cash. Of the bank balance, \$1,500,000 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 Governmental Unit Deposit Protection Act ("GUDPA"), except for funds held by trustees in Bank of New York Mellon and U.S. Bank, and external investment pool funds held in the New Jersey Cash Management Fund ("NJCMF") and New Jersey Asset & Rebate Management Program ("NJ/ARM").

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

As of December 31, 2021 and 2020, the Authority's bank balance was exposed to custodial credit risk as follows:

	December 31,	
	2021	2020
Insured	\$ 1,500,000	\$ 1,500,000
Collateralized under GUDPA	15,384,800	16,102,446
NJCMF & NJ/ARM	37,527,115	35,692,113
Uninsured and uncollateralized	6,024,385	10,353,322
	<u>\$ 60,436,300</u>	<u>\$ 63,647,881</u>

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

The Authority has Level 1 investments in U.S. Treasury Notes in the amount of \$2,146,398 and \$2,150,696, that mature in one year at December 31, 2021 and 2020, 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, 2021 and 2020, are expected to be received within one year. They are as follows:

	December 31,	
	2021	2020
Accounts receivable-haulers	\$ 2,212,888	\$ 2,089,001
Less: Allowance for doubtful accounts	145,070	142,180
Net accounts receivable	<u>\$ 2,067,818</u>	<u>\$ 1,946,821</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,
2022	\$ 14,621,233
2023	14,539,513
2024	14,138,145
2025	12,603,807
2026	12,842,446
Thereafter	94,005,530
	<u>\$ 162,750,674</u>

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

NOTES TO FINANCIAL STATEMENTS

E. LOANS RECEIVABLE

Loans receivable consist of loan agreements between the Authority and the borrower, whereby the Authority issues bonds on behalf of the borrower and lends the proceeds of the bonds for specific purposes defined in the loan agreement. Loan payments from the borrowers are equal to the annual debt service of the outstanding bonds. Loans receivable consist of the following as of December 31, 2021 and 2020:

Project	Borrower	Security	Maturity Date	Interest Rate	Loans Receivable (in thousands)			Loans Receivable (in thousands)	
					December 31, 2020	Additions	Reductions	December 31, 2021	Amounts Due Within One Year
Beth Chaim	Congregation Beth Chaim	Mortgage and Security Agreement	2026	4.690%	\$ 560	\$ -	\$ (90)	\$ 470	\$ 149
Twin Rivers	Twin Rivers Community Trust	Mercer County Guarantee Agreement	2022	3.000%-5.250%	149	-	(61)	88	68
Total					709	\$ -	\$ (151)	558	\$ 217
Less current portion					203			217	
Net long-term loans receivable					<u>\$ 506</u>			<u>\$ 341</u>	

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

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

NOTES TO FINANCIAL STATEMENTS

E. LOANS RECEIVABLE (CONTINUED)

Maturities of loans receivable are as follows:

	Years Ending December 31,	
2022	\$	217,001
2023		165,815
2024		175,276
	\$	<u>558,092</u>

F. CAPITAL ASSETS

Capital assets consists of the following:

	December 31,	
	2021	2020
Other		
Land	\$ 274,919	\$ 274,919
Building	150,000	150,000
Subtotal	<u>424,919</u>	<u>424,919</u>
Less accumulated depreciation	93,740	89,990
Subtotal net of depreciation	<u>\$ 331,180</u>	<u>\$ 334,929</u>
Solid Waste		
Transfer station (building and machinery)	\$ 12,378,607	\$ 12,349,517
Building	5,741,689	5,611,201
Office furniture and equipment	515,264	508,814
Computer hardware and software	425,495	414,262
Automobiles	407,303	407,303
Landfill	415,134	415,134
Subtotal	<u>19,883,491</u>	<u>19,706,232</u>
Less accumulated depreciation and amortization	13,274,486	12,854,710
Subtotal net of depreciation	<u>\$ 6,609,005</u>	<u>\$ 6,851,522</u>
Total capital assets	<u>\$ 6,940,185</u>	<u>\$ 7,186,451</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,	
	2021	2020
Solid Waste		
Transfer station (building and machinery)	\$ 176,534	\$ 169,796
Building	161,466	147,497
Office furniture and equipment	21,271	20,269
Computer hardware and software	16,260	13,992
Automobiles	44,246	48,195
Total depreciation and amortization expense - solid waste	<u>419,777</u>	<u>399,749</u>
Depreciation-other capital assets	<u>3,750</u>	<u>3,750</u>
Total depreciation and amortization expense	<u><u>\$ 423,527</u></u>	<u><u>\$ 403,499</u></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,			December 31,
	2020	Additions	Retirements	2021
Non-Depreciable Assets				
Land	\$ 274,919	\$ -	\$ -	\$ 274,919
Depreciable Assets				
Transfer station (building and machinery)	12,349,517	29,090	-	12,378,607
Buildings	5,761,201	130,489	-	5,891,689
Office furniture and equipment	508,815	6,450	-	515,265
Computer hardware and software	414,263	11,232	-	425,495
Automobiles	407,302	-	-	407,302
Landfill	415,134	-	-	415,134
Total at historical cost	<u>20,131,151</u>	<u>\$ 177,261</u>	<u>\$ -</u>	<u>20,308,411</u>
Less accumulated depreciation and amortization	<u>12,944,699</u>			<u>13,368,226</u>
Total capital assets	<u><u>\$ 7,186,452</u></u>			<u><u>\$ 6,940,185</u></u>

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

NOTES TO FINANCIAL STATEMENTS

F. CAPITAL ASSETS (CONTINUED)

	December 31, 2019	Additions	Retirements	December 31, 2020
Non-Depreciable Assets				
Land	\$ 274,919	\$ -	\$ -	\$ 274,919
Depreciable Assets				
Transfer station (building and machinery)	12,298,797	50,720	-	12,349,517
Buildings	5,714,382	46,819	-	5,761,201
Office furniture and equipment	508,815	-	-	508,815
Computer hardware and software	414,263	-	-	414,263
Automobiles	365,481	41,821	-	407,302
Landfill	415,134	-	-	415,134
Total at historical cost	19,991,791	<u>\$ 139,360</u>	<u>\$ -</u>	20,131,151
Less accumulated depreciation and amortization	12,541,201			12,944,699
Total capital assets	<u>\$ 7,450,590</u>			<u>\$ 7,186,452</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 necessary to provide for, among other things, debt service on the Authority bonds, may be reduced. If such revenues are significantly reduced, then the County would likely be required to make payments under the County guarantees, which payments could have a material adverse effect on the finances of the County. The 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. The Authority's annual debt service is reduced to a level that the Authority believes can be serviced by the current tipping fees.

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

NOTES TO FINANCIAL STATEMENTS

G. SOLID WASTE SYSTEM (CONTINUED)

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

Transfer Station and Landfill

Waste disposal collections from the County are tipped and weighed at the Authority's Transfer Station and transported to the G.R.O.W.S. landfill site. The Authority charges waste haulers on a per ton basis for waste tipped. Rates charged by the Authority are approved by the New Jersey Department of Environmental Protection. Disposal revenues for waste tipped at the Transfer Station during the years ended December 31, 2021 and 2020, amounted to \$27,357,671 and \$27,023,364, 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, 2021 and 2020, amounted to \$19,802,563 and \$19,349,104, respectively. Recycling costs for the years ended December 31, 2021 and 2020, amounting to \$3,988,675 and \$3,919,075, respectively, are included in waste disposal costs in the statements of revenues, expenses and changes in net position.

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

H. SLUDGE FACILITY

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

I. SPORTS ARENA

On December 1, 1999, the Authority was conveyed title of the Sports Arena from 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,	
	2021	2020
Land	\$ 5,294,519	\$ 5,294,519
Building	47,672,896	47,672,896
Parking facilities	7,918,333	7,918,333
Furniture and equipment	3,758,424	3,758,424
Subtotal	64,644,172	64,644,172
Less accumulated depreciation	34,553,185	33,156,733
Total	<u>\$ 30,090,987</u>	<u>\$ 31,487,439</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, 2021:

Project	Lessee/Borrower	Maturity Date	Interest Rate	Bonds Outstanding (in Thousands)			Bonds Outstanding (in Thousands)		Amounts Due Within One Year
				December 31, 2020	Additions	(Reductions)	December 31, 2021		
Beth Chaim	Beth Chaim	2026	4.69%	\$ 561	\$ -	\$ (91)	\$ 470	\$ 148	
County Courthouse Annex	Mercer County Series 2015	2040	2%-5%	26,655	-	(845)	25,810	885	
Farm Preservation	Mercer County	2021	7.00%	1,356	-	(1,356)	-	-	
*Parking Facilities Project	Mercer County	2031	6.00%	1,906	-	(1,906)	-	-	
Refunding 2012A	Mercer County	2024	1.50%-5.00%	5,930	-	(1,450)	4,480	1,515	
Refunding, 2019-Equipment Lease Program	Mercer County	2035	1.7%-2.38%	10,285	-	(235)	10,050	235	
Refunding, 2019-Open Space	Mercer County	2040	1.7%-2.38%	11,065	-	(480)	10,585	485	
Refunding, 2019-Special Services School	Mercer County	2025	1.77%-2.0%	1,515	-	(290)	1,225	295	
Refunding, 2019-Build America Bonds	Mercer County	2034	2.10%	62,880	-	(3,750)	59,130	3,950	
Solar Project 2011	Mercer County	2027	1.19%-4.90%	13,790	-	(13,790)	-	-	
Solar Project 2021A	Mercer County	2027	0.399%-1.603%	-	11,235	-	11,235	2,050	
*Solid Waste 2010, Series A	MCIA	2022	5.00%	7,645	-	(3,720)	3,925	3,925	
*Sports Arena	MCIA	2034	6.00%-8.27%	21,970	-	(630)	21,340	730	
*Sports Arena	MCIA	2034	6.00%	10,772	52	-	10,824	532	
*Sports Arena	MCIA	2031	6.00%	4,834	-	(4,834)	-	-	
Twin Rivers	Community Trust	2022	3.00%-5.25%	110	-	(51)	59	58	
Twin Rivers	Twin Rivers	2024	3.90%-4.75%	40	-	(10)	30	10	
Total				181,314	11,287	(33,438)	159,163	14,818	
*Original issue premiums				670	-	-	465	205	
Subtotal				181,984	\$11,287	\$ (33,438)	159,628	\$ 15,023	
Less amounts due within one year				15,944			15,023		
Net long-term project bonds payable				\$ 166,040			\$ 144,605		

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

NOTES TO FINANCIAL STATEMENTS

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

<u>Project</u>	<u>Security</u>
Beth Chaim	Mortgage and Security Agreement
County Courthouse, Series 2015	Mercer County lease
County Capital Build America Bonds, Refunding Series 2019	Mercer County lease
Equipment Lease/Open Space, Refunding Series 2019	Mercer County guarantee
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

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, 2020:

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

	Principal (in Thousands)	Interest (in Thousands)	Total (in Thousands)
2022	\$ 14,819	\$ 7,791	\$ 22,610
2023	11,281	7,121	18,402
2024	11,440	6,604	18,044
2025	10,306	6,069	16,375
2026	11,105	5,557	16,662
2027-2031	51,149	19,364	70,513
2032-2036	39,543	6,382	45,925
2037-2041	9,520	1,108	10,628
Total	<u>159,163</u>	<u>\$ 59,996</u>	<u>\$ 219,159</u>
Original issue premiums	465		
Total	<u>\$ 159,628</u>		

Bond premium amortization of \$204,633 and \$205,508, which was netted against interest expense for the years ended December 31, 2021 and 2020, respectively, is included in non-operating expenses.

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

Solid Waste Bond Issue

In 2010, the Authority refinanced its outstanding solid waste debt. The purpose of the refinancing was to refund the outstanding solid waste bonds to permit the annual debt service on these bonds to be reduced to approximately \$4,200,000 per year, which is expected to be generated from the Authority's operations. The refunding bonds are guaranteed by the County. The proceeds of the Refunding Series 2010 Bonds were deposited in an irrevocable trust with an escrow agent to pay an outstanding interest and principal of 1990, 1992 and 1997 Bonds. The 1990 and 1992 Bonds were paid off on April 1, 2013, and the 1997 Bond was paid off on September 15, 2016. The unamortized deferred amount of refunding totaling \$295,350 and \$590,697 in 2021 and 2020, respectively, is included in the deferred outflows of resources balance and is amortized annually in equal installments over the life of the Refunding Series 2010 Bonds.

Bond Refundings

On February 14, 2019, the Authority refunded its Equipment Lease and Open Space Bonds, Series 2005 A and B, and Special Services School District Bonds, Series 2005A. The total amount of refunding bonds, Series 2019, was \$27,550,000. As of December 31, 2021, approximately \$24,095,000 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, 2021, approximately \$68,105,000 of previously defeased principal was outstanding on the refunded bonds and held in escrow by the bond trustee.

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

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* 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

MERCER COUNTY IMPROVEMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

defined benefit pension liability and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the PERS.

The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at: www.state.nj.us/treasury/pensions.

Plan Description and Benefits Provided

PERS is a cost-sharing, multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS plan provides retirement, death and disability, and medical benefits to qualified members and their beneficiaries. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:38. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit 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 the respective tier.

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NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in state fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries determined the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law.

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

Employee contribution rates to PERS governed by P.L. 2011, C. 78, effective June 28, 2011, were increased from 5.5% of salary to 6.5% of salary, and a phase-in to 7.5% of salary over a seven-year period. Covered Authority employees are required by PERS to contribute 7.5% of their salaries. State statute requires the Authority to contribute an actuarially determined rate which includes the normal cost and the unfunded accrued liability. The amount of the Authority's contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. In accordance with State statute, the long-term expected rate of return on plan investments is (7.00% at June 30, 2021 and 2020), 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>.

The payroll for employees covered by PERS for the years ended December 31, 2021 and 2020, was \$1,467,747 and \$1,494,364, respectively. The Authority's total payroll for the years ended December 31, 2021 and 2020, was \$2,008,589 and \$2,025,954, respectively. The Authority is billed annually for its normal contribution plus any accrued liability. Contributions to PERS from the Authority were \$229,554 and \$245,893 for the years ended December 31, 2021 and 2020, respectively. Contributions were made in accordance with the actuarial funding requirement.

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

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

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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)

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, 2021 and 2020, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2021 and 2020, respectively.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collected deferred outflows of resources, collective deferred inflows of resources, and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the PERS schedule of employer allocations and applied to amounts presented in the PERS schedule of pension amounts by employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2021 and 2020.

At December 31, 2021 and 2020, the Authority reported a net pension liability of \$2,447,147 and \$3,058,476. The net pension liability was measured as of June 30, 2021 and 2020, 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, 2021, 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, 2021 and 2020, respectively, the Authority's proportionate share of the collective net pension liability was 0.0206571299% and 0.0187551608%, which was an increase of 0.0019019691%. For the years ended December 31, 2021 and 2020, the Authority recognized PERS pension expense of (\$471,124) and (\$210,284), respectively. The Authority reported deferred outflows and inflows of resources as follows:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,595	\$ 17,519
Changes in assumptions	12,745	871,200
Net difference between projected and actual investment earnings on pension plan investments	-	644,643
Changes in proportion	339,133	565,091
Authority contributions subsequent to the measurement date	120,960	-
	<u>\$ 511,433</u>	<u>\$ 2,098,453</u>
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,690	\$ 10,816
Changes in assumptions	99,220	1,280,613
Net difference between projected and actual investment earnings on pension plan investments	104,541	-
Changes in proportion	15,974	793,689
Authority contributions subsequent to the measurement date	102,586	-
	<u>\$ 378,011</u>	<u>\$ 2,085,118</u>

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NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2022	\$ (577,420)
2023	(412,277)
2024	(281,102)
2025	(211,305)
2026	82
	<u>\$ (1,482,022)</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 5.13, 5.16, 5.21, 5.63, 5.48, and 5.57 years for 2021, 2020, 2019, 2018, 2017, and 2016, respectively.

The collective total pension liability for the June 30, 2021 and 2020, measurement date, respectively, was determined by an actuarial valuation as of July 1, 2020 and 2019, respectively, which was rolled forward to June 30, 2021 and 2020, respectively, using the following actuarial assumptions:

	<u>2021 and 2020</u>
Inflation: Price	2.75%
Inflation: Wage	3.25%
Salary Increases through 2026 (based on years of service)	2.00-6.00%
Salary Increases: Thereafter (based on years of service)	3.00-7.00%
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree Mortality Table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree Mortality Table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2014, to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2021 and 2020), 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, 2021 and 2020, are summarized in the following tables:

Asset Class	2021	
	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real assets	3.00%	7.40%
Real estate	8.00%	9.15%
High yield	2.00%	3.75%
Private credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%
	<u>100.00%</u>	

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NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

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

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

The discount rate used to measure the total pension liability was 7.00% and 7.00% as of June 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of the collective net pension liability of the participating employers as of June 30, 2021 and 2020, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

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NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN (CONTINUED)

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

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

June 30, 2020		
At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.0%)
\$ 3,880,386	\$ 3,058,476	\$ 2,405,520

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 of New Jersey. The Plan provides continued health care benefits to employees retiring after twenty-five years of service. Benefits, contributions, funding and the manner of administration are determined by the State of New Jersey Legislature. The Division of Pensions and Benefits charges the Authority for its contributions. The total number of retired participants eligible for benefits was 21 and 32 at December 31, 2021 and 2020, respectively.

The Authority's contribution to the Plan for the years ended December 31, 2021 and 2020, was \$427,044 and \$418,015 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 that have adopted a resolution to participate in the Plan. The Authority adopted a resolution to approve participation in the Plan in fiscal year 2012. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml.

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

General Information About the OPEB Plan (Continued)

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

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

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2020 through June 30, 2021.

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

Net OPEB Liability

Components of Net OPEB Liability

The components of the Authority's net OPEB liability as of June 30, 2021 and 2020, are as follows:

	June 30, 2021	June 30, 2020
Total OPEB liability	\$ 5,301,301	\$ 5,562,034
Plan Fiduciary Net Position	14,765	50,629
Net OPEB Liability	<u>\$ 5,286,536</u>	<u>\$ 5,511,405</u>
 Plan Fiduciary Net Position as a % of total OPEB liability	 0.28%	 0.91%

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 and 2020, was determined by an actuarial valuation as of June 30, 2020 and 2019, respectively, which was rolled forward to June 30, 2021 and 2020, 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>2021 and 2020</u>
Inflation	2.50%
Salary increases*	
Through 2026	2.00 - 6.00%
Thereafter	3.00 - 7.00%

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

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. Actuarial assumptions used in the July 1, 2020, valuation were based on the results of the PERS experience study prepared for July 1, 2014 to June 30, 2018. One hundred percent of active members are considered to participate in the plan upon retirement.

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NOTES TO FINANCIAL STATEMENTS

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.60% and decreases to a 4.50% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.50% for all future years. For prescription drug benefits, the initial trend rate is 7.00% and decreases to a 4.50% long-term trend rate after seven years.

Discount Rate

The discount rate for June 30, 2021 and 2020, was 2.16% and 2.21%, 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, 2021 and 2020, 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, 2021		
At 1% Decrease (1.16%)	At Current Discount Rate (2.16%)	At 1% Increase (3.16%)
\$ 6,221,239	\$ 5,286,536	\$ 4,545,764

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

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

The following presents the net OPEB liability as of June 30, 2021 and 2020, 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, 2021		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 4,410,751	\$ 5,286,536	\$ 6,429,326

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

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

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 118,624	\$ 1,106,021
Changes in assumptions	760,484	934,457
Net difference between projected and actual investment earnings on pension plan investments	2,528	-
Changes in proportion	645,927	1,294,847
Authority contributions subsequent to the measurement date	-	-
	<u>\$ 1,527,563</u>	<u>\$ 3,335,325</u>
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 145,166	\$ 1,026,326
Changes in assumptions	824,333	1,225,651
Net difference between projected and actual investment earnings on pension plan investments	3,500	-
Changes in proportion	755,966	1,285,859
Authority contributions subsequent to the measurement date	-	-
	<u>\$ 1,728,965</u>	<u>\$ 3,537,836</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
2022	\$ (862,034)
2023	(57,450)
2024	(57,664)
2025	(200,084)
2026	(43,308)
Thereafter	61,698
	<u>\$ (1,158,842)</u>

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 is January 1, 2017 through December 31, 2022.

O. COMMITMENTS

At December 31, 2021 and 2020, the Authority had uncompleted agreements with contractors to perform various services related to its construction projects. Commitments under contracts in process amounted to \$1,012,303 and \$153,405, at December 31, 2021 and 2020, respectively.

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NOTES TO FINANCIAL STATEMENTS

O. COMMITMENTS (CONTINUED)

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

P. COUNTY ENVIRONMENTAL HEALTH ACT (“CEHA”)

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

No funds were disbursed from the Fund in 2021 and 2020.

Q. ARBITRAGE RULES

The Authority is subject to certain arbitrage rules. Under these rules, interest earnings on certain investments of proceeds of the Authority’s bond issues are subject to the limitations imposed by the arbitrage provisions of the Internal Revenue Code. The Authority is required to rebate certain arbitrage profits on non-purpose investments at least once every five years. At December 31, 2021, there were no material arbitrage profits subject to rebate.

R. LITIGATION

On or about December 1, 2011, the Authority entered into a publicly financed renewable energy Lease Purchase Agreement with Sunlight General Mercer, LLC (“SLG”). Pursuant to that agreement, SLG retained Mastec Power Partners (“Mastec”) to construct an 8.3 MW solar renewable energy project designed to serve the Mercer County Community College (the “Project”). The Project was completed and placed into operation on October 1, 2013. The case was settled in October 2021.

S. IMPACT OF CORONAVIRUS PANDEMIC

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

Due to the impact of New Jersey Governor Murphy’s Executive Order No. 107 dated March 21, 2020, mandating statewide stay-at-home practices and closure of all non-essential retail businesses, capital projects have been put on hold and the Arena has been closed, however, the Authority’s Transfer Station has remained open and operating at almost full capacity. The Transfer

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NOTES TO FINANCIAL STATEMENTS

S. IMPACT OF CORONAVIRUS PANDEMIC (CONTINUED)

Station solid waste tonnage was 249,779 and 246,766 in 2021 and 2020, respectively. It is reasonably possible other revenues, collections on accounts receivables, and related cash flows will be adversely impacted going forward. It is unknown how long these conditions will last and what the complete financial affect will be to the Authority.

In November 2021, the Authority received a federal Shuttered Venue Operations 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.

T. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The GASB has issued Statement No. 87, "*Leases.*" This statement is required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of Statement No. 87 on the financial statements.

The GASB has issued Statement No. 91, "*Conduit Debt Obligations.*" This statement is required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of Statement No. 91 on the financial statements.

The GASB has issued Statement No. 92, "*Omnibus 2020.*" This statement clarifies the effective date of Statement No. 87 and addresses other topics that are required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of Statement No. 92 on the financial statements.

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)

	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.020657%	0.018755%	0.020954%	0.022791%	0.024099%	0.023828%	0.023847%	0.026560%
Proportionate share of the net pension liability	\$2,447,147	\$ 3,058,476	\$ 3,775,543	\$ 4,487,339	\$ 5,609,975	\$ 7,057,219	\$ 5,353,063	\$ 4,972,754
Covered-employee payroll	1,494,364	1,411,125	1,497,101	1,951,017	1,968,910	1,754,197	1,785,202	1,785,202
Proportionate share of the net pension liability as a percentage of covered payroll	163.76%	216.74%	252.19%	230.00%	284.93%	402.30%	299.86%	278.55%
Plan fiduciary net position as a percentage of the total pension liability	70.65%	58.65%	56.57%	53.60%	48.10%	40.14%	47.93%	52.08%

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

MERCER COUNTY IMPROVEMENT AUTHORITY
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SCHEDULE OF CONTRIBUTIONS (UNAUDITED)

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

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

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

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

LAST TEN YEARS

	2021	2020	2019	2018	2017	2016
Proportion of the net OPEB liability	0.029370%	0.030710%	0.026826%	0.030899%	0.032407%	0.035812%
Proportionate share of net OPEB liability	\$5,286,536	\$5,511,405	\$3,633,869	\$4,840,828	\$6,616,145	\$7,777,458
Contributions	427,044	418,015	351,247	134,798	149,367	142,579
Covered-employee payroll	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	353.76%	390.57%	242.73%	248.12%	336.03%	443.36%
Plan fiduciary net position as a percentage of the total OPEB liability	0.28%	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

OTHER SUPPLEMENTARY INFORMATION

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

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

Budget Items	Budget (Unaudited)	Actual	(Over) Under Budget
Salaries and wages	\$ 1,908,120	\$ 1,927,760	\$ (19,640)
Payroll taxes	131,000	121,067	9,933
Pension plan contribution	300,000	229,554	70,446
Health insurance	472,000	469,232	2,768
Other insurance	65,000	63,095	1,905
Professional fees	163,500	91,013	72,487
Telephone	30,000	29,139	861
Office expense	579,432	173,800	405,632
Seminars / CPEs	10,000	5,023	4,977
Automobile expenses	50,000	43,131	6,869
Rent expense	190,000	190,000	-
Transfer station costs	2,200,000	2,259,317	(59,317)
Recycling contract solid waste tires	60,000	167,725	(107,725)
Repairs and maintenance	170,000	158,926	11,074
Dues and membership fees	6,100	5,395	705
Advertising and printing	13,500	8,699	4,801
Postage and freight	5,000	790	4,210
Outside services, consultants and temp. staff	285,000	207,649	77,351
Tenant related expenses	28,700	14,336	14,364
COVID-19 expenses	-	1,269	(1,269)
Bad debt	-	1,877	(1,877)
Subtotal	6,667,352	6,168,797	498,555
Pension Plan-GASB 68 required adjustment	-	(713,042)	713,042
OPEB Plan-GASB 75 required adjustment	-	(225,978)	225,978
Total	\$ 6,667,352	\$ 5,229,777	\$ 1,437,575

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

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

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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2021

Federal Grantor/Program	Federal CFDA Number	Pass-through Entity Identifying Number (DUNS #)	Program Period	Program or Award Amount	2021 Receipts	2021 Expenditures	Subrecipient Expenditures
U.S. Small Business Administration Shuttered Venue Operators Grant (SVOG)	59.075	N/A	10/1/2020-06/30/2023 10/1/2020-06/30/2023	\$ 2,494,579 1,247,289	\$ - -	\$ - -	\$ - -
				<u>\$ 3,741,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: There was no federal single audit requirement for the year ended December 31, 2021.

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SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended December 31, 2021

State Grantor Pass-through Grantor/Program	State Account/ Grant Number	Grant Period	Program or Award Amount	Program Income	2021 Expenditures	Cumulative Expenditures
New Jersey DEP Clean Community 2020	Unknown	1/1/20-Until Complete	\$ 62,745	\$ -	\$ 11,820	\$ 62,745
New Jersey DEP Clean Community 2021	Unknown	1/1/21-Until Complete	60,734	-	22,971	22,971
Scrap Tire Management Fund Grant	Unknown	7/1/05-Until Complete	30,000	-	-	16,577
Solid Waste REA Tax Grant	2017-042-4910-100-224	(1)	250,810	-	144,327	250,810
Solid Waste REA Tax Grant	2018-042-4910-100-224	(1)	250,810	-	69,436	69,436
Solid Waste REA Tax Grant	2019-042-4910-100-224	(1)	267,300	-	-	-
Total			<u>\$ 922,399</u>	<u>\$ -</u>	<u>\$ 248,554</u>	<u>\$ 422,539</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, 2021.

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, 2021, 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 December 27, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

Report on Compliance and Other Matters

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

December 27, 2022

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.