

**PRELIMINARY OFFICIAL STATEMENT DATED JUNE 2, 2010**

**NEW ISSUES—Book-Entry-Only**

**RATINGS:** See "Rating" herein:

In the opinion of Gibbons P.C., Bond Counsel to the County, assuming continuing compliance by the County with certain tax covenants described herein, under existing law, interest on the Tax-Exempt Bonds (as defined herein) is excluded from the gross income of the owners of the Tax-Exempt Bonds for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Tax-Exempt Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. In the case of certain corporate holders of the Tax-Exempt Bonds, pursuant to the American Recovery and Reinvestment Act of 2009, interest on the Tax-Exempt Bonds will not be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Tax-Exempt Bonds in "adjusted current earnings" of certain corporations. Under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

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**COUNTY OF ESSEX**

**New Jersey**

**\$80,203,000 General Obligation Bonds, Series 2010**

**Consisting of**

**\$60,250,000 General Improvement Bonds, Series 2010A (Tax-Exempt)**

**\$3,200,000 County Vocational School Bonds, Series 2010B**

**(New Jersey School Bond Reserve Act, P.L. 1980, c.72) (Tax-Exempt)**

**\$15,576,500 County College Bonds, Series 2010C (Tax-Exempt)**

**\$1,176,500 County College Bonds, Series 2010D (County College Bonds Act, P.L. 1971, c.12) (Tax-Exempt)**  
**and**

**\$46,150,000 General Obligation Bonds, Series 2010**

**Consisting of**

**\$37,550,000 General Improvement Bonds, Series 2010E**

**(Federally Taxable - Build America Bonds - Direct Pay to Issuer)**

**and**

**\$8,600,000 County College Bonds, Series 2010F**

**(Federally Taxable - Build America Bonds - Direct Pay to Issuer)**

**Dated: Date of Delivery**

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

The \$80,203,000 General Obligation Bonds, Series 2010, consisting of \$60,250,000 General Improvement Bonds, Series 2010A (Tax-Exempt) (the "Series 2010A Bonds"), \$3,200,000 County Vocational School Bonds (New Jersey School Bond Reserve Act, P.L. 1980, c.72) (Tax-Exempt) (the "Series 2010B Bonds"), \$15,576,500 County College Bonds, Series 2010C (Tax-Exempt) (the "Series 2010C Bonds"), and \$1,176,500 County College Bonds, Series 2010D (County College Bond Act, P.L. 1971, c. 12) (Tax-Exempt) (the "Series 2010D Bonds", and together with the Series 2010A Bonds, the Series 2010B Bonds, and the Series 2010C Bonds, the "Tax-Exempt Bonds"), and \$46,150,000 General Obligation Bonds, Series 2010, consisting of \$37,550,000 General Improvement Bonds, Series 2010E (Federally Taxable - Build America Bonds - Direct Pay to Issuer) (the "Series 2010E Bonds") and \$8,600,000 County College Bonds, Series 2010F (Federally Taxable - Build America Bonds - Direct Pay to Issuer) (the "Series 2010F Bonds", and together with the Series 2010E Bonds, the "Taxable Bonds") (the Tax-Exempt Bonds and the Taxable Bonds shall collectively be referred to herein as the "Bonds"), are being issued by the County as one fully registered bond for each maturity for each series of Bonds in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of beneficial ownership interests in the Bonds will be made in book-entry form (without certificates) on the records of DTC and DTC Participants in the principal amount of \$5,000 or any integral multiple thereof (except for two odd pieces in excess of \$5,000). Beneficial owners of the Bonds will not receive certificates representing their ownership interests in the Bonds. As long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references in this Official Statement to the registered owner shall mean Cede & Co., and not the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds will be dated the date of delivery and will mature on August 1 in the years and in the principal amounts set forth on the inside front cover hereof. Interest on the Bonds is payable semi-annually on February 1, 2011 and on each August 1 and February 1 thereafter until maturity to the registered owners of the Bonds, as of the next preceding January 15 and July 15. As long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, the principal of and interest on the Bonds are payable by the County to Cede & Co., as nominee for DTC which is obligated to remit such principal, redemption premium, if any, and interest to DTC Participants, as defined herein. DTC Participants and Indirect Participants, as defined herein, will be responsible for remitting such payments to the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are subject to redemption prior to maturity as set forth herein.

The Bonds constitute valid and binding general obligations of the County for the payment of which the County is obligated to levy ad valorem taxes on all taxable property in the County, without limitation as to rate or amount.

**FOR MATURITY SCHEDULES, SEE INSIDE COVER HEREOF**

The Bonds are offered for sale upon the terms of the respective notices of sale and subject to the final approving legal opinion of Gibbons P.C., Newark, New Jersey, Bond Counsel to the County, and certain other conditions described herein. It is anticipated that the Bonds will be available for delivery to DTC on or about June 23, 2010, in New York, New York, or at such other place and time as may be agreed to by the County.

**ELECTRONIC BIDS VIA BIDCOMP/PARITY WILL BE RECEIVED FOR THE BONDS  
UNTIL 11:00 A.M. ON JUNE 10, 2010**

**All proposals must be in accordance with the respective Notices of Sale.**

**COUNTY OF ESSEX  
STATE OF NEW JERSEY**

**\$60,250,000 GENERAL IMPROVEMENT BONDS, SERIES 2010A (TAX-EXEMPT)**

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2011	\$ 175,000			2019	\$ 4,255,000		
2012	1,630,000			2020	4,070,000		
2013	2,290,000			2021	3,975,000		
2014	4,980,000			2022	4,725,000		
2015	4,450,000			2023	15,200,000		
2016	4,405,000			2024	265,000		
2017	4,365,000			2025	275,000		
2018	5,190,000						

**\$3,200,000 COUNTY VOCATIONAL SCHOOL BONDS, SERIES 2010B  
(NEW JERSEY SCHOOL BOND RESERVE ACT, P.L. 1980, c.72) (TAX-EXEMPT)**

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2011	\$175,000			2019	\$215,000		
2012	185,000			2020	220,000		
2013	185,000			2021	230,000		
2014	190,000			2022	235,000		
2015	195,000			2023	245,000		
2016	195,000			2024	255,000		
2017	200,000			2025	265,000		
2018	210,000						

**\$15,576,500 COUNTY COLLEGE BONDS, SERIES 2010C (TAX-EXEMPT)**

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2011	\$ 61,500			2019	\$1,550,000		
2012	275,000			2020	1,480,000		
2013	835,000			2021	1,305,000		
2014	840,000			2022	795,000		
2015	1,625,000			2023	2,550,000		
2016	1,600,000			2024	95,000		
2017	1,590,000			2025	100,000		
2018	875,000						

**\$1,176,500 COUNTY COLLEGE BONDS, SERIES 2010D  
(COUNTY COLLEGE BONDS ACT, P.L. 1971, c. 12) (TAX-EXEMPT)**

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2011	\$ 61,500			2019	\$ 80,000		
2012	65,000			2020	80,000		
2013	70,000			2021	85,000		
2014	70,000			2022	90,000		
2015	70,000			2023	90,000		
2016	70,000			2024	95,000		
2017	75,000			2025	100,000		
2018	75,000						

**\$37,550,000 GENERAL IMPROVEMENT BONDS, SERIES 2010E  
(FEDERALLY TAXABLE - BUILD AMERICA BONDS - DIRECT PAY TO ISSUER)**

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2023	\$ 3,380,000		
2024	16,070,000		
2025	18,100,000		

**\$8,600,000 COUNTY COLLEGE BONDS, SERIES 2010F  
(FEDERALLY TAXABLE - BUILD AMERICA BONDS - DIRECT PAY TO ISSUER)**

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2023	\$ 510,000		
2024	5,135,000		
2025	2,955,000		

**COUNTY OF ESSEX, NEW JERSEY**

**COUNTY EXECUTIVE**

Joseph N. DiVincenzo, Jr.

**BOARD OF CHOSEN FREEHOLDERS**

<u>Freeholder</u>	<u>Title</u>	<u>Term Expires</u>
Blonnie R. Watson	President	December 31, 2011
Ralph R. Caputo	Vice President	December 31, 2011
D. Bilal Beasley	Freeholder	December 31, 2011
Linda Lordi Cavanaugh	Freeholder	December 31, 2011
Carol Y. Clark	Freeholder	December 31, 2011
Samuel Gonzalez	Freeholder	December 31, 2011
Rufus I. Johnson	Freeholder	December 31, 2011
Donald M. Payne, Jr.	Freeholder	December 31, 2011
Patricia Sebold	Freeholder	December 31, 2011

**CLERK OF THE BOARD OF CHOSEN FREEHOLDERS**

Deborah Davis Ford

**COUNTY ADMINISTRATOR**

Joyce Wilson Harley, Esq.

**COUNTY TREASURER**

Paul J. Hopkins II

**CHIEF FINANCIAL OFFICER**

Anthony Abbaleo

**COUNTY COUNSEL**

James R. Paganelli, Esq.

**INDEPENDENT AUDITOR**

Samuel Klein and Company  
Certified Public Accountants  
Newark, New Jersey

**FINANCIAL ADVISOR**

Acacia Financial Group, Inc.  
Marlton, New Jersey

**BOND COUNSEL**

Gibbons P.C.  
Newark, New Jersey

No dealer, broker, salesperson or other person has been authorized by the County of Essex, New Jersey (the "County") or the underwriters to give any information, or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds referred to herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information which is set forth herein has been provided by the County and by other sources, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the County. References in this Official Statement to statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Copies of such above-mentioned documents may be inspected at the offices of the County during normal business hours. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The order and the placement of materials in this Official Statement, including the Appendices, are not deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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# **OFFICIAL STATEMENT**

**OF**

**COUNTY OF ESSEX,  
NEW JERSEY**

**RELATING TO**

**\$80,203,000 General Obligation Bonds, Series 2010**

**Consisting of**

**\$60,250,000 General Improvement Bonds, Series 2010A (Tax-Exempt)**

**\$3,200,000 County Vocational School Bonds, Series 2010B**

**(New Jersey School Bond Reserve Act, P.L. 1980, c.72) (Tax-Exempt)**

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(Tax-Exempt)**

**and**

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**Consisting of**

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**and**

**\$8,600,000 County College Bonds, Series 2010F**

**(Federally Taxable - Build America Bonds - Direct Pay to Issuer)**

## **INTRODUCTORY STATEMENT**

This Official Statement, which includes the cover page hereof and the Appendices attached hereto, is furnished by the County of Essex (the "County"), a public body corporate and politic of the State of New Jersey (the "State") to provide certain information relating to the County and its \$80,203,000 General Obligation Bonds, Series 2010, dated the date of delivery, consisting of \$60,250,000 General Improvement Bonds, Series 2010A (Tax-Exempt) (the "Series 2010A Bonds"), \$3,200,000 County Vocational School Bonds (New Jersey School Bond Reserve Act, P.L. 1980, c.72) (Tax-Exempt) (the "Series 2010B Bonds"), \$15,576,500 County College Bonds, Series 2010C (Tax-Exempt) (the "Series 2010C Bonds"), and \$1,176,500 County College Bonds, Series 2010D (County College Bond Act, P.L. 1971, c. 12) (Tax-Exempt) (the "Series 2010D Bonds", and together with the Series 2010A Bonds, the Series 2010B Bonds, and the Series 2010C Bonds, the "Tax-Exempt Bonds"), and \$46,150,000 General Obligation Bonds, Series 2010, dated the date of delivery, consisting of \$37,550,000 General Improvement Bonds, Series 2010E (Federally Taxable - Build America Bonds - Direct Pay to Issuer) (the "Series 2010E Bonds") and \$8,600,000 County College Bonds, Series 2010F (Federally Taxable - Build America Bonds - Direct Pay to Issuer) (the "Series 2010F Bonds", and together with the Series 2010E Bonds, the "Taxable Bonds") (the Tax-Exempt Bonds and the Taxable Bonds shall collectively be referred to herein as the "Bonds"), including a general description of the Bonds, the purposes of the issue, a summary of borrowing procedures, certain matters affecting the

financing, certain legal matters, historical financial and economic information relating to the County and other information pertinent to the Bonds. This Official Statement should be read in its entirety in order to make an informed investment decision.

All financial and other information presented herein has been provided by the County from its records except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the County. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument. This Official Statement should be read in its entirety in order to make an informed investment decision.

## **DESCRIPTION OF THE BONDS**

### **General Description of the Bonds**

The Bonds will be dated the date of delivery and are scheduled to mature, subject to prior redemption, on August 1 in the years and in the principal amounts set forth on the inside cover page hereof. The Bonds will bear interest from their date payable by check or draft semiannually on February 1 and August 1 of each year until their respective maturities, commencing February 1, 2011, at the interest rates per annum set forth on the inside cover page hereof.

### **Designation of the Taxable Bonds as “Build America Bonds”**

The County intends to make an irrevocable election to treat the Taxable Bonds as “Build America Bonds” under Section 54AA of the Internal Revenue Code of 1986, as amended (the “Code”) for which it will receive, pursuant to Sections 54AA(g) and 6431 of the Code, a cash subsidy payment from the United States Treasury equal to 35% of the interest payable to the County on Build America Bonds. It is expected that any cash subsidy payments received will be deposited, upon receipt, to the credit of the County.

### **Optional Redemption of the Bonds**

The Bonds maturing on or prior to August 1, 2020 shall not be subject to redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 2021 shall be subject to redemption prior to their respective maturity dates, on or after August 1, 2020 at the option of the County, either in whole or in part at any time in any order of maturity at par and accrued interest thereon to the date of redemption.

### **Extraordinary Optional Redemption for the Taxable Bonds**

The Taxable Bonds shall be subject to redemption prior to their stated maturity dates, in whole or in part on any date, in any order of maturity, at the option of the County, upon the



occurrences of an Extraordinary Event, as defined below, at a redemption price (the “Extraordinary Optional Redemption Price”) equal to the greater of:

(1) the issue price set forth on the inside cover page of the Official Statement (but not less than 100%) of the principal amount of such Taxable Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Taxable Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable Bonds are to be redeemed, discounted to the date on which such Taxable Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, described below, plus 100 basis points; plus, in each case, accrued interest on such Taxable Bonds to be redeemed to the date fixed for redemption.

An “Extraordinary Event” will have occurred if the County determines that a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to “Build America Bonds”) or there is any guidance published by the Internal Revenue Service or the United States Department of the Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Department of the Treasury, which determination is not the result of an act or omission by the County to satisfy the requirements to qualify to receive the 35% cash subsidy payment from the United States Department of the Treasury, pursuant to which the County’s 35% cash subsidy payment from the United States Department of the Treasury is reduced or eliminated.

“Treasury Rate” means, with respect to any redemption date for a particular Taxable Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least 2 business days, but no more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities )(or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Taxable Bonds to be redeemed; provided, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

### **Notice of Redemption**

Notice of Redemption shall be given by publishing such notice once a week for two (2) successive weeks in a newspaper of general circulation that carries financial news, is printed in the English language and is customarily published on each business day in the State of New York, the first of such publications to be at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. A Notice of Redemption shall also be mailed by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the

County or a duly appointed bond registrar. However, so long as The Depository Trust Company, New York, New York (“DTC”) (or any successor thereto) acts as Securities Depository for the Bonds, Notices of Redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds, nor shall the notice be published as provided herein and will be done in accordance with DTC procedures. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the County determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by the County by lot if Tax-Exempt Bonds and on a pro rata basis if Taxable Bonds. However, in the case of the Taxable Bonds, the County can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners on such a proportional basis. If Notice of Redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

### **Denomination and Place of Payment**

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for DTC. DTC will act as securities depository for the Bonds (the “Securities Depository”). Purchases of beneficial interest in the Bonds will be made in book-entry only form (without certificates), in denominations of \$5,000 or any integral multiple thereof (except for two odd pieces in excess of \$5,000) through book entries made on the books and records of DTC and its participants.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made directly by the County as Paying Agent, or some other paying agent as may be designated by the County, to Cede & Co. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants. See “BOOK-ENTRY ONLY SYSTEM” herein.

### **AUTHORIZATION FOR THE BONDS**

The Bonds have been authorized and are to be issued pursuant to the laws of the State, including the Local Bond Law constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the Local Bond Law”) and where appropriate, Title 18A, Education, of the New Jersey Statutes, various bond ordinances and a certificate of the County Executive dated June 10, 2010 providing for the form and details of the Bonds. The bond ordinances included in the sale of the Bonds were published in full or in summary form after their adoption along with the statement that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale, execution or delivery of the Bonds of the County.

## **PURPOSE OF BONDS**

The Bonds are being issued to provide funds for various capital improvements approved by the governing body of and deemed necessary for the County, inclusive of various improvements to the Essex County College and Essex County Vocational School, and various road, bridge, park and building improvements.

## **SECURITY FOR THE BONDS**

The Bonds will be general obligations of the County. All of the taxable property within the County is subject to the levy of ad valorem taxes, without limitation as to rate or amount, to pay the principal of and interest on the Bonds. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditor's rights or remedies heretofore or hereafter enacted.

### **Additional Security for the Series 2010B Bonds**

The Series 2010B Bonds will be secured by the School Bond Reserve ("School Bond Reserve") established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") and in accordance with the New Jersey School Bond Reserve Act, P.L. 1980, c. 72, approved July 16, 1980 (the "School Bond Reserve Act" and codified at N.J.S.A. 18A:56-17 *et seq.*). The School Bond Reserve shall consist of two accounts, the old school bond reserve account and the new school bond reserve account. The old school bond reserve account shall be funded in an amount equal to at least one and one-half (1 1/2 %) per cent of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes for all such indebtedness issued prior to July 1, 2003, exclusive of bonds the debt service for which is provided by the State, provided such amounts do not exceed the moneys available in the old school bond reserve account. The new school bond reserve account shall be funded in an amount equal to at least one (1%) per cent of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes for all such indebtedness issued on and after July 1, 2003, exclusive of bonds the debt service for which is provided by State appropriations.

The School Bond Reserve Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States Government or obligations guaranteed by the full faith and credit of the United States Government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. The trustees of the Fund are to determine, on or before September 15 of each year the aggregate amount of school purpose bonds issued and outstanding and to maintain the old school bond reserve account and the new school bond reserve account for the ensuing year at appropriate levels based upon market valuation of the obligations invested. The funds that are set aside in the old school bond reserve account constitute a reserve for the prompt payment to holders of bonds issued for school purposes by counties, municipalities or school districts of the principal of and interest of bonds issued prior to July 1, 2003 for school purposes in the event of the inability of the issuer to make payments. The funds that are set aside

in the new school bond reserve account constitute a reserve for the prompt payment to holders of bonds issued for school purposes by counties, municipalities or school districts of the principal of and interest of bonds issued on and after July 1, 2003 for school purposes in the event of the inability of the issuer to make payments. In the event that the amount held in the old school bond reserve account exceeds the amount required to be held pursuant to the School Bond Reserve Act, the excess may be transferred by the State Treasurer to the new school bond reserve account. In the event that the amounts in either the old school bond reserve account or the new school bond reserve account fall below the amount required to make payments on bonds, the amounts in both the old school bond reserve account and new school bond reserve account shall be available to make payments for bonds secured by the reserve.

Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the old school bond reserve account and the new school bond reserve account as required pursuant to the School Bond Reserve Act. To the extent moneys available under the N.J.S.A. 18A:56-1 *et. seq.* are insufficient to maintain each of the old school bond reserve account and the new school bond reserve account at the required levels, the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the old school bond reserve account and the new school bond reserve account at the levels required pursuant to the School Bond Reserve Act. No money may be borrowed from the Fund to provide liquidity to the State unless the one and one-half (1 1/2%) per cent and one (1%) per cent accounts are at the levels certified as full funding on the most recent June 30 calculation date.

If a municipality, county or school district is unable to meet payment of principal of or interest on any of its bonds issued for school purposes, the trustee of the Fund will purchase such bonds at par value or will pay to the bondholders the interest due or to become due within the limit of funds available in the School Bond Reserve in accordance with the provisions of the School Bond Reserve Act.

#### **Additional Security for the Series 2010D Bonds**

The Series 2010D Bonds are entitled to the benefits of the provisions of the County College Bond Act, P.L. 1971, c.12 (N.J.S.A. 18A:64A-22.1 *et seq.*) (the "County College Bond Act"). Under the provisions of the Act, the State shall appropriate and pay annually on behalf of the County an amount equal to the amount of principal and interest due on the Series 2010D Bonds. The amount paid by the state pursuant to the Act are paid directly to the paying agent for the Series 2010D Bonds and therefore must be used for the payment of the principal of and interest on the Series 2010D Bonds. Any obligations issued by the County that are entitled to the benefits of the provisions of the County College Bond Act are not debts or liabilities of the State, but are dependent for repayment upon appropriations by law from time to time.

## **BOOK-ENTRY ONLY SYSTEM**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity for each series of the Bonds and will be deposited with DTC.

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may

be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer (i.e., the County) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the DTC participants.

**The County will not have any responsibility or obligation to the Direct Participants, the Indirect Participants or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (2) the payment by any DTC Direct Participant of any amount due to any Indirect Participant or Beneficial Owner with respect to the principal of or interest on the Bonds; (3) the delivery by any Direct Participant of any notice to any Indirect Participant or Beneficial Owner which is required or permitted under the terms of the Bonds to be given to owners of the Bonds; or (4) any consent given or other action taken by DTC as holder of the Bonds.**

## **SUMMARIES OF CERTAIN PROVISIONS OF THE LOCAL BUDGET LAW AND THE LOCAL FISCAL AFFAIRS LAW**

### **Local Budget Law (N.J.S.A. 40A:4-1 et seq.)**

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt an operating budget in the form required by the Division of Local Government Services (the "Division"), Department of Community Affairs, State of New Jersey. Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division (the "Director") prior to final adoption. The Local Budget Law requires each local governmental unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations. The Director has no authority over individual operating appropriations unless a specific amount is required by law, but the review, focusing on anticipated revenues, functions to protect the solvency of all local governmental units. The cash basis budgets of local governmental units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local governmental unit's expenditures exceed its realized revenues for that year, then such deficiency must be raised in the next succeeding year's budget.

### **Limitation on Tax Levy/Appropriations**

Chapter 68 of the Pamphlet Laws of 1976 (N.J.S.A. 40A:4-45.1, et seq.), as amended and supplemented (the "CAP law"), imposes restrictions which limit the allowable increase in the County's tax levy/appropriations over the previous year's tax levy/appropriations to the lesser of 2.5% or the increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services as published by the United States Department of Commerce (the "Cost-of-Living Adjustment"). If the Cost-of-Living Adjustment is equal to or less than 2.5%, an increase up to 3.5% will be permitted upon adoption by the County of a resolution after public notice and

a public hearing. This limitation does not apply to: (i) all debt service payments; (ii) the amount of revenue generated by the increase in valuations within the County based solely on applying the preceding year's County tax rate to the apportionment valuation of new construction or improvements within the County and such increase shall be levied in direct proportion to said valuation; (iii) capital expenditures funded by any source; (iv) an increase involving certain defined categories of emergency temporary appropriations as approved by the New Jersey Local Finance Board (the "LFB") in certain cases; (v) amounts required to be paid pursuant to any contract between the County and any political subdivision or public body in connection with the provision and/or financing of projects for certain public purposes such as water, sewer, solid waste, parking, senior citizens' housing (subject to the review and approval of the LFB) or any similar purpose; or (vi) that portion of the County tax levy which represents funding to participate in any federal or State aid program and amounts received or to be received from federal, State or other funds in reimbursement for local expenditures.

Additionally, new legislation constituting P.L. 2007, c.62, effective April 3, 2007, imposes a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost state aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%. The LFB may approve waivers for certain extraordinary costs identified by statute, and voters may approve increases over 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

The CAP law does not place any limitation on the tax levy/appropriations for debt service payable by the County.

## **Real Estate Taxes**

There is currently no law in New Jersey which limits the amount of taxes or rate of taxation which may be levied by the County directly, but the amount of County taxes required to be raised are apportioned among the municipalities within the County by the County's Board of Taxation. The County's Board of Taxation fixes and determines the tax rate to be levied by each of the twenty-two municipalities in the County, which rate includes the amount required for County, local and regional school district, and municipal purposes.

Current property taxes are collected by the tax collectors of the municipalities within the County. Each municipality is required to pay to the County's Treasurer its share of the County property tax on the fifteenth (15th) days of February, May, August and November of each year, and if need be, to borrow money to make such payments, as provided by New Jersey law. In the case of added or omitted taxes for County purposes, a municipality has until February 15 of the next following fiscal year to pay in full such added or omitted taxes. Consequently, counties in the State experience 100% tax collection.



## **Miscellaneous Revenues**

Section 26 of the Local Budget Law provides that: “No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director (the “Director”) of the Division of Local Government Services (the “Division”) in the New Jersey Department of Community Affairs shall determine, upon application by the local governmental unit’s governing body, that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local governmental unit”.

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof, with the exception of inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal year for such grants rarely coincides with a local governmental unit’s fiscal year. Grant revenue is generally not realized until received in cash. In addition, the Director may approve the insertion of any special item of revenue in the budget of a local governmental unit when such item has been made available by any private or public funding source and may further approve an offsetting appropriation item.

## **Deferral of Current Expenses**

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of a local governmental unit. With minor exceptions, however, such appropriations must be included in full in the following year’s budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects such as ice, snow, and flood damage to streets, roads and bridges which may be amortized over three years; tax map preparation, revision of ordinances, and master plan preparation which may be amortized over five years maximum.

## **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval by the local governmental unit.

## **Capital Budget**

In accordance with the Local Budget Law, each local governmental unit shall revise annually a one to a six-year capital program budget. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local governmental unit may contemplate over the next one to six years.

## **Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)**

The Local Fiscal Affairs Law regulates the nonbudgetary financial activities of local governmental units. An annual independent audit of the local governmental unit's accounts for the previous year must be performed by a New Jersey licensed Registered Municipal Accountant. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvement of a local governmental unit's financial procedures and must be filed with the Director within six months after the close of its fiscal year. A synopsis of the Audit Report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion. The entire annual audit report is on file with the County's Treasurer and is available for review during business hours.

The chief financial officer of every local governmental unit also must file annually with the Director a verified statement of the financial condition (the "Annual Financial Statement") of a local governmental unit as of the close of the fiscal year. The Annual Financial Statement of the County is on file with the County's Treasurer and is available for review during business hours.

In addition, the chief financial officer of every local governmental unit must also file annually with the Director an Annual Debt Statement which is amended for each new authorization of debt by type and amount. The Annual Debt Statement, with amendments, is on file with the County's Treasurer and is available for review during business hours.

Each local governmental unit must adopt a cash management plan and is to deposit its funds pursuant to that plan. The cash management plan designates a depository or depositories or may provide that deposits may be made with the State of New Jersey Cash Management Fund. The cash management plan is subject to an annual audit and may be modified from time-to-time to reflect changes in federal or State law or regulations.

## **FINANCIAL OPERATIONS**

### **Basis of Accounting**

The accounting policies of the County conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. The following is a summary of the applicable significant accounting policies:

**Basis of Accounting** - A modified accrual basis of accounting is followed, with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from the State of New Jersey. Expenditures are recorded on the accrual basis. Appropriation reserves covering unexpended appropriation balances are automatically created on December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred or entered into during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Fixed Assets - Property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

### **Current Fund**

The County finances its operations primarily through the Current Fund. All tax receipts and most revenues are paid into the Current Fund and substantially all expenditures made by appropriations are paid from the Current Fund. The County operates on a January 1 to December 31 fiscal year.

### **General Expenditures**

Expenditures are comprised of those made for general County purposes, certain expenditures made from restricted federal, State and private grants, certain federal or State mandated expenditures, deferred charges, debt service and capital improvements. Budgeted expenditures for general County purposes include payments made primarily in support of the County's various departments.

## **PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT**

### **Local Bond Law (N.J.S.A. 40A:2-1 et seq.)**

The Local Bond Law governs the issuance of bonds and notes to finance certain general capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of expenditures for capital purposes.

### **Statutory Debt Limit**

The authorized indebtedness of a county is limited by statute, subject to certain exceptions, to an amount equal to 2.00% of its State average equalized valuation basis. The State average equalized valuation basis of a local governmental unit is set by statute as the average for the last three immediately preceding years of the equalized value of all taxable real property and improvements thereon, and certain Class II railroad property within its boundaries as annually determined by the State Board of Taxation. Certain categories of debt, including: (i) indebtedness incurred for school purposes, self-liquidating purposes, and certain other purposes authorized by law; (ii) certain guaranteed indebtedness; and (iii) indebtedness for which there are funds on hand or accounts receivable from the federal government, the State of New Jersey or a public instrumentality thereof applicable to the payment thereof are permitted to be deducted for purposes of computing the statutory net debt limitation of a local governmental unit.

## **Exceptions to Statutory Debt Limit**

The debt limit of a local governmental unit may be exceeded with the approval of the LFB. If all or any part of a proposed debt authorization is to exceed a local governmental unit's debt limit, a local governmental unit must apply to the LFB for an extension of credit. If the LFB determines that a proposed debt authorization would not materially impair the ability of a local governmental unit to meet its obligations or to provide essential services, or makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the statutory debt limit may be issued to fund certain notes for self-liquidating purposes and, in each fiscal year in an amount not exceeding two-thirds of the amount budgeted in such fiscal year, for the retirement of outstanding obligations (exclusive of obligations issued for utility and assessment purposes).

## **Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)**

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system, amounts owing to others for taxes levied and for paying the cost of issuance of refunding bonds. A form of refunding bonds, known as fiscal year adjustment bonds, may be issued for the purpose of assuring against adopting a budget which sets forth a deficit. The LFB must consent to the authorization for the issuance of refunding bonds and approve the maturity schedule thereof.

## **SHORT TERM FINANCING**

### **Bond Anticipation Notes (N.J.S.A. 40A:2-8.1)**

A local governmental unit, in anticipation of the issuance of bonds, may borrow money and issue negotiable notes if the bond ordinance or a subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local governmental unit's bond anticipation notes may be issued for a one year period and may be renewed from time to time for additional one year periods. Generally, such notes, including renewals shall mature not later than the tenth (10th) anniversary of the original issuance of the notes; provided, however, that no bond anticipation notes are to be renewed beyond the third anniversary date of the original notes unless on or prior to said third anniversary date, such notes are paid or retired in an amount at least equal to the first legally payable installment of the bonds in anticipation of which the notes were issued from funds other than the proceeds of obligations, except that such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes.

## **Tax Anticipation Notes (N.J.S.A. 40A:4-64)**

The issuance of tax anticipation notes by a county is limited in amount by law to collectively 30% of the tax levy plus 30% of realized miscellaneous revenues of the next preceding fiscal year and must be paid in full by a county by June 30 of the next succeeding fiscal year.

## **LEGALITY FOR INVESTMENT**

The State and all public officers, municipalities, counties, political subdivisions and public bodies and agencies thereof, all banks, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies and other persons carrying on banking business, all insurance companies and all executors, administrators, guardians, trustees and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds of the County including the Bonds, and such Bonds are authorized security for any and all public deposits.

## **MUNICIPAL BANKRUPTCY**

The rights and remedies of the registered owners of the Bonds are limited by and are subject to the provisions of Chapter 9 of the Federal Bankruptcy Code of the United States (the "Bankruptcy Code"). In general, Chapter 9 permits, under prescribed circumstances but only after an authorization by an applicable state legislature or by a governmental officer or organization empowered by state law to give such authorization, a political subdivision of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature and desires to effect a plan to adjust its debts.

The State of New Jersey has authorized political subdivisions in the State to file such petitions for relief under the Bankruptcy Code pursuant to and subject to Article 8 of the New Jersey Municipal Finance Commission Act. This law provides that such petitions may not be filed without the prior approval of the LFB and that no plan of readjustment of the political subdivision's debts may be filed or accepted by the petitioner without express authority from the LFB to do so.

The above references to the Bankruptcy Code are not to be construed as an indication that the County expects to resort to the provisions of such Bankruptcy Code or that, if it did, such action would be approved by the LFB, or that any proposed plan would include a dilution of the source of payment of and security for the Bonds.

## **LITIGATION**

To the knowledge of the County and the County Counsel, James R. Paganelli, Esq., there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or delivery by the County of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings of

the County for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the County or the title of any of its present officers. Moreover, to the knowledge of the County and County Counsel, no litigation is presently pending or threatened that, in the opinion of the County and County Counsel, would have a material adverse effect on the financial condition of the County if adversely decided. There exist the usual matters of litigation pending against the County, such as workers' compensation claims, civil rights claims and tort claims (which are covered or appear to be covered in whole or in part by self-insurance), administrative actions and similar matters, none of which, in the view of the County and County Counsel, would appear to have a material adverse effect, if any, upon the County's financial position if adversely decided.

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters relating to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Gibbons P.C., Newark, New Jersey, Bond Counsel to the County, whose approving opinions, substantially in the forms of Appendix E hereto, will be delivered with the Bonds. Certain legal matters will be passed upon for the County by James R. Paganelli, Esq., County Counsel.

### **TAX MATTERS**

#### **Tax-Exempt Bonds**

#### **Exclusion of Interest on the Tax-Exempt Bonds from Gross Income for Federal Income Tax Purposes**

The Code imposes certain requirements which must be met on a continuing basis subsequent to the issuance of the Tax-Exempt Bonds in order to assure that interest on the Tax-Exempt Bonds will be excluded from gross income for purposes of Federal income taxation under Section 103 of the Code. Failure of the County to comply with such requirements may cause interest on the Tax-Exempt Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of the issuance of the Tax-Exempt Bonds. The County has covenanted to comply with the provisions of the Code applicable to the Tax-Exempt Bonds and has covenanted not to take any action or permit any action that would cause the interest on the Tax-Exempt Bonds to be included in gross income under Section 103 of the Code or cause interest on the Tax-Exempt Bonds to be treated as an item of tax preference under Section 57 of the Code.

Assuming the County observes its covenants with respect to continuing compliance with the Code, Gibbons P.C., Bond Counsel to the County, is of the opinion that, under existing law, interest on the Tax-Exempt Bonds is excluded from the gross income of the owners of the Tax-Exempt Bonds for Federal income tax purposes pursuant to Section 103 of the Code and interest on the Tax-Exempt Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

## **Additional Federal Income Tax Consequences**

In the case of certain corporate holders of the Tax-Exempt Bonds, pursuant to the American Recovery and Reinvestment Act of 2009, interest on the Tax-Exempt Bonds will not be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Tax-Exempt Bonds in “adjusted current earnings” of certain corporations.

Prospective purchasers of the Tax-Exempt Bonds should be aware that ownership of, accrual of, receipt of, interest on, or disposition of, tax-exempt obligations, such as the Tax-Exempt Bonds, may have additional Federal income tax consequences for certain taxpayers, including without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any Federal tax consequences other than its opinion with regard to the exclusion of interest on the Tax-Exempt Bonds from gross income pursuant to Section 103 of the Code and interest on the Tax-Exempt Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Tax-Exempt Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Tax-Exempt Bonds.

## **State Taxation**

Bond Counsel is of the opinion that, under existing law, interest on the Tax-Exempt Bonds and net gains from the sale of the Tax-Exempt Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

## **Miscellaneous**

Amendments to federal and state tax laws are proposed from time to time and could be enacted, and court decisions and administrative interpretations may be rendered, in the future. There can be no assurance that any such future amendments or actions will not adversely affect the value of the Tax-Exempt Bonds, the exclusion of interest on the Tax-Exempt Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Tax-Exempt Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

**THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF THE TAX-EXEMPT BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE TAX-EXEMPT BONDS.**

## **Taxable Bonds**

### **Federal Tax Matters**

#### *General*

The following discussion is a summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of the Taxable Bonds by original purchasers of the Taxable Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue ruling and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Taxable Bonds will be held as “capital assets” under the Code, and it does not discuss all of the United States federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Bonds as a position in a “hedge” or “straddle” for United States federal income tax purposes, or holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar. Each prospective purchaser of the Taxable Bonds should consult with its own tax advisor concerning the United States federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a Taxable Bond that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

#### *U.S. Holders - Interest Income*

Interest on the Taxable Bonds is not excludable from gross income under Section 103 of the Code for federal income tax purposes.

#### *U.S. Holders - Disposition of Taxable Bonds*

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U. S. Holder’s adjusted tax basis in the Taxable Bonds. A U.S. Holder’s adjusted tax basis in a Taxable Bond generally will equal such U.S. Holder’s initial investment in the Taxable Bonds, decreased by the amount of any payments, other than qualified stated interest payments, received. Such gain or loss generally will be long-term capital gain or loss if the Taxable Bonds was held for more than one year.



### *U.S. Holders - Defeasance*

U.S. Holders of the Taxable Bonds should be aware that, for federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer outstanding under the ordinances (a “defeasance”), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for federal income tax purposes, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Taxable Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for federal income tax purposes, and for state and local tax purposes.

### *U.S. Holders - Backup Withholding and Information Reporting*

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest, and the proceeds of the sale of a Taxable Bond before maturity within the United States. Backup withholding (currently at a rate of 28%) will apply to such payments unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States federal income tax returns.

Any Amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States federal income tax provided the required information is furnished to the Internal Revenue Service.

### *IRS Circular 230 Disclosure*

To ensure compliance with requirements imposed by the Internal Revenue Service, Bond Counsel informs you that (i) any United States federal tax advice related to the Taxable Bonds and contained in this Official Statement (including any attachments) is not intended or written by Bond Counsel to be used, and that it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under the Code; (ii) such advice is written to support the promotion or marketing of the transaction(s) or matter(s) addressed by the written advice; and (ii) the taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

### **State Taxation**

Bond Counsel is of the opinion that, under existing law, interest on the Taxable Bonds and net gains from the sale of the Taxable Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

EACH PURCHASER OF THE TAXABLE BONDS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

## **RATING**

Moody's Investors Service, Inc. ("Moody's") has assigned a municipal bond rating of "\_\_\_" to the Bonds. Such credit rating reflect only the views of such rating organization, and an explanation of the significance of this credit rating may be obtained from Moody's. Generally, a rating agency bases its rating on the information and documents furnished to it, and on investigations, studies and assumptions of its own. The rating expresses only the views of Moody's and there is no assurance that the credit rating will continue for any period of time or that the credit rating will not be lowered or withdrawn entirely if, in the judgment of the rating agency furnishing such rating, circumstances so warrant. Any such downward revision or withdrawal of the credit rating may have an adverse effect on the market price of the Bonds. Neither the County nor the underwriters has undertaken the responsibility to take any action with regard to possible credit rating changes or to bring any such changes to the attention of the owners of the Bonds.

## **PREPARATION OF OFFICIAL STATEMENT**

This Official Statement has been prepared under the auspices of the County. Except for certain statistical and financial information in Appendix A hereto and the information and statements with regard to DTC, which has been obtained from sources which the County considers to be reliable but for which the County makes no warranty, guaranty or other representation with respect to the accuracy or completeness of such information, in the opinion of the County the descriptions and statements herein are true and correct in all material respects.

Samuel Klein and Company, the County's Independent Auditor, has not assisted in the preparation of any information contained in this Official Statement, but takes responsibility for the audited financial statements of the County set forth in Appendix B hereto to the extent specified in its related Independent Auditor's Report set forth in Appendix B hereto.

Gibbons P.C., and James R. Paganelli, Esq., County Counsel, have not participated in the preparation of the financial or statistical information contained in this Official Statement, and Appendices A and B hereto, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, express no opinion with respect thereto.

## **FINANCIAL ADVISOR**

Acacia Financial Group, Inc., of Marlton, New Jersey, served as financial advisor to the County with respect to the sale of the Bonds. The financial advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Bonds and provided other advice. Acacia Financial Group, Inc. is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

## **SECONDARY MARKET DISCLOSURE**

The Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the “Securities Exchange Act”) has adopted amendments to its Rule 15c2-12 (“Rule 15c2-12”) effective July 3, 1995 which generally prohibits a broker, dealer, or municipal securities dealer (“Participating Underwriter”) from purchasing or selling municipal securities, such as the Bonds, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to various information repositories (the “Continuing Disclosure Requirements”).

On the date of delivery of the Bonds, the County will enter into a Continuing Disclosure Certificate (“the Continuing Disclosure Certificate”) containing the Continuing Disclosure Requirements for the benefit of the beneficial holders of the Bonds pursuant to which the County will agree to comply on a continuing basis with the Continuing Disclosure Requirements of Rule 15c2-12. Specifically, the County will covenant for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the County by not later than October 1 of each Fiscal Year of the County, commencing with the first Fiscal Year of the County ending after January 1, 2010 (which is currently scheduled to end on December 31, 2010) (the “Annual Report”), and for the benefit of the holders and beneficial owners of the Bonds to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the County with the Municipal Securities Rulemaking Board (the “MSRB”). The notices of material events will be filed by the County with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in “Appendix C - Forms of Continuing Disclosure Certificates”. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

The County has never failed to comply, in all material respects, with any previous undertakings to provide continuing disclosure compliance with the requirements of Rule 15c2-12.

## **UNDERWRITING**

The underwriter for the Tax-Exempt Bonds has agreed, subject to certain customary conditions to closing, to purchase all the Tax-Exempt Bonds, if any such Tax-Exempt Bonds are purchased, at a price of \$\_\_\_\_\_. The underwriter for the Taxable Bonds has agreed, subject to certain customary conditions to closing, to purchase all the Taxable Bonds, if any such Taxable Bonds are purchased, at a price of \$\_\_\_\_\_. The Bonds may be reoffered by the underwriters to certain dealers and investment accounts at prices differing from the initial public offering prices set forth on the inside cover page hereof, and the initial public offering price of the Bonds may be changed from time to time by the underwriters.

## **FINANCIAL STATEMENTS OF THE COUNTY**

The audited financial statements of the County as of and for the four-year period ended December 31, 2008 included in Appendix B to this Official Statement. The financial statements have been audited by Samuel Klein and Company, the County's Independent Auditor, as stated in its report appearing in Appendix B hereto. Also included as part of Appendix B are unaudited financial statements of the County as and for the year ended December 31, 2009.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, and requests for additional information relating to the County, may be directed to Mr. Paul J. Hopkins, II, County Treasurer, County of Essex, Hall of Records, 465 Dr. Martin Luther King, Jr. Boulevard, Newark, New Jersey 07102, telephone (973) 621-6306.

## **MISCELLANEOUS**

All summaries and explanations of provisions of laws, statutes or documents herein do not purport to summarize or describe all of the provisions thereof, and reference is made to said laws, statutes and documents for further information.

The economic, debt and other information summaries which appear in Appendix A hereto have been prepared from publicly available sources of information described in said Appendix A.

This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly so stated, are intended merely as opinions or estimates and not as representations of fact and no representation is made that any of the estimates will be realized. The information, expressions of opinion and estimates herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

This Official Statement has been duly executed and delivered by the County Executive for and on behalf of the County of Essex.

**COUNTY OF ESSEX, NEW JERSEY**

By: \_\_\_\_\_  
Joseph N. DiVincenzo, Jr.,  
Essex County Executive

Dated: June \_\_, 2010

## **APPENDIX A**

### **INFORMATION CONCERNING THE COUNTY OF ESSEX**

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# **COUNTY OF ESSEX**

## **INTRODUCTION**

The County of Essex (the "County"), approximately 127 square miles in area and comprising about 1.7% of the area of the State of New Jersey (the "State"), is situated in the northeastern part of the State. Bergen and Passaic counties form the County's northern border, Union and Morris counties are respectively to the south and west of the County, and Newark Bay, providing direct deep water access to the Atlantic Ocean, is to the east. Approximately 793,633 people, based on the 2000 U.S. Census, constituting approximately 9.4% of the State's population, reside in the twenty-two municipalities located in the County. Within the County are approximately twenty-six office and industrial parks and over 750 individually operated commercial businesses. The County contains the following twenty-two municipalities: Newark, Bloomfield, Montclair, Verona, Cedar Grove, Essex Fells, Belleville, Orange, East Orange, West Orange, South Orange, Millburn, Roseland, Caldwell, Fairfield, Glen Ridge, Livingston, Maplewood, North Caldwell, West Caldwell, Nutley and Irvington. The County is located at the focal point for the confluence of three interstate, four federal and four State highways serving rail, air and bus passengers and freight facilities and ocean-borne freight facilities within and outside the County.

## **GOVERNMENTAL STRUCTURE**

The County's government is an executive and legislative form structured according to an Administrative Code (the "Code") adopted by the County in 1978, as amended from time to time. The Code sets forth a clear separation of powers between the executive and legislative branches. The County Executive has extensive powers and duties which include the supervision of revenues and disbursements, the execution of all contracts, bonds, notes and other instruments for the County, subject to the approval of the Essex County Board of Chosen Freeholders (the "Board"), the appointment and dismissal of certain County employees, and the supervision of the County's daily operations which are conducted through eight departments.

The eight County departments are: Administration and Finance; Health and Rehabilitation; Citizen Services; Law; Parks, Recreation and Cultural Affairs; Economic Development, Training and Employment; Corrections; and Public Works. The Administration and Finance Department consists of the following divisions: Budget and Management; Accounts and Control; Treasury; Purchasing; Data Processing; Human Resources; and Public Information. The Health and Rehabilitation Department contains the Division of Community Health Services and the County Psychiatric Hospital Center. The Department of Citizen Services includes Divisions for the Aging, Community Action, Welfare, Youth Services and Consumer and Constituent Services. The Department of Public Safety includes Correctional Services.

In addition to the eight County departments mentioned above, there are County constitutional officers which include the County Prosecutor, Sheriff, Surrogate, Clerk and Register of Deeds and Mortgages. The staffs and expenditures of these County constitutional officers, while part of the Essex County government, are not within the control of the County Executive, although the funding is the responsibility of the County. These departments are referred to as non-departmental agencies along with The Essex County College, The Board of Elections and Superintendent of Elections, The Essex County Improvement Authority, The County Board of Taxation, The County Vocational School, The County Superintendent of Schools and The Essex County Utilities Authority.

The legislative and investigative powers of County government as granted by the Optional County Charter Law are vested in the Board. The Board, among its other powers, may:

- Adopt and amend an administrative code organizing the administration of the County Government and setting forth the duties, responsibilities and powers of all County officials.
- Advise and consent to appointments of all department and division directors.



- Pass in accordance with law whatever ordinances and resolutions it deems necessary and proper.
- Appoint a Clerk and Counsel to the Board.
- Pass a resolution of disapproval or dismissal.
- Override a veto of the County Executive by a two-thirds vote of its full membership.
- Approve the annual operating and capital budgets by resolution pursuant to the Local Budget Law.
- Appoint annually a registered municipal accountant of New Jersey to perform an independent audit of the County's books, accounts and financial transactions.
- Conduct such investigations as are germane to the exercise of its legislative and budgetary powers under the Code and as otherwise authorized by law.
- Designate which of the Board's staff shall be responsible for processing and approving funding requests by the Board and its staff.
- Order cessation of expenditures for any appropriation the Board has approved for any County agency not under the jurisdiction of the County Executive.

### **GOVERNING BODY**

The governing body of the County consists of the Board and the County Executive. The Board consists of nine Freeholders, four of whom are elected at-large. Each member of the Board is elected to office for a three year term, and all of the current members' terms of office are scheduled to expire on December 31, 2011. The positions of President and Vice President of the Board are determined by election by the members of the Board. The President and Vice President of the Board serve for a term of one year and until their successor has been duly elected and qualified. Each may be re-elected to successive terms.

The County Executive is elected for a four year term of office. The current County Executive is Joseph N. DiVincenzo, Jr. whose 2<sup>nd</sup> term began on January 1, 2007 and whose term expires on December 31, 2010.

### **COUNTY OFFICIALS**

**Administrator** – Joyce Harley was appointed County Administrator in April 2005. She is an attorney specializing in community development, economic development and public policy initiatives. She is an Honors graduate of Douglass College and Rutgers Law School. She has won many awards for her work as the Director of Community Development for First Union Bank and Fleet Bank in New Jersey and was the first African American elected to the South Orange City Council where she also served as Mayor.

**County Treasurer** - Paul J. Hopkins, II, was appointed County Treasurer in December 1999. Mr. Hopkins is a Certified Municipal Finance Officer and a Certified County Finance Officer. Mr. Hopkins had previously served as the Director of the Office of Management and Budget since 1997.

**Chief Financial Officer** - Anthony Abbaleo was appointed Chief Financial Officer for Essex County in July 1997. Mr. Abbaleo has served Essex County in various financial positions since 1981. Prior to joining the County, he served the City of Newark in a financial capacity for 4 years.

## **FINANCIAL INFORMATION AND BUDGET HIGHLIGHTS**

### **The 2010 Budget**

The 2010 Executive Recommended Budget, which includes a \$8.7 million increase in taxes, was presented to the Board of Chosen Freeholders on January 15, 2010. The 2010 recommended budget freezes all salaries for 2010 and continues the hiring freeze instituted in 2009. These policies affect all County Departments and Constitutional Offices. The Board of Chosen Freeholders held budget hearings during the months of February and March; Final budget decisions are still being formulated. Introduction and final adoption of the 2010 Budget is scheduled to take place during June and July.

## **SERVICES IN THE COUNTY**

The following descriptions of services provided in the County, by the County and by numerous other organizations in the County, concern only major services and do not purport to describe all the services offered in and by the County.

### **Educational Facilities**

Twenty-two local school districts in the County provide education from kindergarten to grade 12 in 216 schools. There are also two regional school districts with 11 schools for kindergarten to grade 12, the County's four vocational and technical schools in the communities of Bloomfield, Newark and West Caldwell, a State Department of Education-operated day school in Millburn, and the County Educational Services Commission-operated Essex Junior Academy. Higher educational facilities consist of eight major universities and colleges: Seton Hall University, the University of Medicine and Dentistry of New Jersey, the New Jersey Institute of Technology, the Newark Campus of Rutgers, The State University of New Jersey, Bloomfield College, Caldwell College, Montclair State University, and Essex County College. In addition to the above mentioned educational facilities, there are numerous private and denominational schools in the County.

The County's vocational and technical school system offers to youths and adults living in the County additional educational opportunities during daytime and evening classes. The Technical Careers Center at 91 West Market Street, Newark offers adult continuing education in addition to evening and daytime courses for non-adults.

The Essex County College is a two-year higher education facility offering courses to approximately 4,555 day and 4,429 evening students at four campuses. The County College's administrative offices and Main Campus are located at 303 University Avenue, Newark. The West Essex Campus of the Essex County College is situated in West Caldwell, and two extension centers are situated in Newark. The County College purchased the Police Academy from the County in 1998 to enhance its criminal justice program.

## **Health Care Facilities**

Serving the County's residents are numerous accredited private, municipal and County-operated hospitals, an estimated twenty-three nursing care facilities, and numerous private and volunteer ambulance services. Acute care hospitals in Essex County include Newark Beth Israel Medical Center, St. Michael's Medical Center, and University Hospital of the University of Medicine and Dentistry of New Jersey, all located in Newark, as well as Clara Maas Medical Center in Belleville, East Orange General Hospital, St Barnabas Medical Center in Livingston, and Mountainside Hospital in Montclair and Glen Ridge. In addition, within Essex County is the Veterans Administration Medical Center located in East Orange and the Kessler Institute for Rehabilitation located in West Orange. A major burn center is located at St. Barnabas Medical Center. Several of these hospitals are of outstanding national merit in specialty departments'.

The County is responsible for the operations of the Essex County Hospital Center (a psychiatric/chemical dependency facility) located in Cedar Grove. The Hospital Center, with a bed capacity of 180, is staffed by 389 full-time professional personnel. The Hospital Center's current occupancy rate is 80%.

## **Sheriff's Department**

The Essex County Sheriff's Department is currently staffed by 421 sworn personnel (this includes sheriffs, under-sheriffs, captains, lieutenants and officers) and 68 other support personnel. The Sheriff's Department is mandated by law under *N.J.S.A. 2B:6-1(d)* to provide security for the Superior Courts; under *N.J.S.A. 2B:6-3(a)* for the service, execution and return of process, orders, warrants and judgments; and under *N.J.S.A. 2C:43-10(e)* to provide for the transportation of convicted criminal defendants. The Sheriff's Department is located in the Essex County Courts Building.

## **Parks and Recreation**

The Essex County Park system was established in 1895 as the first county park system in the United States. Twenty of the twenty-five parks were designed by the world-renowned Frederick Law Olmsted. Branch Brook Park, the nation's oldest county park, is on both the State and National Registers of Historic Places, as is the Parks Administration Building.

Covering 5,726 acres, the park system includes a wide range of facilities, from reservations and wetlands to heavily developed urban parks. Many of the parks contain waterways. The largest, Weequahic Lake, is 79.5 acres.

The park system's recreational resources include 3 golf courses, 4 reservations, 17 developed parks, 21 playgrounds, 68 tennis courts, 6 senior citizen facilities, 2 community centers, a zoo, an ice skating arena and a roller skating complex. The facilities accommodate various activities such as field sports, picnicking, hiking, jogging, fishing, boating and outdoor concerts.

## **Transportation Facilities**

The County is a transportation hub for the movement of freight and passengers by air, rail, ship and highways.

### *Highways*

Converging in the County at or near the location of Newark Liberty International Airport are Interstate Routes 78, 280 and 95 (the New Jersey Turnpike), U.S. Routes 1, 9 and 22, and State Routes 10, 21, 24 and 27. The Garden State Parkway passes through the County in a north to south direction a few miles to the west of Newark Liberty International Airport and has access and egress ramps at Interstate Routes 78 and 280. U.S. Route 46, a major east to west highway, is in the northwest portion of the County and connects with State Route 3, a six lane divided highway providing direct connections to the New Jersey Turnpike and to the Lincoln Tunnel serving midtown Manhattan.

### *Rail Transportation*

New Jersey Transit ("NJ Transit") - Railroad Operations provides intrastate rail transportation for passengers. The NJ Transit's principal north to south rail station is Pennsylvania Station in Newark serving Pennsylvania Station in New York City and serving Trenton and points southwest and southeast of the County and providing for connections to the Port Authority Trans-Hudson tubes ("PATH") for transportation to and from lower or midtown Manhattan. The Morris-Essex Rail Line and the Montclair Branch are NJ Transit's major east to west rail links for passengers, with commuter stops in various communities in the County, and a direct link with PATH in Hoboken, Hudson County.

Amtrak, a federally operated rail system, provides interstate rail passenger service from Pennsylvania Station in Newark, with a connection to PATH. Conrail, a federally operated rail system for the movement of freight, provides direct connection to the New Jersey Marine Terminals situated at Newark Bay and operated by the Port Authority of New York & New Jersey (the "Port Authority").

### *Bus Transportation*

NJ Transit — Bus Operations provides intrastate and interstate passenger transportation. For passengers wishing to make connections for rail service and to PATH, Newark's Pennsylvania Station is a major discharge or pick-up point. In addition to NJ Transit's Bus Operations service, several other privately operated bus companies provide interstate commuter and passenger service.

### *Airport Facilities*

Located in the County are two principal airports: Newark Liberty International Airport operated by the Port Authority and the Essex County Airport in Fairfield operated by The Essex County Improvement Authority (the "ECIA"). All of the ECIA's long-term debt incurred for the Essex County Airport is guaranteed by the County. The Essex County Airport, situated on 280 acres, is a general aviation airport that has paved runways and is used by small aircraft for business purposes, flight instruction, and general flying.

Newark Liberty International Airport (the "Airport") is situated between the New Jersey Turnpike and U.S. Routes 1 and 9 on 2,300 acres, or 3.6 square miles. A direct connection to New Jersey Marine Terminals (see the subcaption "Ocean Borne Freight Facilities" below) is available for the movement of overseas freight.

During 2009, an estimated 33.4 million air passengers embarked and debarked at the Airport. The Port Authority anticipates in future years that the major portion of increases in passenger traffic will be from international travel. The amount of freight handled in 2009 totaled approximately 758,152 revenue tons, and included the operations of United Parcel Service, Federal Express and Airborne located on the Airport's property. A mono-rail link to Amtrak and NJTransit was used by 1.9 million passengers in 2009.

Ground transportation is available by taxi and privately operated limousine services, or by bus to Pennsylvania Station in Newark or to the Port Authority bus terminal in midtown Manhattan. In addition, there is scheduled helicopter air service to LaGuardia and Kennedy Airports in New York City.

### *Ocean Borne Freight Facilities*

The Port of Newark/Elizabeth-Port Authority Marine Terminal complex at the Port of New York and New Jersey is the largest and most comprehensive collection of maritime cargo handling facilities on the East Coast of North America.

This 2,100 acre complex, located on the eastern shore of Newark Bay in Essex and Union Counties, encompasses a full range of maritime commerce activities. The Port Newark Marine Terminal, situated in the County, is one of the most flexible multipurpose cargo centers in the United States. Facilities at Port Newark include wharves, deep water ship berths, 3 million square feet of distribution buildings, specialized facilities, roadways and railway trackage. A leading port for the importation of diverse products, Port Newark's facilities also support the Elizabeth container complex operation in Union County and also provide the means

for stripping containers. Among the major facilities within the complex are: a 25,000 square foot refrigerated storage space; a bulk liquid handling facility for the warehousing of refined and edible grades of fats and oil; a high-tech copper rod production plant; two orange juice concentrate storage and blending facilities; two auto preparation centers with nearly 200 acres for automobile preparation and several bulk cargo handling facilities for gypsum, scrap metal, cement and salt.

## **THE SOLID WASTE SYSTEM**

In 1992, the County created The Essex County Utilities Authority (the "ECUA") as a public body corporate and politic of the State of New Jersey, with all necessary and proper power to acquire, maintain and operate or contract for the operation of facilities for the collection, transportation, processing, recycling and disposal of solid waste generated within the County. In accordance with the Solid Waste Management Act, *N.J.S.A. 13:1E-1 et seq.* (the "Act") which requires that each "solid waste management district" (defined to include each county and the Hackensack Meadowlands District) include in its solid waste management plan suitable sites to treat and dispose of all solid waste generated within the district, and include a statement of the solid waste disposal strategy to be applied in the district. In 1993, the County amended -- and the New Jersey Department of Environmental Protection ("NJDEP") approved -- the Essex County District Solid Waste Management Plan (the "Essex Plan") to designate the ECUA as the sole agency responsible for implementation of the Essex Plan. Thereafter, the County assigned all of its rights and obligations under existing solid waste disposal, transportation and processing contracts to the ECUA. The assignments were approved by the NJDEP. As contemplated by the Act, the Essex Plan has since been amended and modified from time to time, and such amendments and modifications have been approved by the NJDEP.

In response to the Third Circuit's decision in Atlantic Coast Demolition & Recycling, Inc. v. Atlantic County Board of Chosen Freeholders, et al., 112 F.3d 652 (3d Cir. 1997) the County and the ECUA undertook the following actions: (1) issued non-discriminatory bid specifications to procure replacement transfer, transportation and/or disposal services, as appropriate and necessary, for all non-processible waste including I.D. Waste Types 13, the non-recycled portion of I.D. Type 23, and the non-processible portion of I.D. Type 27 (the "Non-Processible Waste") generated within the geographic boundaries of the County, (2) restructured its contractual relationship with the Port Authority for use of the Essex County Resource Recovery Facility (the "ECRRF") by Essex County municipalities and commercial haulers on a voluntary contractual basis ("the Voluntary Contract") for the processing of municipal solid waste (I.D. Type 10, 25 and the processible portion of Type 27) (the "Processible Waste"), and (3) issued non-discriminatory bid specifications to procure transfer, transportation and/or disposal services for that portion of Processible Waste that is not otherwise delivered to the ECRRF pursuant to Voluntary Contract.

### **Disposal of Non-Processible Waste**

On August 19, 1998, the ECUA adopted an amendment to the Essex Plan ("the 1998 Plan Amendment") reestablishing regulatory waste flow control by the County. The Plan Amendment was certified by the NJDEP on December 2, 1998. Subsequent plan amendments in 2004 and 2006 continued local flow control. As a result of the 2006 Plan Amendment, effective January 1, 2006, all Non-Processible Waste generated within the geographic boundaries of the County is directed to a facility in the City of Newark of the Delaware and Hudson Railway Company, Inc., d/b/a Canadian Pacific Railway for shipment by rail to permitted landfills located out of state.

### **Disposal of Processible Waste - Voluntary System**

In 1999, in accordance with a plan amendment (the "1999 Plan Amendment"), and pursuant to a Waste Disposal Agreement by and between the ECUA and the Port Authority, the ECUA arranged for use of the ECRRF by County municipalities, and others, for Processible Waste originating within such municipalities and over which such municipalities have exercised control (either through collection by municipal employees or through collection contracts entered into by such municipalities). Use of the ECRRF by the municipalities, and others, is not mandated by the ECUA. Rather, it is controlled through the execution of voluntary Local

Waste Disposal Agreements, which the ECUA entered into with each of the twenty-two municipalities located in the County (and Essex County with respect to County facilities and County-related facilities, such as Essex County College and the Essex County Vocational School) and commercial haulers (the Participants) servicing County customers for the disposal at the ECRRF of all Processible Waste generated within the geographic boundaries of the County. The obligation of each of the Participants to make service charge payments to the ECUA is unconditional and is backed by the full faith and credit of such Participants.

### **Disposal of Processible Waste - Flow Control**

In accordance with a plan amendment, duly adopted by the Essex County Board of Chosen Freeholders on June 20, 2001 and certified by the NJDEP on December 22, 2001, as amended on April 12, 2002 (the "2001 Plan Amendment"), the County, through its implementing agency, the ECUA, has established regulatory waste flow control over that portion of Processible Waste generated within the geographic boundaries of the County that is not otherwise delivered to the ECRRF pursuant to voluntary contract with the ECUA. Therefore, effective June 20, 2002, such Processible Waste must be delivered to the WMNJ's transfer station at 864 Julia Street, Elizabeth, New Jersey.

### **THE COUNTY WELFARE SYSTEM**

The largest department in the County is the Department of Citizen Services (the "Department"). The Department is responsible for administering social service programs and the detention of juveniles awaiting adjudication of criminal proceedings. The Department oversees the Division of Aging, the Division of Community Action, the Division of Consumer Services, the Division of Welfare and the Division of Youth Services. Two of the Divisions (Aging and Community Action) are funded primarily by State and Federal grant programs.

The Division of Welfare is the eighth largest in the nation. Expenditures for welfare and other costs of the Department of Citizen Services are budgeted at \$94,570,748 in the 2010 Budget. The Division of Welfare employs 821 persons to administer the Temporary Assistance to Needy Families (TANF), Food Stamp Program, Medicaid Program and several other federally mandated programs. All of these programs are directed by the State of New Jersey, Department of Human Services. The federal government provides partial reimbursement to the County for all administrative costs to provide these programs. The County is responsible for five percent of the costs of the TANF program and all other assistance payments are state and federally funded. Approximately 117,000 families receive benefits from the Division of Welfare.

The Division of Youth Services is responsible for the detention at the Essex County Youth House of juvenile offenders ordered detained by the courts pending criminal proceedings.

### **THE COUNTY JAIL SYSTEM**

The County completed construction of a new correctional facility in January, 2004. In late March, 2004 the County closed the jail annex in Caldwell and the main jail in Newark and moved all inmates and correctional operations into the new facility. The two old jails are no longer in use and plans for their disposition are underway.

### **LABOR RELATIONS**

As of January 1, 2010, the County employed approximately 3,467 personnel. Of the 3,467 employees, approximately 3,278 employees are represented by 26 collective bargaining units. The County's negotiations with these bargaining units are managed by the County's Office of Labor Relations.

## RETIREMENT SYSTEMS

### County Pension Plan

The County administers the Essex County Employees' Retirement System, which is closed to additional membership. The County discontinued its employer contributions on January 1, 1985 when the pension liabilities for pensioners retired prior to January 1, 1985 were funded with the proceeds of a general obligation bond issue of the County in 1985. Vocational School employer contributions were discontinued in December 1991.

In 1989, the County issued \$48,996,807.50 of general obligation bonds in order to permanently fund the balance of the County's pension system liabilities, through the purchase of a dedicated securities portfolio covering substantially all of the County's theretofore unfunded pension liability with respect to the Essex County Employees' Retirement System. In 2010 that portfolio will no longer fully fund the Employee Retirement Systems obligations. In 2010 the County Budget will include \$2.5 million appropriation to supplement the existing portfolio. In future years the County Budget will continue to fund all obligations of this pension fund.

When County eligible employees elected to transfer to the Police and Firemen's Retirement System of New Jersey under the provisions of Chapter 92, P.L. 1973, Chapter 303, P.L. 1975 or Chapter 207, P.L. 1977, the Essex County Employees' Retirement System paid the employees' accrued contributions to the Police and Firemen's Retirement System. Employer reserves, based on actuarial figures compiled in 1975 by the Police and Firemen's Retirement System in the sum of \$6,674,751.00, are being paid in installments provided in annual budget appropriations of the County in the sum of \$668,171.00. Payments are to continue through the year 2011. The budget appropriation is adjusted annually to include accrued employer reserve liabilities for additional membership transfers that may have been made after 1985. Other County eligible employees who are not members of the Police and Firemen's Retirement System are members of the Public Employee's Retirement System.

The County also awards non-contributory pensions for certain veterans and County employees who were not eligible to join other pension plans, or opted for a Veteran's Pension in lieu of a County Employee's Pension Plan.

### Retirement Benefits Five Year Historical Summary

<u>System</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
PERS* .....	\$12,071,085	\$10,634,935	\$9,863,944	\$7,294,292	\$6,048,592
PFRS* .....	17,800,000	15,607,009	15,876,334	15,904,702	13,818,964
Social Security .....	16,121,940	15,607,009	15,876,334	14,812,356	13,261,807
Non-Contributory.....	<u>420,000</u>	<u>420,000</u>	<u>420,000</u>	<u>420,000</u>	<u>420,000</u>
 Total .....	 <u>\$46,413,025</u>	 <u>\$44,017,482</u>	 <u>\$42,064,980</u>	 <u>\$36,345,612</u>	 <u>\$32,530,494</u>

Source: County's audited and unaudited financial statements.

\* Includes credits applied under provisions of the Pension Security Act.

## **INSURANCE**

### **Self-insurance**

The County has adopted plans for self-insurance for unemployment compensation, general and auto liability, workers compensation and health benefits.

Administration and management of unemployment insurance claims are contracted to Consultec Associates, Inc. The 2009 budget included an appropriation for unemployment compensation insurance in the sum of \$900,000.

The processing and payment of workers compensation claims is administered by the PMA Group, the County's third-party administrator. Managed care is coordinated through the County's Office of Workers Compensation. The County self-insures against worker's compensation claims and purchases workers' compensation excess insurance from Star Insurance Company, subject to the self-insured retention of \$400,000 per occurrence.

### **Health Benefits Insurance**

As of January 1, 2010, the County entered into a one year contract with Aetna Life Insurance Company for all of its employee and eligible retiree health care coverage, all plan varieties are fully insured. The County also entered into a one year contract with Benecard Services, Inc. for a fully insured prescription drug program for all employees and eligible retirees.

### **Liability Insurance**

The County currently maintains excess general and automobile liability, workers' compensation and public officials' liability insurance up to \$5,000,000 per occurrence with a \$10,000,000 aggregate, less a \$400,000 self-insured retention. The excess coverage is with the Star Insurance Company.

The County maintains all risk property insurance through a replacement cost policy with Affiliated FM Insurance Company. The insurance, total combined limits in the amount of \$859,643,361 with a \$100,000 deductible, includes various sub-limits in certain categories of coverage such as flood, earthquake and water damage, and certified and extended terrorism coverage for all County owned and leased property locations. The County also added a \$20,000,000 sub-limit for business interruption for the Essex County Correctional Facility effective January 1, 2010.

The County also maintains hospital professional and specialists' professional liability excess coverage through a policy provided by One Beacon Insurance Company. The County's retained limit under this policy is \$400,000 per incident, and coverage is \$1,000,000 per occurrence/\$3,000,000 annual aggregate each for employed physicians and the Hospital Center. AIG Insurance Co. provides a public employees blanket bond to the County, in the amount of \$1,000,000.

Upon the recommendation of the excess liability insurance market and Conner Strong Insurance Services, the County hired a third-party claims administrator for the self-insured liability program for managing and investigating all tort claims within the County's \$400,000 self-insured retention. The County experiences between 350 – 500 claims per year that would be handled by Inservco Insurance Services, Inc. The contract commenced on May 1, 2007.



## PROPOSED CAPITAL IMPROVEMENT PROGRAM

The County's six-year Capital Improvement Program annual funding requirement, as set forth in the County's adopted 2009 budget, is summarized below.

<u>Year</u>	<u>Annual Funding Requirement</u>
2009 .....	\$20,000,000
2010 .....	20,000,000
2011 .....	20,000,000
2012 .....	20,000,000
2013 .....	20,000,000
2014 .....	20,000,000
Total All Projects .....	<u>\$120,000,000</u>

### 2009 Capital Budget Appropriations, Funding Sources and Amounts

<u>Project</u>	<u>Six Year Estimated Total Cost</u>	<u>2009 Budget Appropriations Fund</u>	<u>2009 Capital Improvement Fund</u>	<u>Debt Authorized</u>	<u>Future Years Funding</u>
Hospital Center Complex, Rehabilitation.....	\$ 800,000	\$ 0	\$ 0	\$ 0	\$,800,000
Inter-County Movable Bridges.....	1,250,000	0	0	0	1,250,000
Hazardous Material Chemical Control.....	5,000,000	0	0	0	5,000,000
County Bridge/Culvert Improvements.....	5,300,000	300,000	15,000	285,000	5,000,000
Traffic Signal Improvements.....	5,350,000	350,000	17,500	332,500	5,000,000
Various County Building Improvements.....	25,650,000	12,700,000	635,000	12,065,000	12,950,000
H.O.R./Court House Improvements.....	6,250,000	0	0	0	6,250,000
Jail/Jail Annex Rehabilitation.....	15,000,000	0	0	0	15,000,000
Highway Rehabilitation.....	8,050,000	550,000	27,500	522,500	7,500,000
Highway Safety.....	4,050,000	300,000	15,000	285,000	3,750,000
Parks Rehabilitation.....	16,000,000	3,500,000	175,000	3,325,000	12,500,000
Capital Equipment.....	3,750,000	0	0	0	3,750,000
Handicapped Access Improvements.....	1,250,000	0	0	0	1,250,000
Transportation Improvements.....	3,750,000	0	0	0	3,750,000
Youth House Facility Improvements.....	1,250,000	0	0	0	1,250,000
County College/Vo-Tech School Improvements.....	<u>17,300,000</u>	<u>2,300,000</u>	<u>0</u>	<u>2,300,000</u>	<u>15,000,000</u>
Total All Projects	<u>\$120,000,000</u>	<u>\$20,000,000</u>	<u>\$ 885,000</u>	<u>\$19,115,000</u>	<u>\$100,000,000</u>

## ECONOMIC INFORMATION

### Residential Housing Units by Building Permits

	<u>Total Units</u>	<u>Total Cost</u>
2006	2,411	\$321,226,864
2005	3,182	\$332,014,867
2004	2,343	206,455,512
2003	2,235	202,680,498
2002	1,588	130,459,224

Source: New Jersey Department of Labor office of Planning and Analysis.

### Demographic Statistics

#### *Population Trend*

	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>1960</u>	<u>% Increase (Decrease)</u>	
						<u>1980-2000</u>	<u>1960-2000</u>
County.....	793,633	778,206	851,304	932,526	923,545	(7.2)%	(16.3)%
State .....	8,424,354	7,730,188	7,365,011	7,171,112	6,066,782	14.3%	38.8%

#### *Population Density*

	<u>Square Miles</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>1960</u>
County .....	127.44	6,227.5	6,106.5	6,680.0	7,317.4	7,246.9
State .....	7,495.73	1,123.9	1,031.3	982.6	956.7	809.4

Source: New Jersey Department of Labor, Division of Planning and Research.

#### *Population Characteristics By Age – July 1, 2005*

	<u>Population By Age Groups</u>						
	<u>0-4</u>	<u>5-13</u>	<u>14-24</u>	<u>25-44</u>	<u>45-64</u>	<u>65+</u>	<u>85+</u>
	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Total</u>
County .....	60,896	104,124	120,562	209,898	190,514	91,105	13,958
State .....	581,682	1,077,297	1,259,728	2,289,329	2,209,637	1,129,356	170,896

Source: New Jersey Department of Labor, Division of Planning and Research.

## Trend of Employment and Unemployment

<u>Year</u>		<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Rate</u>
2009	County	367,800	329,100	38,100	11.0%
	State	4,536,650	4,118,350	418,300	10.0
	U.S.	154,142,000	139,877	14,265,000	9.3
2008	County	365,500	341,450	24,050	6.6
	State	4,502,750	4,256,950	245,800	5.5
	U.S.	154,287,000	145,362,000	8,924,000	5.8
2007	County	364,028	343,500	19,400	5.3
	State	4,466,272	4,267,100	190,550	4.3
	U.S.	153,124,000	146,047,000	7,018,000	4.6
2006	County	370,620	345,100	21,350	5.8
	State	4,518,000	4,283,600	209,150	4.7
	U.S.	151,428,000	144,427,000	7,001,000	4.6
2005	County	366,324	343,500	20,500	5.6
	State	4,430,400	4,232,850	198,700	4.5
	U.S.	149,320,000	141,730,000	7,591,000	5.1

Source: U.S. Bureau of Labor Statistics and New Jersey Department of Labor.

## LARGEST EMPLOYERS

<u>Employer</u>	<u>Business</u>	<u>Location</u>	<u>2009 Approximate Employment</u>
St. Barnabas Health Care System	Acute Care Hospital	Livingston	23,000
Verizon	Communications	Newark	17,100
Prudential Ins. Co of America	Insurance	Newark, Roseland	16,850
Univ. of Medicine and Dentistry of NJ	University	Newark	15,500
Continental Airlines	Airline	Newark	11,000
Newark Board of Education	Board of Education	Newark	7,050
Automatic Data Processing	Computer Software	Roseland	5,649
New Jersey Transit	Transportation	Newark	4,000
Essex County	Government	Newark	3,900
City of Newark	Government	Newark	4,000

Source: City of Newark and County of Essex.

## MAJOR REAL PROPERTY TAXPAYERS

The following table provides information relating to the major real property taxpayers located in the County. None of the major real property taxpayers shown below have filed for bankruptcy nor are such taxpayers delinquent in the payment of taxes according to County tax records.

<u><b>Taxpayer</b></u>	<u><b>Business</b></u>	<u><b>Location</b></u>	<b>2009</b> <u><b>Assessed Valuation</b></u>
Short Hills Assoc. LLC	Mall	Milburn	\$720,000,000
Hoffman – La Roche, Inc	Pharmaceutical	Nutley	298,181,900
Livingston Mall	Mall	Livingston	242,288,300
Mack-Cali Realty Corp XC/O	Office Building	Roseland	174,700,800
Prudential Financial, Inc.-NJ020	Insurance	Newark	147,087,100
Prudential Insurance Co of America	Insurance	Newark	145,314,700
Anheuser Bush Inc.	Brewery	Roseland	122,284,000
Parkway Associates	Commercial Blg	Irvington	94,524,800
Organon International	Office Building	Roseland	86,908,400
Wells Reit II 80 Park Plaza LLC	Office Building	Newark	<u>85,314,000</u>

Total 2009 Assessed Valuation of Major Taxpayers	<b>\$2,116,604,000</b>
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2009 Assessed Valuation of Real Property in the County	<b>\$68,888,851,983</b>
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Ratio of Major Taxpayers Net 2009 Assessed Valuation to the 2009 Valuation of Real Property in the County .....3.07%

Source: County Tax Assessors Office.

## PROPERTY VALUATIONS

### Net Assessed Valuations by Classification of Real Property

Type of Real Property	Net Assessed Valuation				
	2009	2008	2007	2006	2005
Residential.....	50,265,908,693	\$44,196,481,191	\$39,819,854,541	\$27,678,615,581	\$23,569,209,631
Apartment.....	3,319,333,150	3,402,924,400	3,345,172,000	1,800,493,400	1,411,501,400
Commercial.....	11,446,105,300	9,939,957,200	10,107,854,100	7,903,933,400	7,235,264,500
Industrial.....	2,730,281,740	2,180,619,540	2,366,573,100	2,025,569,900	2,088,980,500
Farm.....	2,298,200	1,404,100	1,067,800	1,067,800	1,293,800
Vacant Land.....	1,124,824,900	984,658,000	889,951,700	721,357,436	623,494,200
Sub -Total.....	<u>68,888,851,983</u>	<u>60,706,044,431</u>	<u>56,530,473,241</u>	<u>40,131,037,517</u>	<u>34,929,744,031</u>
Exempt.....	13,073,196,297	13,859,637,347	12,955,367,297	10,590,136,747	9,773,012,328
Total of Real Property.....	<u>\$81,962,048,280</u>	<u>\$74,565,681,778</u>	<u>\$69,485,840,538</u>	<u>\$50,721,174,264</u>	<u>\$44,702,756,359</u>

Source: Essex County Board of Taxation.

### Net Assessed and Equalized Valuations of Real and Personal Tangible Property

	Valuations				
	2009	2008	2007	2006	2005
Net Assessed Valuation:					
Real Property (1).....	\$68,888,851,983	\$60,706,044,431	\$56,530,473,241	\$40,131,037,517	\$34,929,744,031
Personal Tangible Property (2).....	162,857,390	146,888,187	143,665,474	131,912,933	153,733,824
Total Net Assessed Valuation.....	\$69,051,709,373	\$60,852,932,618	\$56,674,138,715	\$40,262,950,450	\$35,083,477,855
Percent Increase (Decrease) Over Previous Year.....	3.98%	7.37%	40.76%	14.76%	3.25%
Equalized Valuation (3).....	\$97,911,850,661	\$94,164,040,217	\$88,523,931,921	\$77,857,838,997	\$68,480,205,500
Percent Increase (Decrease) Over Previous Year.....	3.98%	6.37%	13.70%	13.69%	12.51%

(1) Net assessed valuation after deductions permitted under New Jersey law.

(2) Composed of "machinery, implements and equipment" of telephone, telegraph and messenger systems.

(3) As equalized by the County.

Source: The Essex County Abstract of Ratables for the years shown.

## TAX INFORMATION

### County Tax Levy

County taxes are collected by the municipalities and paid to the County Treasurer. The taxes levied by a municipality include all County, local and regional school, and municipal taxes. Each municipality is required to pay to the County Treasurer its share of the County purpose tax on the fifteenth days of February, May, August and November. The County receives 100% of its share of the taxes collected from the first taxes collected by each municipality. If a municipality has not remitted in full to the County its share of omitted and added taxes by December 31 of the year of the tax levy, a municipality has until February 15 of the year immediately following (45 days) to pay in full the amount due to the County.

## Tax Rates, Tax Apportionments and Tax Collections

<u>Year</u>	<u>Tax Rate (1)</u>	<u>Tax Apportionment</u>	<u>Tax Collection</u>	<u>Percent</u>
2009 .....	\$3.783	\$363,575,246	\$363,575,246	100.00%
2008 .....	3.764	349,575,243	349,575,243	100.00
2007 .....	3.828	334,701,235	334,701,235	100.00
2006 .....	4.281	325,743,294	325,743,294	100.00
2005 .....	4.703	319,343,294	319,343,294	100.00

(1) Per \$1000 of assessed valuation.

## Added and Omitted Tax Levies(1)

<u>Year</u>	<u>Added Taxes</u>	<u>Omitted Taxes</u>	<u>Total</u>
2009 .....	\$1,108,017	\$185,087	\$1,293,104
2008 .....	3,694,925	421,148	4,116,073
2007 .....	2,208,962	1,406,522	3,615,484
2006 .....	1,518,076	1,093,634	2,611,710
2005 .....	1,630,697	1,153,265	2,783,953

(1) Taxes not collected in the year of levy must be paid by February 15 of the next following calendar year.

Source: The County's audited financial statements.

## COMPARISON OF TAX LEVY TO ANNUAL DEBT SERVICE REQUIREMENTS

<u>Year</u>	<u>Tax Levy(1)</u>	<u>Debt Service Requirements(2)</u>	<u>Percent of Debt Service To Tax Levy</u>
2009.....	\$364,863,347	\$92,152,427	25.26%
2008.....	353,691,308	88,763,230	25.10
2007.....	338,316,719	88,000,000	26.01
2006.....	328,355,004	84,394,444	25.70
2005.....	322,127,247	83,068,316	25.79

(1) Includes added and omitted taxes.

(2) Excludes debt service on the refunded and defeased County debt and certain of the County's contingent obligations related to The Essex County Improvement Authority and The Essex County Utilities Authority.

## CURRENT FUND REVENUE SOURCES PER ANNUAL ADOPTED BUDGET

<u>Year</u>	<u>Budget Requirement(1)</u>	<u>Revenue Surplus Appropriated</u>	<u>Miscellaneous Revenues</u>	<u>Amount to Be Raised by Taxation</u>
2009 .....	\$674,890,690.00	\$18,500,000	\$292,815,447.00	\$363,575,243.00
2008 .....	662,199,754.00	36,450,000	276,174,519.00	349,575,235.00
2007 .....	642,553,565.00	17,250,000	290,602,330.00	334,701,235.00
2006 .....	579,373,598.00	10,955,000	242,675,304.00	325,743,294.00
2005 .....	569,072,752.08	21,300,000	228,429,458.08	319,343,294.00

(1) Per adopted annual budgets as amended. Any increase in a current year's budget over the immediately preceding year's final appropriations is limited to 2.5% or the Index Rate, whichever is less, after giving effect to ratable growth or specified exceptions or emergencies.

## CURRENT FUND BALANCES AND AMOUNTS UTILIZED IN SUCCEEDING YEAR'S BUDGET

<u>Year</u>	<u>Balance as of December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	
		<u>Amount</u>	<u>Percent</u>
2009 .....	\$35,124,652	\$18,500,000	52.67%
2008 .....	28,274,637	18,500,000	65.43
2007 .....	54,793,409	36,450,000	66.52
2006 .....	52,358,598	17,250,000	32.95
2005 .....	41,592,904	10,955,000	26.34

Source: The County's audited and unaudited financial statements and 2009 adopted budget.

## DEBT INFORMATION

### General Information

The State has enacted certain laws and statutes regulating the authorization and issuance of debt by tax-levying local governmental units of the State, including the County. The statutory gross debt must include all debt and guarantees authorized and unissued plus all debt and guarantees issued which remain outstanding. Debt, whether bonds or notes, which has been refunded, and payment for which is made from escrowed United States Treasury securities or other permitted investments, is considered outstanding under State statutes until such outstanding debt has matured or has been called for redemption. However, such refunded debt and certain other categories of debt, including: (i) indebtedness incurred for school purposes, self-liquidating purposes, and certain other purposes authorized by law; (ii) certain guaranteed indebtedness; and (iii) indebtedness for which there are funds on hand or accounts receivable from the federal government, the State or a public instrumentality thereof applicable to the payment thereof are permitted to be deducted from the statutory gross debt for purposes of computing the statutory net debt limitation of a local governmental unit. The statutory net debt figure is the amount to determine if a local governmental unit is within the limit of its statutory borrowing power. Certain other long-term debt obligations of the County are not included in either statutory gross debt or statutory net debt as described below.

The County's debt incurring power is limited by State statute to 2.00% of the State average equalized valuation, determined annually by the State, of all taxable property within the County. See the subcaption "Statutory Debt and Borrowing Power" below. Unless the new Jersey Local Finance Board allows otherwise, the County's general purpose bonds must be issued in serial form, with the first principal payment to occur within one year after the date of issuance and the final maturity not to exceed the useful life of the capital improvement. General purpose bonds must be sold on a competitive bid basis, and the amount bid for a bond issue may not be less than the principal amount of a bond issue. Refunding bonds may be sold on a negotiated basis with the approval of the New Jersey Local Finance Board. Notes may be sold on a competitive or on a negotiated, or private sale, basis for a period of one year, and may be renewed annually but generally not to exceed the first day of the fifth month following the close of the tenth fiscal year next following the date of original issuance of such notes.

Laws creating certain authorities authorize a local governmental unit, such as the County; to enter into a service contract or deficiency agreement to, in effect, guarantee debt service payments on debt issued by the authority (a "deficiency agreement"). Neither the debt of the authority nor payments pursuant to the deficiency agreement are included in a local governmental unit's statutory gross debt. In addition, laws creating certain authorities authorize a local governmental unit, such as the County, to directly guarantee debt service payments on debt issued by the authority. The principal amount of such directly guaranteed debt is included in the local governmental unit's statutory gross debt but is deducted for purposes of calculating net debt if the authority was, in effect, self-sustaining during the preceding fiscal year. Furthermore, laws creating certain authorities authorize a local governmental unit, such as the County, to enter into multi-year lease agreements with the

authority. Annual lease payments pursuant to any such agreement are not included in the local governmental unit's statutory gross debt, if entered into prior to April, 2007.

#### **Appropriation Not Required for Payments on Debt**

It is not necessary to have an appropriation in order to release money for debt service on general obligations. Payments pursuant to guarantees, deficiency agreements, and lease agreements are not considered debt service for statutory purposes. *N.J.S.A. 40A:4-57* provides that "No officer, board, body or commission shall, during any fiscal year, expend any money (except to pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such purpose". *N.J.S.A. 40A:2-4* provides that "The power and obligation of a local unit to pay any and all bonds and notes issued by it pursuant to this chapter, or any act of which this chapter is a revision, shall be unlimited."

#### **Statutory Debt and Borrowing Power**

The following tables set forth information, as of December 31, 2009, on the amounts of the County's outstanding debt and outstanding net debt, outstanding debt guaranteed by the County or issued for County purposes, statutory debt, and statutory borrowing power. After the dates noted, the debt information and statistics noted on the following pages may vary from the figures shown because of either a reduction or an increase in the amounts of debt for each of the political entities noted.

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**OUTSTANDING DEBT AND OUTSTANDING NET DEBT  
(As of December 31, 2009)**

<u>Purpose</u>	<u>Interest Rate</u>	<u>Dated Date</u>	<u>Final Maturity Date</u>	<u>Amount Outstanding</u>	
<b>County Bonds Outstanding</b>					
General Improvement Series 2004A	3.0%	11/3/04	10/1/19	\$36,665,000	
General Improvement Series 2004B	3.0%	11/3/04	10/1/17	10,020,000	
General Improvement Series 2004D	3.5%	11/3/04	10/1/19	1,960,000	
General Improvement	5.0%	8/1/98	7/1/11	250,000	
Verona Diamond Pond	2%	1/12/07	9/15/25	962,650.60	
General Improvement Series 1996A	Variable	9/18/96	7/1/16	1,032,500	
General Improvement Vocational, Series 2001	4.2%	7/15/01	6/1/16	1,015,000	
Fiscal Year Adjustment Bonds, Series A 1995	5.75%	9/1/95	9/1/15	0	
Vocational School Bonds, Series 2007	4.375%	8/14/07	12/15/22	10,732,320	
County College:					
Series 1995, Additional State Aid	5.25%	11/15/95	6/30/15	205,000	
Series 2002B - State Aid	3.6%	10/15/02	10/15/17	1,360,000	
Series 1999C - Capital	5.40%	9/22/99	8/1/14	1,880,000	(1)
Series 2002A Countv Portion	4.00%	10/15/02	10/15/17	1,360,000	
General Improvement ECC Series 2004C	3.50%	11/3/04	10/1/19	2,955,000	
General Improvement ECC Series 2001	4.38%	7/15/01	6/1/16	13,295,000	
Series 2008B State Aid	3.50%	6/26/08	3/1/23	8,600,000	
Series 2008A Countv Portion	3.50%	6/26/08	3/1/23	8,600,000	
Series 2008B Countv Portion	3.00%	8/13/08	11/15/14	2,715,000	
General Obligation Refunding:					
Series 1989A:					
Current Interest	9.60-15.25%	1/15/89	2/15/19	\$3,500,000	
Series 1997A	4.60%	9/1/95	7/15/15	4,015,000	
Series 2003	4.75%	4/1/03	4/1/33	54,665,000	
Series 2005A	5.00%	5/24/05	12/1/16	52,550,000	
Series 2005A	5.00%	5/1/05	5/1/35	24,655,000	
Series 2008	5.00%	5/29/08	11/15/11	11,795,000	
Series 2008	4.03%	9/24/08	12/1/17	<u>29,590,000</u>	
<b>TOTAL</b>				<u>\$ 284,377,471</u>	
<b>Less: County Bonds Payable from Other Sources(2)</b>					
ECC Ser 1995	5.25%	11/15/95	6/30/15	205,000	
ECC Ser 2002B	3.00%	10/15/02	10/15/17	1,360,000	
ECC Ser 2004C	3.50%	11/3/04	10/1/19	2,955,000	
ECC Ser 2008B	3.50%	6/26/08	3/1/23	<u>8,600,000</u>	
<b>Total Net Outstanding County Debt</b>				<u>\$ 271,257,471</u>	

(1) The State pays half the annual debt service on the County College Bonds pursuant to the County College Bond Act, N.J.S.A. 18A:64A-22.1 to 22.8, which provides that additional State support to County College projects shall be made available to the County for the payment of interest and principal on the County College Bonds entitled to the benefit of the County College Bond Act. Under such Act, a portion of the County College Bonds constitute a deduction from the gross debt of the County and are not to be considered in determining the County's net debt for debt incurrence purposes. With respect to the Series 1999C issue Essex County College is reimbursing the County for a portion of the Bonds.

Source: The County.

**OUTSTANDING DEBT GUARANTEED BY THE COUNTY OR  
ISSUED FOR COUNTY PURPOSES  
(As of December 31, 2009)**

**The Essex County Improvement Authority**

<b>Issue Name</b>	<b>Interest Rate</b>	<b>Dated Date</b>	<b>Final Maturity Date</b>	<b>Amount Outstanding</b>
Bonds and Notes Payable by the County Under Lease or Deficiency Agreements				
General Obligation, Series 2006 Jail/County College	5.00%	8/16/05	12/15/24	\$36,475,000
General Obligation Lease Revenue Bonds, Series 1997B	5.625%	7/1/97	10/1/27	1,500,000
Guaranteed Lease Revenue Bonds, Series 1998 (Social Services)	5.00-5.50%	1/1/98	10/1/27	3,845,000
General Obligation Guaranteed Lease Revenue, Series 1998A (NJ PAC)	4.20%	12/1/98	9/1/18	2,775,000
General Obligation Guaranteed Lease Revenue, Series 1998B (Riverbank)	4.20%	12/1/98	9/1/18	2,870,000
General Obligation Guarantee Lease Revenue, Series 1998C (Charm Acres)	6.40%	12/1/98	9/1/18	545,000
General Obligation Series 2005(Sportsplex)	4.50%	10/1/05	10/1/29	13,565,000
Project Consolidation Bonds Series 2005	3.5%	8/24/05	12/15/27	10,585,000
ECIA General Obligation Guaranteed Lease Rev Series 2000 (County Correctional)	5.10%	3/15/00	12/01/30	2,690,000
Cogeneration Facility Series 2002	4.00-5.375%	7/1/02	1/1/23	3,995,000
Correctional Facility Project 2002 A&B	2.50-5.25%	8/15/02	10/1/27	4,665,000
Correctional Facility Series 2003	4.15%	4/1/03	9/1/28	13,225,000
Project Consolidation Revenue Bonds, Series 2003 (Refunding Project)	5.00%	9/29/03	12/31/21	97,620,000
Project Consolidation Series, 2004	2.50%	10/5/04	10/1/30	182,840,000
ECIA Refunding Bonds, Series 2007	5.0%	3/15/07	12/15/23	<u>235,845,000</u>
<b>Total Bonds and Notes Payable by the County Under Lease or Deficiency Agreements (A)</b>				<b><u>\$613,040,000</u></b>
Bonds Payable Under Deficiency Agreement and Guaranteed by the County				
Parking Facility Revenue Bonds Series 1998	4.40%	8/1/98	12/31/22	<u>6,520,000</u>
<b>Total Bonds Payable Under Deficiency Agreement and Guaranteed by the County (B)</b>				<b><u>\$ 6,520,000</u></b>
<b>Total Bonds and Notes Payable by the County Under Lease or Deficiency Agreements (Total (A)+(B))</b>				<b><u>\$619,560,000</u></b>
<b>Bonds Guaranteed by the County and Payable from Other Sources</b>				
Airport Revenue Bonds, Series 1998	4.00 -5.10%	8/1/98	11/1/18	\$570,000
Airport Revenue Bonds, Series 2004	5.125%	10/5/04	10/1/21	2,945,000
Airport Revenue Bonds, Series 2007	4.0%	11/1/07	11/1/19	8,005,000
Property and Equipment Leasing Program Pooled Revenue Bonds, Series 1992A	4.35-6.50%	9/15/92	12/1/12	2,015,000
Property and Equipment Leasing Program Pooled Revenue Bonds, Series 1993A	3.85-6.00%	2/1/93	8/1/13	1,245,000
County Geriatric Facility Financing	5.50-6.00%	6/15/95	7/31/20	2,250,000
Revenue Refunding Bonds, Series 1996 (County College)	3.65-5.35%	11/15/96	12/1/24	4,580,000
<b>Total Bonds Guaranteed by the County and Payable from Other Sources (C)</b>				<b><u>\$21,610,000</u></b>
<b>Total ECIA ((A)+(B)+(C))</b>				<b><u>\$641,170,000</u></b>
<b>The Essex County Utilities Authority</b>				
Bonds Payable Under Deficiency Agreement if not Paid from Other Sources				
Solid Waste System Revenue Bonds, Series 1999A and Series 1999A-D	4.20-6.46%	3/15/99	10/1/22	83,465,000
Water System Project Notes, Series 2008	2.59%	11/22/05	11/21/10	<u>6,250,000</u>
<b>Total ECUA</b>				<b><u>\$ 89,715,000</u></b>

Source: The Essex County Improvement Authority, The Essex County Utilities Authority and the County.

**STATUTORY DEBT**  
**As of December 31, 2009**

	<u>Gross Debt</u>	<u>Deductible Debt</u>	<u>Net Debt</u>
General Purpose:			
Bonds Issued	\$178,722,471	\$7,310,000	\$171,412,471
Pension Bonds	54,665,000	54,665,000	
Bond Anticipation Notes Issued	99,000,000		99,000,000
Debt Authorized But Unissued	19,778,933		19,778,933
County College:			
Bonds Issued:			
Series 1986, 1995, 1997, 2001, 2002, 2004 2008B	\$50,990,000	13,965,000	37,025,000
County Guaranteed Debt (2):			
Essex County Improvement Authority	641,170,000	641,170,000	0
Essex County Utilities Authority	<u>89,715,000</u>	<u>89,715,000</u>	<u>0</u>
Total Gross Statutory Debt	<u>\$1,134,041,404</u>		
Total Statutory Deductions		<u>\$806,825,000</u>	
Total Net Statutory Debt			<u>\$327,216,404</u>

- (1) The State pays half the annual debt service pursuant to the County College Bond Act, *N.J.S.A.* 18A:64A-22.1 to 22.8, which provides that additional State support to County College projects shall be made available to the County for the payment of interest and principal on the County College Bonds entitled to the benefit of the County College Bond Act. Under such Act, a portion of the County College Bonds constitute a deduction from the gross debt of the County and are not to be considered in determining the County's net debt for debt incurrence purposes.
- (2) Gross debt includes all bonds guaranteed by the County. Net debt includes bonds guaranteed by the County that are not self-supporting

Source: The County.

**STATUTORY BORROWING POWER**  
**As of December 31, 2009**

Three Year Average Equalized (1)	\$95,243,340,479
Statutory Borrowing Power(2)	1,904,866,810
Statutory Net Debt	327,216,404
Remaining Statutory Borrowing Power	1,577,650,406
Ratios:	
Statutory Net Debt to State Equalized Valuation	0.34%
Statutory Net Debt Per Capita (3)	\$413.30

- (1) Average for three years (2007, 2008 and 2009, as prepared by the State.
- (2) 2.00% of the three-year average equalized valuation as prepared by the State.
- (3) 2000 Census population 793,633.

County of Essex, New Jersey  
SCHEDULE OF DEBT SERVICE REQUIREMENTS ON THE COUNTY'S TAX SUPPORTED DEBT  
(Beginning December 31, 2009)

Period Ending	Net Outstanding County Debt(1)			Essex County Improvement Authority(2)			Total Maturing
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	
12/31/2010	30,745,751.01	12,550,435.79	43,296,186.80	12,860,000.00	31,871,738.04	44,731,738.04	
12/31/2011	28,958,935.88	11,150,995.47	40,109,931.35	17,895,000.00	31,260,232.04	49,155,232.04	
12/31/2012	15,597,189.25	9,987,853.11	25,585,042.36	31,805,000.00	30,359,580.02	62,164,580.02	
12/31/2013	20,040,821.35	9,245,116.74	29,285,938.09	28,430,000.00	28,833,106.02	57,263,106.02	
12/31/2014	23,791,792.62	8,256,344.36	32,048,136.98	24,320,000.00	27,432,909.02	51,752,909.02	26.48%
12/31/2015	23,617,783.40	7,119,386.33	30,737,169.73	26,520,000.00	26,191,626.28	52,711,626.28	
12/31/2016	21,773,794.09	6,036,112.49	27,809,906.58	30,655,000.00	24,937,141.78	55,592,141.78	
12/31/2017	16,157,325.10	5,155,386.33	21,313,161.58	38,550,000.00	23,490,726.78	62,040,726.78	
12/31/2018	11,423,376.83	4,408,831.00	15,832,207.83	42,040,000.00	21,527,504.28	63,567,504.28	
12/31/2019	15,579,449.71	3,928,883.12	19,508,332.83	44,585,000.00	19,346,538.26	63,931,538.26	57.60%
12/31/2020	6,695,544.15	2,886,194.94	9,581,739.09	56,775,000.00	17,034,280.00	73,809,208.00	
12/31/2021	6,991,660.59	2,588,284.76	9,579,945.35	59,395,000.00	14,082,255.02	73,477,255.02	
12/31/2022	6,222,799.46	2,302,733.37	8,525,532.83	63,485,000.00	10,991,400.00	74,476,400.00	
12/31/2023	2,578,961.24	2,085,806.61	4,664,767.85	50,770,000.00	7,684,658.76	58,454,658.76	
12/31/2024	2,120,146.36	1,976,321.48	4,096,467.84	18,115,000.00	5,083,373.76	23,198,373.76	87.46%
12/31/2025	2,471,355.31	1,864,480.03	4,335,835.34	13,730,000.00	4,111,325.00	17,841,325.00	
12/31/2026	2,826,832.21	1,734,576.06	4,561,408.27	13,385,000.00	3,372,146.26	16,757,146.26	
12/31/2027	3,247,472.04	1,858,188.74	4,832,660.78	13,685,000.00	2,651,546.26	16,336,546.26	
12/31/2028	3,686,480.00	1,414,132.30	5,100,612.30	11,160,000.00	1,910,630.00	13,070,630.00	
12/31/2029	4,165,000.00	1,220,051.25	5,385,051.25	11,765,000.00	1,298,750.00	13,063,750.00	95.78%
12/31/2030	4,710,000.00	1,000,395.00	5,710,395.00	11,885,000.00	653,675.00	12,538,675.00	
12/31/2031	5,295,000.00	752,771.25	6,047,771.25			6,047,771.25	
12/31/2032	5,935,000.00	474,828.75	6,409,828.75			6,409,828.75	
12/31/2033	6,625,000.00	163,968.75	6,788,968.75			6,788,968.75	
12/31/2034							100.00%
12/31/2035							
12/31/2036							
Totals	271,257,470.60	99,889,528.18	371,146,998.78	621,810,000.00	334,125,142.58	955,935,142.58	1,327,082,141.36

(1) Consists of Total Net Outstanding County Debt, including General Improvement Variable Rate Bonds. Nominal interest rate on Variable Rate Bond calculated at 6.125%. See "Outstanding Debt and Outstanding Net Debt".

(2) Consists of Total Bonds Payable by the County Under Lease or Deficiency Agreements.

Source: County records and the County's audited financial statements.

# **DIRECT, OVERLAPPING AND UNDERLYING DEBT ISSUED AND OUTSTANDING**

(as of December 31, 2009)

## Debt Ratios

	<u>Debt Outstanding</u>		<u>Debt Per Capita (1)</u>		<u>Debt as % of Equalized Value (2)</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
<b>Direct Debt:</b>						
General Purpose .....	\$352,166,404	290,025,841				
County College.....	<u>50,990,000</u>	<u>40,300,000</u>				
<b>Subtotal Direct Debt.....</b>	<b><u>403,156,404</u></b>	<b><u>327,216,404</u></b>	<b>\$507.99</b>	<b>\$412.30</b>	<b>0.42%</b>	<b>0.34%</b>
<b>Overlapping Debt:</b>						
ECIA:(3)						
Payable by the County Under Lease or Deficiency Agreement and Guaranteed by the County .....	619,560,000	619,560,000				
Payable from other sources .....	21,610,000	0				
ECUA: (3) .....	<u>89,715,000</u>	<u>0</u>				
Subtotal Overlapping Debt .....	<u>730,885,000</u>	<u>619,560,000</u>				
<b>Subtotal Direct and Overlapping Debt .....</b>	<b>1,134,041,403.95</b>	<b>946,776,404</b>	<b>\$1,428.92</b>	<b>\$1,192.97</b>	<b>1.19%</b>	<b>0.99%</b>
<b>Underlying Debt:(4)</b>						
Municipal .....	1,134,591,696	1,134,591,696				
School.....	714,028,935					
Self-supporting:						
Municipal Utility .....	360,014,856					
Commissions:(5)						
PVSC.....	126,717,945					
North Jersey .....	<u>39,181,725</u>					
Subtotal Underlying Debt .....	<u>2,208,635,487</u>	<u>1,134,591,696</u>				
<b>Total Direct, Overlapping and Underlying Debt:.....</b>	<b><u>\$4,583,170,644</u></b>	<b><u>\$2,081,368,100</u></b>	<b>\$5,774.92</b>	<b>\$2,622.58</b>	<b>4.81%</b>	<b>2.18%</b>

(1) New Jersey Department of Labor 2000 Estimate 793,633.

(2) 2009 equalized valuation as shown in the County's Annual Debt Statement (\$95,243,340,478.67).

(3) See "Outstanding Debt Guaranteed by the County or Issued for County Purposes".

(4) Underlying debt information and its apportionment are as of December 31, 2009 with exceptions, and are described under "Selected Economic and Debt Information on Municipalities in the County".

(5) Includes on a pro-rata basis, Passaic Valley Sewerage Commissioners share of outstanding debt and North Jersey District Water Supply Commission share of outstanding debt as of January 1, 2009. Refer to "Selected Economic and Debt Information on Municipalities in the County" for apportionment of respective outstanding debt amounts by municipality.

Source: The County, the Commissions, the ECIA, the ECUA and the underlying municipalities' annual debt statements.

# SELECTED ECONOMIC AND DEBT INFORMATION ON MUNICIPALITIES IN ESSEX COUNTY

Outstanding Debt (10)												
	2002	1999	2009	2009	2009			Self	Net			
Municipality	Popu- lation (1)	House- hold Income	Unemployment Rate(1)	Net Valuation (2)	Tax Levy (2)	Gross Debt(3)	Municipal Debt (4)	Liquidating Debt(5)	Direct Debt(6)	School(7)	County(8)	Commissions(9)
Belleville.....	35,865	\$48,576	4.9%	\$ 3,718,167,746	\$ 379,721,700	\$27,558,574	\$27,468,574	\$90,000	26,060,650		\$ 12,556,466	\$6,489,674 (A)
Bloomfield.....	47,526	53,289	4.2	5,284,685,279	210,823,900	95,391,882	48,401,882	7,020,000	44,028,882	39,970,000	17,787,001	7,867,505 (A)
												4,604,156 (B)
Caldwell.....	7,667	61,250	2.3	1,162,210,844	126,289,200	34,400,571	11,685,007	18,070,820	12,507,722	4,644,743	3,949,243	
Cedar Grove.....	12,328	78,863	1.1	2,505,450,584	61,938,100	18,694,211	6,381,202	4,858,010	6,381,202	7,445,000	8,511,649	1,376,391 (B)
E. Orange.....	69,750	32,346	7.0	3,523,746,403	1,810,419,800	99,593,276	72,554,326	26,850,000	63,708,091	188,950	11,927,981	
Essex Fells.....	2,164	148,173	2.2	866,846,814	108,499,600	9,846,730	3,868,000	2,219,750	4,072,147	3,758,980	2,913,754	
Fairfield.....	7,435	83,120	2.9	3,109,397,060	193,491,600	26,923,986	12,514,323	3,012,600	14,175,922	11,397,063	10,430,743	
Glen Ridge.....	7,230	105,638	2.7	1,577,767,832	91,224,700	19,444,084	5,620,142	6,731,942	7,512,893	7,092,000	5,347,573	1,356,483 (A)
												271,861 (B)
Irvington.....	60,516	36,575	6.6	3,048,537,904	368,423,300	118,515,673	74,209,960	0	67,514,960	44,305,714	10,321,160	
Livingston.....	27,716	98,869	2.5	8,105,691,037	1,163,351,700	198,870,880	85,180,632	6,824,399	87,481,886	106,865,849	27,483,321	
Maplewood.....	23,811	79,637	3.8	3,913,762,201	229,818,700	70,117,514	48,757,895	56,700	47,563,344	21,302,919	13,321,409	
Milburn.....	19,793	130,848	1.9	9,143,428,993	494,661,700	65,578,242	16,888,728	0	16,888,728	53,979,000	30,874,166	
Montclair.....	38,789	74,894	3.2	7,409,467,770	684,735,700	226,263,253	84,713,686	43,216,508	77,630,470	98,333,059	25,020,395	8,700,539 A)
												1,812,409 (B)
Newark.....	277,000	26,913	7.9	19,450,553,518	7,504,694,999	754,733,269	441,432,110	187,006,158	312,435,075	126,295,000	62,014,662	87,805,500 A)
												27,675,932(B)
N. Caldwell.....	7,403	117,395	2.7	1,787,243,536	173,905,000	15,824,000	6,471,000	1,283,000	7,580,800	8,070,000	6,070,965	
Nutley.....	28,169	59,634	3.6	4,332,449,559	201,750,748	63,722,711	10,830,711	64,000	10,830,711	52,828,000	14,708,820	8,156,460 (A)
												3,440,977 (B)
Orange.....	32,844	35,759	6.4	1,854,949,159	312,431,850	68,981,251	25,343,880	35,415,000	22,116,905	8,222,372	6,247,846	6,341,784 (A)
Roseland.....	5,317	82,499	3.1	2,015,579,267	16,453,900	25,495,090	7,049,000	1,730,553	7,049,000	16,715,537	6,606,422	
S. Orange.....	16,987	83,611	4.0	2,847,530,944	621,458,200	67,460,109	50,700,919	1,195,000	50,700,919	15,564,189	9,633,599	
Verona.....	13,506	74,619	2.2	2,580,331,283	66,648,200	72,824,648	25,342,732	11,275,915	25,341,601	36,206,000	8,778,608	
W. Caldwell.....	11,226	83,396	2.9	2,568,255,600	69,773,300	21,601,465	8,428,405	3,094,500	8,240,092	10,078,560	8,737,787	
W. Orange.....	45,259	69,254	3.5	7,105,797,328	182,680,400	101,514,582	60,748,582	0	60,025,351	40,766,000	23,972,835	
Total or												
Average.....	798,301	<u>\$ 44,944</u>	<u>5.3%</u>	<u>\$97,911,850,661</u>	<u>\$15,073,196,297</u>	<u>\$2,208,635,487</u>	<u>\$1,134,591,696</u>	<u>\$360,014,856</u>	<u>\$968,820,480</u>	<u>\$714,028,935</u>	<u>\$327,216,405</u>	<u>\$165,899,670</u>

(1) Source: New Jersey Department of Labor, Division of Planning and Research.

(2) Source: Essex County 2009 Abstract of Ratables.

(3) Includes outstanding debt plus authorized but unissued debt for municipal purposes, self liquidating bonds and school bonds.

(4) Municipal bonds and notes outstanding plus authorized but unissued debt.

(5) Self-supporting portion only.

(6) In addition to municipal general improvement debt, includes that portion of utility debt which is not self-supporting.

(7) Includes local and regional school debt.

(8) Apportionment of the County's net bonded debt of \$327,216,404 is equal to the ratio that a municipality's 2009 equalized valuation, as calculated by the County, bears to the County's total 2009 equalized valuation, as calculated by the County.

(9) (A) The Passaic Valley Sewerage Commissioners ("PVSC") had \$305,533,465 debt outstanding as of December 31, 2009. Of this amount, seven municipalities in the County ultimately are responsible for \$126,717,945. The responsibility per municipality is determined by the amount of sewage flow from users in each municipality compared to the total sewage flow received at PVSC's treatment plant.

\*East Orange is not a PVSC participant. Newark bills East Orange for its share of costs as determined by a meter measuring sewage flow from East Orange.

(B) The North Jersey District Water Supply Commission ("North Jersey") had \$81,554,367 debt outstanding as of December 31, 2009. Of this amount, six municipalities in the County ultimately are responsible for \$39,181,725. The responsibility per municipality is determined by the amount of water consumed by users in each municipality compared to the total water consumed as recorded by North Jersey.

Sources: The Essex County Abstract of Ratables, The Essex County Improvement Authority, The Essex County Utilities Authority, the PVSC, North Jersey, the 2009 Annual Debt Statement for each municipality as provided by the New Jersey Department of Community Affairs, and the New Jersey Department of Labor, Office of Demographic and Economic Analysis.

**APPENDIX B**

**COUNTY OF ESSEX  
AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

**SAMUEL KLEIN AND COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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Newark, New Jersey 07102-4517  
Phone (973) 624-6100  
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*36 West Main Street, Suite 301  
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**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying statutory basis financial statements of the various funds of the

**COUNTY OF ESSEX  
DEPARTMENT OF ADMINISTRATION AND FINANCE**

as of and for the years ended December 31, 2008, 2007, 2006 and 2005. These statutory basis financial statements are the responsibility of the management of the County of Essex. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

These statutory basis financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. These practices differ in certain respects, which in some instances may be material, from generally accepted accounting principles applicable to local government units. The more significant of these practices are described in Note 1 to the financial statements.

These statutory basis financial statements of the County of Essex were prepared for the purpose of inclusion in a preliminary and final official statement for the County of Essex General Obligation Bonds, Series 2010 Consisting of General Improvement Bonds, Series 2010A (Tax-Exempt), County Vocational School Bonds, Series 2010B (New Jersey School Bond Reserve Act, P.L. 1980, c.72) (Tax-Exempt), County College Bonds, Series 2010C (Tax-Exempt), County College Bonds, Series 2010D (County College Bonds Act, P.L. 1971, c.12) (Tax-Exempt) and General Obligation Bonds, Series 2010 Consisting of General Improvement Bonds, Series 2010E (Federally Taxable - Build America Bonds - Direct Pay to Issuer) and County College Bonds, Series 2010F (Federally Taxable - Build America Bonds - Direct Pay to Issuer) and were abstracted from audit reports issued under the periods referred to above as dated July 2, 2009, July 25, 2008, May 18, 2007 and August 22, 2006, respectively.

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The following account groups which were required to be the subject of our audit for the statutory basis financial statements of the County of Essex are not required for this purpose and are not included in these special purpose financial statements:

Bond and Coupon Group of Accounts  
Fixed Asset Group of Accounts

The omission of these account groups from the statements presented herein, do not materially affect the financial position of the County of Essex.

In our opinion, because of the County's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph of this report, the financial statements referred to above do not present fairly in conformity with generally accepted accounting principles, the financial position of the County of Essex, Department of Administration and Finance, as of December 31, 2008, 2007, 2006 and 2005 or the results of its operations for the years then ended.

However, in our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the financial position of the County of Essex, Department of Administration and Finance, as of December 31, 2008, 2007, 2006 and 2005, and the results of operations of such funds for the years then ended in accordance with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and described in Note 1 to the financial statements.

  
SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH J. FACCONI, RMA, PA

Newark, New Jersey  
July 2, 2009

**COUNTY OF ESSEX, NEW JERSEY**  
**CURRENT FUND**

**COMPARATIVE BALANCE SHEETS**

Sheet #1

	Unaudited	Audited			
	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007	Balance Dec. 31, 2006	Balance Dec. 31, 2005
<b><u>ASSETS AND DEFERRED CHARGES</u></b>					
<b><u>Regular Fund</u></b>					
Cash	\$ 61,974,874	\$ 59,011,399	\$ 78,146,829	\$ 81,073,269	\$ 87,778,995
Cash - Change Fund	11,350	11,350	11,350	11,350	11,350
	<u>61,986,224</u>	<u>59,022,749</u>	<u>78,158,179</u>	<u>81,084,619</u>	<u>87,790,345</u>
Receivables and Other Assets with Full Reserves:					
Taxes Receivable	1,065,789	3,552,028	3,169,862	1,268,216	1,677,330
Deposits Receivable	8,489	8,489	3,563	6,152	8,645
Other Accounts Receivable		1,216	1,694		
Revenue Accounts Receivable	2,198,592	2,488,645	2,880,743	3,826,285	4,546,340
Due from Pension Trust Fund	4,298	2,923	9,686	4,564	4,404
Due from General Capital Fund					41,457
	<u>3,277,168</u>	<u>6,053,301</u>	<u>6,065,548</u>	<u>5,105,217</u>	<u>6,278,176</u>
	<u>65,263,392</u>	<u>65,076,050</u>	<u>84,223,727</u>	<u>86,189,836</u>	<u>94,068,521</u>
<b><u>Federal and State Grant Fund</u></b>					
Federal and State Grants Receivable	123,666,610	87,126,392	84,214,887	70,945,017	85,086,745
Due from Current Fund		3,022,030	876,894	4,130,278	12,011,702
	<u>123,666,610</u>	<u>90,148,422</u>	<u>85,091,781</u>	<u>75,075,295</u>	<u>97,098,447</u>
	<u>\$ 188,930,002</u>	<u>\$ 155,224,472</u>	<u>\$ 169,315,508</u>	<u>\$ 161,265,131</u>	<u>\$ 191,166,968</u>

**COUNTY OF ESSEX, NEW JERSEY**  
**CURRENT FUND**

**COMPARATIVE BALANCE SHEETS**

Sheet #2

<b><u>LIABILITIES, RESERVES AND FUND BALANCE</u></b>	Unaudited	Audited			
	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007	Balance Dec. 31, 2006	Balance Dec. 31, 2005
<b><u>Regular Fund</u></b>					
Appropriation Reserves	\$ 22,967,795	\$ 23,906,728	\$ 18,387,306	\$ 20,375,576	\$ 29,921,228
Accounts Payable	2,761,317	2,069,982	2,394,026	2,173,462	1,514,608
Prepaid Revenue		487,561			585,121
Due to Federal and State Grant Fund		3,022,029	876,895	4,130,278	12,011,702
Due to State of New Jersey					
Due to Other Trust Fund			99,525	98,516	474,641
Other Reserves:					
Performance Bonds	1,092,535	1,068,666	1,311,664	1,919,240	1,610,938
Miscellaneous	39,925	96,162	138,868	128,753	79,202
Sub-Total Cash Liabilities	26,861,572	30,651,128	23,208,284	28,825,825	46,197,440
Reserve for Receivables	3,277,168	6,053,302	6,065,548	5,105,217	6,278,177
Fund Balance	35,124,652	28,371,620	54,949,895	52,258,794	41,592,904
	<u>65,263,392</u>	<u>65,076,050</u>	<u>84,223,727</u>	<u>86,189,836</u>	<u>94,068,521</u>
<b><u>Federal and State Grant Fund</u></b>					
Reserve for Federal and State Grant					
Funds:					
Encumbered	36,177,646	34,711,462	29,518,508	31,304,093	38,733,957
Unencumbered	83,453,750	54,830,168	54,962,761	43,235,991	57,997,045
Unappropriated Reserves	860,044	593,704	610,512	535,211	367,445
Due to Current Fund	3,175,170				
Due to State of New Jersey		13,088			
	<u>123,666,610</u>	<u>90,148,422</u>	<u>85,091,781</u>	<u>75,075,295</u>	<u>97,098,447</u>
	<u>\$ 188,930,002</u>	<u>\$ 155,224,472</u>	<u>\$ 169,315,508</u>	<u>\$ 161,265,131</u>	<u>\$ 191,166,968</u>

See accompanying notes to financial statements.

**COUNTY OF ESSEX, NEW JERSEY**  
**CURRENT FUND**

**COMPARATIVE STATEMENTS OF OPERATIONS AND**  
**CHANGES IN FUND BALANCE**

	Unaudited	Audited			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b><u>Revenue and Other Income</u></b>					
Fund Balance Utilized	\$ 18,500,000	\$ 36,450,000	\$ 17,250,000	\$ 10,955,000	\$ 21,300,000
Miscellaneous Revenue Anticipated	397,369,942	330,351,708	342,151,537	302,188,155	304,904,636
Receipts from Current Taxes	363,575,246	349,575,243	334,701,235	325,743,294	319,343,294
Other Credits to Income:					
Other Accounts Receivable Realized		1,694			
Interfunds Realized		6,762		41,297	
Unexpended Balance of Appropriation					
Reserves Cancelled	4,503,457	4,743,311	3,284,261	12,021,180	5,637,116
Reserve for Performance Bonds					
Cancelled	8,700	26,460	26,690	20,411	18,598
Accounts Payable Cancelled	902,300	996,136	308,528	390,348	242,745
Reserve for Capital Improvements					
Cancelled			2,548		
Due to State of New Jersey Cancelled					190,323
ECIA Reserves Cancelled					395,257
Performance Bond Interest Cancelled		1,396			
Federal and State Grant Appropriation					
Reserves Cancelled		88,671	1	56,632	585,518
	<u>784,859,645</u>	<u>722,241,381</u>	<u>697,724,800</u>	<u>651,416,317</u>	<u>652,617,487</u>
<b><u>Expenditures</u></b>					
Budget Appropriations	754,760,527	711,991,875	677,535,162	628,310,225	632,087,117
Other Charges:					
Interfund Charges	3,175,170		5,121		39,914
Reserve for Other Accounts					
Receivable Established		1,216	1,694		
Due to State of New Jersey				1,174,930	
Prior Years' Revenue Refunds	180,185	300,788	213,393	291,134	521,149
Prior Year State Grant Adjustment			28,328		
Federal Grant Adjustments		75,777			
Capital Lease Program Receivable					
Cancelled				9	
Federal and State Grants Receivable					
Cancelled	1,490,731		1	6,417	798,241
Performance Bond Adjustments				12,712	1,800
	<u>759,606,613</u>	<u>712,369,656</u>	<u>677,783,699</u>	<u>629,795,427</u>	<u>633,448,221</u>
Excess in Revenue	25,253,032	9,871,725	19,941,101	21,620,890	19,169,266
<b><u>Fund Balance</u></b>					
Balance January 1	<u>28,371,620</u>	<u>54,949,895</u>	<u>52,258,794</u>	<u>41,592,904</u>	<u>43,723,638</u>
	53,624,652	64,821,620	72,199,895	63,213,794	62,892,904
Decreased by:					
Utilization as Anticipated Revenue	<u>18,500,000</u>	<u>36,450,000</u>	<u>17,250,000</u>	<u>10,955,000</u>	<u>21,300,000</u>
Balance December 31	<u>\$ 35,124,652</u>	<u>\$ 28,371,620</u>	<u>\$ 54,949,895</u>	<u>\$ 52,258,794</u>	<u>\$ 41,592,904</u>

See accompanying notes to financial statements.

**COUNTY OF ESSEX, NEW JERSEY**  
**CAPITAL FUND**

**COMPARATIVE BALANCE SHEETS**

	Unaudited	Audited			
	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007	Balance Dec. 31, 2006	Balance Dec. 31, 2005
<b><u>ASSETS AND DEFERRED CHARGES</u></b>					
Cash - Checking	\$ 8,475,096	\$ 5,384,829	\$ 15,126,423	\$ 22,437,685	\$ 11,211,959
Cash - Money Market	5,128,060	5,289,805	9,290,715	22,837,780	61,691,086
Cash - Certificates of Deposit			1,000,000	3,000,000	4,100,000
	13,603,156	10,674,634	25,417,138	48,275,465	77,003,045
Other Accounts Receivable	4,634,336	5,817,720			134,305
Federal and State Grants Receivable	30,271	4,530,271	6,530,271	30,271	2,044,936
Capital Lease Program Funds Receivable	2,154,183	6,334,747	9,153,709	1,936,996	4,196,358
Loans Receivable	450,000	576,552	1,050,000		
Deferred Charges to Future Taxation:					
Funded	283,927,470	313,527,320	295,343,877	417,211,330	451,591,244
Unfunded	118,778,384	94,175,584	99,123,971	71,106,292	51,707,742
	<u>\$ 423,577,800</u>	<u>\$ 435,636,828</u>	<u>\$ 436,618,966</u>	<u>\$ 538,560,354</u>	<u>\$ 586,677,630</u>
<b><u>LIABILITIES, RESERVES AND FUND BALANCE</u></b>					
Refunding Bonds	\$ 158,830,000	\$ 180,735,000	\$ 171,406,057	\$ 188,355,330	\$ 200,072,744
Fiscal Year Adjustment Bonds		1,550,000	3,015,000	4,400,000	5,720,000
Serial Bonds	124,584,820	131,242,320	120,922,820	224,456,000	245,798,500
Loans Payable	512,651				
Bond Anticipation Notes	99,000,000	75,000,000	55,000,000	35,000,000	
Improvement Authorizations:					
Funded	6,499,219	6,489,937	8,434,979	19,076,974	27,406,027
Unfunded	12,560,641	16,531,025	34,487,200	47,699,366	38,568,473
Encumbered	16,513,645	16,876,269	32,453,851	16,518,403	62,703,175
Capital Improvement Fund	3,539	3,539	3,539	128,539	3,539
Capital Leasing Program	2,812,897	4,763,755	9,112,331	2,157,942	3,767,376
Reserves for:					
Federal and State Grants Receivable	30,271	30,271	1,080,271	30,271	2,044,936
Improvements	198,605	282,394	115,100	373,351	358,586
Loans Receivable	450,000	576,552			
Due to Current Fund					41,457
Loan Proceeds		473,448			
Bonding Costs					38,509
Fund Balance	<u>1,581,512</u>	<u>1,082,318</u>	<u>587,818</u>	<u>364,178</u>	<u>154,308</u>
	<u>\$ 423,577,800</u>	<u>\$ 435,636,828</u>	<u>\$ 436,618,966</u>	<u>\$ 538,560,354</u>	<u>\$ 586,677,630</u>
Bonds and Notes Authorized but Not Issued	<u>\$ 19,778,933</u>	<u>\$ 19,311,969</u>	<u>\$ 44,123,971</u>	<u>\$ 36,106,292</u>	<u>\$ 51,707,742</u>

See accompanying notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

## COUNTY OF ESSEX, NEW JERSEY

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2008

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

The County of Essex operates under the County Executive Plan of the Optional Charter Law (N.J.S. 40:41A-3 et seq.). A County Executive is elected to a four-year term. Nine members of the Board of Chosen Freeholders are each elected for three-year terms. The County Executive supervises, directs and controls all of the County's administrative departments; the legislative and investigative powers of County government are vested in the Board of Chosen Freeholders.

Each member of the Board of Freeholders carries a legislative vote.

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes certain standards for defining and reporting on the financial reporting entity. In accordance with these standards the reporting entity should include the primary government and those component units that are fiscally accountable to the primary government.

The financial statements of the County of Essex - Department of Administration and Finance, include all funds of the Department of Administration and Finance as reported in the Annual Financial Statement. Due to the large volume of activity, the examinations of the outside offices, institutions, boards and other agencies are submitted in a separate report. The records of the Essex County Area Vocational and Technical School, County College, Improvement Authority, Utilities Authority, Economic Development Corporation, and Single Audit of Federal and State Financial Assistance Programs are audited independently of the County accounts.

The Single Audit Act of 1984, P.L. 98-502 pertains to reporting financial and compliance aspects of Federal funds received by the County, and whether such funds emanate directly from the Federal Government or as a "pass-through" from the State. The provisions of the law are also applicable to State Grant and State Aid Programs. The State requirements are delineated in the provision of New Jersey State Office of Management and Budget Circular Letter 04-04 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Due to the large volume of grants administered by the County, a separate report will be submitted for the Single Audit requirements for Federal and State Financial Assistance Programs.

The State portion of the Public Assistance Trust Fund became a dedicated fund in 1980 and is excluded from the accompanying financial statements. Documents supporting expenditures to welfare recipients of the County portion of public assistance are considered to be confidential by the Department of Human Services, Division of Public Welfare, State of New Jersey and are subject to examination by their representatives.

We did not include verification of claims or auditing procedures required to determine that expenditures complied with legal provisions of any agreements for the Worker's Compensation Self-Insurance Fund or the Employee Health Benefit Trust Fund. The adequacy of the resources of this fund as well as the determination of the propriety of claims paid, necessarily lies within the sphere of responsibility of the professional administrator of the fund.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

Administration of two Revolving Loan Programs funded by Community Development Block Grant Programs (CDBG) has been delegated to the Economic Development Corporation of Essex County. The Economic Development Corporation maintains bank accounts for issuance of loans, repayment of principal, and collection of interest thereon. The Economic Development Loan Fund and Community Economic Revitalization Program (CERP) are not reflected on the financial statements of the County. The Economic Development Corporation also administers other CDBG programs for municipalities within the County. A separate audit report is prepared for the Economic Development Corporation, which is considered an autonomous agency.

**B. Description of Funds**

The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for establishing governmental accounting and financial reporting principles. The GASB establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with generally accepted accounting principles (GAAP).

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

Current Fund - Encompasses resources and expenditures for basic governmental operations. Fiscal activity of Federal and State Financial Assistance Programs are segregated but also included therein. The audit of the Federal and State Financial Assistance Programs are subject to the separate aforementioned "Single Audit".

Trust Funds - The records of receipts, disbursements and custodianship of monies in accordance with the purpose for which each account was created are maintained in Trust Funds. These include the Pension Trust Fund and the Other Trust Fund.

General Capital Fund - The receipts and expenditure records for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund, are maintained in this Fund as well as related long-term debt accounts.

Capital Fixed Assets - These accounts reflect estimated valuations of land, buildings and certain moveable fixed assets of the County as discussed under the caption of "Basis of Accounting".

Outside Offices and Agencies - The County hospital, jail, constitutional offices and other revenue producing entities maintain individual financial records that are subject to a separate audit and report thereon.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting**

The accounting principles and practices prescribed for counties by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, differ in certain respects from generally accepted accounting principles. Significant accounting policies in New Jersey and applicable to the County are summarized as follows:

**Taxes and Other Revenue**

Taxes and other revenue are realized when collected in cash or approved by regulation for accrual from certain sources of the State of New Jersey and the Federal Government. Accruals of taxes and other revenue are otherwise deferred as to realization by the establishment of offsetting reserve accounts. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts. Taxes due from the municipalities within the County are payable on a quarterly basis and are normally collected 100% by year-end.

**Grant Revenue**

Federal and State grants, entitlements or shared revenue received for purposes normally financed through the Current Fund are recognized when anticipated in the County of Essex budget. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual.

**Fund Balance Anticipated as Revenue**

Fund Balance utilized to balance the budget from Current and Other Funds is recorded as revenue.

**Expenditures**

Budgetary Expenditures for County purposes are generally recorded on the accrual basis. Unexpended appropriation balances, except for amounts that may have been cancelled by the Board of Freeholders or by statutory regulation, are automatically recorded as liabilities at December 31st of each year, in an account entitled "Appropriation Reserves".

Grant appropriations are charged upon budget adoption to create separate spending reserves.

Budgeted transfers to the Capital Improvement Fund are recorded as expenditures to the extent permitted by law.

Payroll expense is maintained on the cash basis.

The County's share of contributions for fringe benefits, such as retirement plans and accrued sick leave are maintained on the cash basis with certain exceptions. The County has elected to pay for certain early retirement benefits over a period of 26 years starting in 1996. Employer reserves for certain former Essex County Employees' Retirement System members who transferred to the Police and Firemen's Retirement System of New Jersey are being paid in 26 year installments which are to continue through the year 2010.

Expenditures from Trust and Capital Funds are recorded upon occurrence and charged to accounts statutorily established for specific purposes.

Budget Appropriations for interest on General Capital Long-Term Debt is raised on the cash basis and is not accrued on the records.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Expenditures (Continued)**

GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

**Encumbrances**

As of January 1, 1986 all local units were required by Technical Accounting Directive No. 85-1, as promulgated by the Division of Local Government Services, to maintain an encumbrance accounting system. The directive states that contractual orders outstanding at December 31, are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

**Appropriation Reserves**

Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

**Compensated Absences**

Expenditures relating to obligations for unused vested accumulated sick, vacation and compensatory pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

**Self-Insurance Contributions**

Contributions to self-insurance funds are charged to budget appropriations. GAAP requires that payments be accounted for as an operating transfer and not as an expenditure.

**Interfunds Receivable**

Interfunds Receivable in the Current Fund are generally recorded with offsetting reserves that are established by charges to operations. Collections are recognized as income in the year that the receivables are realized. Interfunds Receivable of all other funds are recorded as accrued and are not offset with reserve accounts. Interfunds Receivable of one fund are offset with Interfunds Payable of the corresponding fund. GAAP does not require the establishment of an offsetting reserve.

**Inventories of Supplies**

Materials and supplies purchased by all funds are recorded as expenditures and the values of the inventories are not included on the respective balance sheets of the County.

**Capital Fixed Assets**

A Capital Fixed Assets accounting system was established in accordance with the Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Capital Fixed Assets (Continued)**

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the Capital Fixed Assets. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

Acquisitions of land, buildings, machinery, equipment and other capital assets are recorded on a perpetual fixed asset record.

Vehicles, furniture, equipment and other items are reflected at replacement values at time of inventory preparation. Additions to the established fixed assets are valued at cost.

Land and buildings are valued at assessed valuation.

Depreciation of assets is not recorded as an operating expense of the County.

**D. Basic Financial Statements**

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The County of Essex presents the financial statements listed in the table of contents which are required by the Division of Local Government Services and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**A. Cash and Cash Equivalents**

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

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities that mature within two years provided, however, the average maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund investments is generally not required.

In addition, by regulation of the Division of Local Government Services, counties are permitted to invest in Government Money Market Mutual Funds purchased through State registered brokers/dealers and banks.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

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

## **2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

### **A. Cash and Cash Equivalents (Continued)**

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

All collateral must be deposited with the Federal Reserve Bank, The Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

### **B. Investments**

New Jersey statutes permit the County to purchase the following types of securities:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

As of December 31, 2008, the County had funds invested and on deposit in checking, statement savings and Certificates of Deposit. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3.

Except for the investment portfolios of the Employees' Retirement System Dedicated Bond Fund, the carrying amount of the County's cash and cash equivalents and investments as of December 31, 2008 was \$115,589,209.87. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 40.

### 3. **COMPARATIVE TAX INFORMATION**

The following schedule compares the County's equalized assessed valuations and tax rates for the current and previous four years:

<u>Year</u>	<u>Net Valuation on Which County Taxes are Apportioned</u>	<u>County Tax Rate</u>	<u>County Open Space Tax Rate</u>
2008	\$ 94,164,040,217.00	\$ 0.3765	\$ 0.0151
2007	88,523,931,921.00	0.3828	0.0101
2006	77,857,838,997.00	0.4281	0.0102
2005	68,489,205,500.00	0.4703	0.0101
2004	60,868,076,671.00	0.5138	0.0100

#### **Comparison of Tax Levies and Collections (Includes Added Taxes)**

The following is an analysis of the County tax levies and collections for the current and previous four years:

<u>Year</u>	<u>Real and Personal Property Tax</u>	<u>Added and Omitted Taxes Under Chapter 397, P.L. 1941</u>	<u>Total Tax Levy</u>	<u>Cash Collections</u>
2008	\$ 349,575,243.00	\$ 3,969,072.53	\$ 353,544,315.53	\$ 353,162,149.76
2007	334,701,235.00	3,539,688.02	338,240,923.02	336,339,277.07
2006	325,743,294.00	2,555,568.80	328,298,862.80	328,707,976.55
2005	319,343,294.00	2,726,293.76	322,069,587.76	321,299,751.24
2004	311,643,294.00	1,853,753.05	313,497,047.05	313,497,322.31

Cash collections include taxes unpaid in prior years.

### 4. **FUND BALANCE APPROPRIATED**

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2008	\$ 28,371,620.32	\$ 18,500,000.00
2007	54,949,894.87	36,450,000.00
2006	52,258,794.35	17,250,000.00
2005	41,592,904.37	10,955,000.00
2004	43,723,637.92	21,300,000.00

### 5. **NEW JERSEY STATE PENSION PLANS**

#### **Description of Systems**

Substantially all of the County's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Public Employees' Retirement System and the Police and Firemen's Retirement System is considered a cost sharing multiple-employer plan.

## 5. **NEW JERSEY STATE PENSION PLANS (Continued)**

### **Description of Systems (Continued)**

The County also awards noncontributory pensions for certain veterans and County employees who were not eligible to join other pension plans or opted for veterans' pensions in lieu of County employees' pensions.

#### **Public Employees' Retirement System:**

The Public Employees' Retirement System (PERS) was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

#### **Police and Firemen's Retirement System:**

The Police and Firemen's Retirement System (PFRS) was established in July, 1944 under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after ten years of membership. A member may retire at age 55 with a benefit equal to 2 percent of average compensation for each year of creditable service up to 30 years, plus 1 percent for each year of creditable service in excess of 30 years.

### **Contributions Required and Made**

Contributions made by employees for PERS and PFRS are currently 5% and 8.5% of their base wages, respectively. Employer contributions are actuarially determined on an annual basis by the Division of Pensions. Employer contributions include early retirement incentive payments. Contributions to the plan for the past three (3) years are as follows:

<u>Year</u>	<u>PERS</u>		<u>PFRS</u>	
	<u>County</u>	<u>Employees</u>	<u>County</u>	<u>Employees</u>
2008	\$ 5,505,113.00	\$ 10,820,754.92	\$ 15,904,703.00	\$ 11,867,648.96
2007	3,106,260.00	10,400,868.87	11,055,172.00	11,246,616.89
2006	2,079,225.00	8,792,090.81	7,651,723.00	8,580,188.31

During the year 2003, the County of Essex, in accordance with the provisions of P.L. 2002, c. 42, elected to bond the early retirement accrued liability to the State of New Jersey. Serial bonds in the sum of \$54,665,000.00 were sold to settle an unfunded liability detailed as follows:

Public Employees' Retirement System	\$ 22,150,983.00
Police and Firemen's Retirement System	<u>30,352,085.00</u>
	<u>\$ 52,503,068.00</u>

## 6. **ESSEX COUNTY EMPLOYEES' RETIREMENT SYSTEM**

### **Description of System**

The County Employees' Retirement System was established in 1943 under the provisions of Chapter 160, P.L. 1943 as amended to provide for administration of a County employees' pension fund in counties having a population exceeding 800,000 inhabitants. Members are eligible for retirement after 35 years of service; age 55 with 30 years of service or age 60 with 20 years of service. Benefits are determined by 50% of the final three-year average pay plus 1.5% of final average pay for each year of service in excess of 30, subject to a minimum of 60% of final average pay.

### **Contributions Required and Made**

The County administers the Essex County Employees' Retirement System, which is currently closed to additional membership. Employer contributions were discontinued by the County effective January 1, 1985. Vocational school employer contributions were discontinued when its last member died in December 1991. Effective in 1990, employee contributions (8% of base wages) were returned to the County in support of the operating budget. An employer contribution account was established in the year 2001 in conjunction with the funding of Employees' Retirement System Benefits. The transfer of employee contributions will be made in accordance with County Resolution 88-1084. Employee contributions for the past three (3) years are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 7,752.86
2007	9,029.49
2006	10,272.71

### **Other Matters**

#### a. Investments:

Investments held by the Retirement System as of December 31, 2008 are detailed as follows:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Corporate Bonds	\$ 5,284,545.00	\$ 4,912,734.00	\$(371,811.00)
Government Securities	1,350,000.00	1,359,288.00	9,288.00
Money Funds	89,710.24	89,710.24	-
	<u>\$ 6,724,255.24</u>	<u>\$ 6,361,732.24</u>	<u>\$(362,523.00)</u>

The Essex County Employee Retirement System investment portfolio is maintained and managed by Merrill Lynch.

#### b. Actuary Valuation:

An actuarial valuation for the Essex County Retirement System as of December 31, 2008 indicates a deficit of plan liabilities over plan assets in the sum of \$35,665,333.00. Plan liabilities were based on an interest rate assumption of 5.75%.

It is further noted in the opinion of the actuary, assuming no future contributions to the system, with an estimated investment return of 5.75%, existing assets would be exhausted by the end of 2010.

## **6. ESSEX COUNTY EMPLOYEES' RETIREMENT SYSTEM (Continued)**

### **Other Matters (Continued)**

#### **c. Annuity Contract**

In the year 1986, the County issued pension refunding bonds in the sum of \$48 million to purchase a group annuity from the Metropolitan Life Insurance Company to fund the pension obligations of approximately 1,000 employees who retired prior to January 1, 1985. During 2008, the sum of \$865,354.60 was collected from this source.

## **7. DEFINED CONTRIBUTION RETIREMENT PROGRAM**

### **Description of System**

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment options provided by the employer.

The law requires that three classes of employees enroll in the DCRP detailed as follows:

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System (PERS).
- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.
- Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

### **Contributions Required and Made**

Contributions made by employees for DCRP are currently at 5.5% of their base wages. Member contributions are matched by a 3.0% employer contribution.

During the year 2008 there were no officials or employees enrolled in the DCRP.



## 8. COUNTY DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the County are general obligation bonds, backed by the full faith and credit of the County. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or retired by the issuance of bonds.

### **Summary of County Debt (Excluding Current Debt)**

	<u>Year 2008</u>	<u>Year 2007</u>	<u>Year 2006</u>
Issued:			
Bonds and Notes	\$ 206,242,320.00	\$ 175,922,820.00	\$ 259,456,000.00
Refunding Bonds	180,735,000.00	171,406,056.95	188,355,329.70
Fiscal Year Adjustment Bonds	1,550,000.00	3,015,000.00	4,400,000.00
Authorized but Not Issued:			
Bonds and Notes:			
General	19,311,969.00	44,123,971.50	36,106,291.65
County Guaranteed Debt:			
Essex County Improvement Authority:			
Lease Revenue Bonds and Lease Revenue Refunding Bonds Outstanding (40:37A-80)	632,340,000.00	650,292,981.37	572,956,083.47
Bonds, Bond Anticipation Notes and Loans Issued	23,075,000.00	24,465,000.00	19,365,000.00
Essex County Utilities Authority:			
Bonds Issued	88,800,000.00	94,075,000.00	101,015,000.00
Notes Issued	6,250,000.00	6,250,000.00	6,250,000.00
	<u>\$ 1,158,304,289.00</u>	<u>\$ 1,169,550,829.82</u>	<u>\$ 1,187,903,704.82</u>

**8. COUNTY DEBT (Continued)**

**Summary of Statutory Debt Condition - Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the procedures prescribed for the preparation of the Annual Debt Statement and indicates a statutory net debt of 0.358%:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	<u>\$ 1,158,304,289.00</u>	<u>\$ 828,175,000.00</u>	<u>\$330,129,289.00</u>
Deductions:			
Lease Revenue and Lease Revenue Refunding Bonds and Bond Anticipation Notes Issued by the Essex County Improvement Authority		\$ 632,340,000.00	
Bonds and Loans Issued and Authorized but Not Issued by the Essex County Improvement Authority		23,075,000.00	
Capital Projects for the County College - Chapter 12 State Aid		14,125,000.00	
County College Share - 1999C Issue		990,000.00	
Pension Refunding Bonds Bonds and Notes Issued by Essex County Utilities Authority		54,665,000.00 95,050,000.00	
Other Deductions: Open Space Trust		<u>7,930,000.00</u>	
		<u>\$ 828,175,000.00</u>	

**Summary of Statutory Debt Condition - Annual Debt Statement**

Net Debt, \$330,705,840.94 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$92,140,361,621.67 equals 0.358%.

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

Borrowing Power - 2% of Equalized Valuation Basis	\$ 1,842,807,232.43
Net Debt	<u>330,705,840.94</u>
Remaining Borrowing Power	<u>\$ 1,512,101,391.49</u>

The foregoing debt information is in agreement with the Revised Annual Debt Statement as filed by the County Treasurer.

## 8. COUNTY DEBT (Continued)

### Lease Revenue Bonds

The County of Essex entered into Guaranteed General Obligation and Capital Equipment Program Leases with the Essex County Improvement Authority in which the County is obligated to pay principal and interest on the Authority's "Lease Revenue Bonds" and "Lease Revenue Refunding Bonds" in accordance with terms of lease purchase agreements. The guaranteed bonds, issued and outstanding, are deducted from gross debt for the purposes of the Local Bond Law and are summarized as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Expiration Date</u>	<u>Principal Amount</u>	<u>Amount Outstanding Dec. 31, 2008</u>
General Obligation Lease Revenue Bonds, Series 1997A-H (Sportsplex Project) First Optional Call Date (Other than Series C and Series G Bonds) 10-01-07	7-01-97	10-01-23	\$ 11,000,000.00	\$ 1,500,000.00
Parking Facility Revenue Refunding Bonds, Series 1998	8-01-98	10-01-22	9,225,000.00	7,100,000.00
General Obligation Lease Revenue Bonds, (Social Services Facilities Project) (Noncallable)	9-01-98	9-01-27	5,000,000.00	3,970,000.00
General Obligation Guaranteed Revenue Bonds, Series 1998A (New Jersey Performing Arts Center)	12-01-98	10-01-18	5,000,000.00	3,020,000.00
General Obligation Lease Revenue Bonds, Series 1998B (Riverbank Park Project) First Optional Call Date 9-01-08	12-01-98	9-01-13	4,500,000.00	3,050,000.00
General Obligation Lease Revenue Bonds, Series 1998C (Noncallable) (Charm Acres Project)	12-01-98	9-01-18	1,500,000.00	660,000.00
General Obligation Lease Revenue Bonds, Series 2000 (County Correctional Facility Project) First Optional Call Date 10-01-10	3-15-00	10-01-30	175,000,000.00	4,055,000.00
General Obligation Lease Revenue Bonds, Series 2002, (Cogen Facility Project) First Optional Call Date 1-01-12	7-01-02	1-01-23	21,150,000.00	4,890,000.00

**8. COUNTY DEBT (Continued)**

**Lease Revenue Bonds (Continued)**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Expiration Date</u>	<u>Principal Amount</u>	<u>Amount Outstanding Dec. 31, 2008</u>
General Obligation Lease Revenue Bonds, Series 2002A, \$37,720,000 and Series 2002B, \$10,790,000 (County Correctional Facility Project) First Optional Call Date 10-01-12	8-15-02	10-01-23	\$ 48,510,000.00	\$ 6,065,000.00
Guaranteed Lease Revenue Bonds, Series 2003 (County Correctional Facility Project)	4-01-03	10-01-28	94,300,000.00	13,225,000.00
Project Consolidation Revenue Bonds, Series 2003		12-15-20	120,045,000.00	103,700,000.00
Project Consolidation Revenue Bonds, Series 2004	10-01-04	10-01-14	188,565,000.00	183,750,000.00
Project Consolidation Revenue Bonds, Series 2006	8-16-05	12-15-24	41,865,000.00	36,475,000.00
Project Consolidation Revenue Bonds, 2005	8-24-05	12-15-27	11,515,000.00	10,985,000.00
General Obligation Lease Revenue Refunding Bonds	10-01-05	10-01-08	14,420,000.00	14,050,000.00
Project Consolidation Revenue Bonds, Series 2007	3-15-07	12-15-23	<u>235,845,000.00</u>	<u>235,845,000.00</u>
			<u>\$ 987,440,000.00</u>	<u>\$ 632,340,000.00</u>

8. **COUNTY DEBT (Continued)**

**Lease Revenue Bonds (Continued)**

The principal and interest on the above will be paid from certain rental payments made by the County in accordance with the terms of loan agreements contracted between the County and the Essex County Improvement Authority.

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 44,798,326.80	\$ 12,570,000.00	\$ 32,228,326.80
2010	44,758,427.05	12,965,000.00	31,793,427.05
2011	48,892,982.30	17,715,000.00	31,177,982.30
2012	61,905,255.28	31,620,000.00	30,285,255.28
2013	56,999,481.28	28,240,000.00	28,759,481.28
2014	51,490,166.78	24,125,000.00	27,365,166.78
2015	52,428,378.04	26,320,000.00	26,108,378.04
2016	55,310,892.04	30,445,000.00	24,865,892.04
2017	61,757,078.04	38,325,000.00	23,432,078.04
2018	63,282,355.04	41,800,000.00	21,482,355.04
2019	63,645,787.52	44,330,000.00	19,315,787.52
2020	73,523,329.50	56,505,000.00	17,018,329.50
2021	73,477,504.52	59,395,000.00	14,082,504.52
2022	74,481,649.50	63,490,000.00	10,991,649.50
2023	58,454,658.76	50,770,000.00	7,684,658.76
2024	23,198,373.76	18,115,000.00	5,083,373.76
2025	17,841,325.00	13,730,000.00	4,111,325.00
2026	16,757,146.26	13,385,000.00	3,372,146.26
2027	16,336,546.26	13,685,000.00	2,651,546.26
2028	13,070,630.00	11,160,000.00	1,910,630.00
2029	13,063,750.00	11,765,000.00	1,298,750.00
2030	12,538,675.00	11,885,000.00	653,675.00
	<u>\$ 998,012,718.73</u>	<u>\$ 632,340,000.00</u>	<u>\$ 365,672,718.73</u>

**Bond Anticipation Notes**

Outstanding Bond Anticipation Notes are summarized as follows:

<u>Notes</u>	<u>Interest Rate</u>	<u>Amount</u>
General Capital	3.00%	<u>\$ 75,000,000.00</u>

**8. COUNTY DEBT (Continued)**

**Bond Anticipation Notes (Continued)**

Statutory requirements for providing sums equivalent to legally payable installments for the redemption of notes (Budget Appropriations) and permanent funding (Bond Issues) are summarized as follows:

Original Note <u>Issued</u>	Legal Installments <u>Due</u>	Permanent Funding Required <u>as of May 1</u>
2007	2010 - 2017	2018
2008	2011 - 2018	2019

**Bonds and Notes Authorized but Not Issued**

There were Bonds and Notes Authorized but Not Issued in the following amounts:

	Balance <u>Dec. 31, 2008</u>	Balance <u>Dec. 31, 2007</u>
General Capital Fund	<u>\$ 19,311,969.00</u>	<u>\$ 44,123,971.50</u>

## 8. COUNTY DEBT (Continued)

### **General Obligation Bonds**

\$2,950,000, 1996 Bonds due in annual installments of \$147,500 through September 2016, interest at 6.30%* (noncallable)	\$ 1,180,000.00
\$67,200,000, 2004 Bonds due in annual installments of \$4,670,000 to \$5,860,000 through October 2019, interest at 4.00%.	36,665,000.00
\$83,510,000, 2005 Bonds due in annual installments of \$1,580,000 to \$2,800,000 through May 2022, interest at 3.00% to 4.25%	<u>26,235,000.00</u>
	<u><u>\$ 64,080,000.00</u></u>

\*Estimated interest rate - variable rate which includes fixed and added fees.

### **County College and Vocational School Bonds**

\$8,018,000, 1995 Bonds due in annual installments of \$465,000 to \$563,000 through November 2014, interest at 5.25% to 5.35%.	\$ 400,000.00
\$2,500,000, 1998 Vocational School Bonds due in annual installments of \$250,000 through February 2010, interest at 5.00%.	500,000.00
\$4,500,000, 1999 County College Bonds due in annual installments of \$295,000 to \$405,000 through August 2014, interest at 5.40% to 5.45%.	2,205,000.00
\$24,300,000, 2001 County College Bonds due in annual installments of \$1,460,000 to \$2,175,000 through July 2016, interest at 4.375% to 4.75%.	14,880,000.00
\$7,000,000, 2001 Vocational School Bonds due in annual installments of \$440,000 to \$520,000 through July 2012, interest at 4.20% to 4.375%.	1,015,000.00
\$2,500,000, 2002A County College Bonds due in annual installments of \$160,000 to \$170,000 through October 2017, interest at 3.00% to 4.25%.	1,530,000.00
\$2,500,000, 2002B County College Bonds due in annual installments of \$160,000 to \$170,000 through October 2017, interest at 3.00% to 4.25%.	1,530,000.00
\$14,500,000, 2004 Bonds due in annual installments of \$980,000 to \$1,420,000 through October 2017, interest at 3.00% to 4.00%.	11,075,000.00

## 8. COUNTY DEBT (Continued)

### County College and Vocational School Bonds (Continued)

\$4,000,000, 2004 Bonds due in annual installments of \$220,000 to \$350,000 through October 2019, interest at 3.50% to 4.00%.	\$ 3,195,000.00
\$2,600,000, 2004 Bonds due in annual installments of \$140,000 to \$215,000 through October 2020, interest at 3.50% to 4.00%.	2,100,000.00
\$10,372,320, 2007 Bonds due in annual installments of \$100,000 to \$1,165,000 through December 2022, interest at 4.00% to 5.00%.	10,732,320.00
\$9,000,000, 2008A County College Bonds due in annual installments of \$400,000 to \$780,000 through March 2023, interest at 3.50% to 4.10%	9,000,000.00
\$9,000,000, 2008B County College Bonds due in annual installments of \$400,000 to \$780,000 through March 2023, interest at 3.50% to 4.10%	<u>9,000,000.00</u>
	<u>\$ 67,162,320.00</u>

### Fiscal Year Adjustment Bonds

\$26,625,000, 1995 Bonds due in annual installments of \$1,385,000 to \$1,550,000 through September 2015, interest at 5.75%.	<u>\$ 1,550,000.00</u>
--	------------------------

### Refunding Bonds

\$42,540,000, 1989A Bonds due in an annual installment of \$3,500,000 in August 2019, interest at 15.25% (noncallable).	\$ 3,500,000.00
\$21,905,000, 1997 Bonds due in annual installments of \$1,170,000 to \$505,000 through July 2015, interest at 4.60%.	4,965,000.00
\$54,665,000, 2003 Bonds due in annual installments of \$220,000 to \$6,625,000 through April 2033, interest at 4.75% to 4.95%. The bonds are not subject to optional redemption.	54,665,000.00
\$80,100,000, 2005 Bonds due in annual installments of \$4,110,000 to \$14,590,000 through June 2016, interest at 5.00%.	64,855,000.00
\$17,135,000, 2008A Bonds due in annual installments of \$5,340,000 to \$6,185,000 through November 2011, interest at 5.00%	17,135,000.00



**8. COUNTY DEBT (Continued)**

**Refunding Bonds**

\$2,980,000, 2008B Bonds due in annual installments of  
\$265,000 to \$570,000 through November 2014, interest  
at 3.00% to 4.00% \$ 2,980,000.00

\$32,635,000, 2008C Bonds due in annual installments of  
\$3,045,000 to \$3,880,000 through December 2017, interest  
at 3.50% to 4.10% 32,635,000.00

\$ 180,735,000.00

## 8. COUNTY DEBT (Continued)

A schedule of annual debt service for principal and interest is as follows:

Year	General Serial Bonds		Fiscal Year Adjustment Bonds		Refunding Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 6,657,500.00	\$ 5,450,110.68	\$ 1,550,000.00	\$ 89,125.00	\$ 21,905,000.00	\$ 9,294,092.40	\$ 44,945,828.08
2010	7,032,500.00	5,064,850.26			24,740,000.00	7,927,975.00	44,765,325.26
2011	7,332,500.00	4,781,884.01			22,505,000.00	6,813,963.00	41,433,347.01
2012	6,374,820.00	4,527,632.76			10,125,000.00	5,872,430.50	26,899,883.26
2013	10,277,500.00	4,267,507.52			10,695,000.00	5,356,321.50	30,596,329.02
2014	13,572,500.00	3,792,110.65			11,180,000.00	4,808,504.75	33,353,115.40
2015	13,647,500.00	3,199,789.40			10,960,000.00	4,228,308.75	32,035,598.15
2016	14,132,500.00	2,616,667.51			8,660,000.00	3,691,397.50	29,100,565.01
2017	12,235,000.00	2,064,651.26			4,975,000.00	3,320,091.25	22,594,742.51
2018	10,980,000.00	1,559,316.26			1,370,000.00	3,028,747.50	16,938,063.76
2019	11,365,000.00	1,109,522.50			5,175,000.00	2,956,428.75	20,605,951.25
2020	5,325,000.00	647,147.50			2,005,000.00	2,335,278.75	10,312,426.25
2021	5,285,000.00	426,060.00			2,370,000.00	2,231,372.50	10,312,432.50
2022	5,465,000.00	202,972.50			1,450,000.00	2,140,647.50	9,258,620.00
2023	1,560,000.00	31,980.00			1,740,000.00	2,064,885.00	5,396,865.00
2024					2,060,000.00	1,972,575.00	4,032,575.00
2025					2,410,000.00	1,861,942.50	4,271,942.50
2026					2,795,000.00	1,733,118.75	4,528,118.75
2027					3,215,000.00	1,584,371.25	4,799,371.25
2028					3,670,000.00	1,413,967.50	5,083,967.50
2029					4,165,000.00	1,220,051.25	5,385,051.25
2030					4,710,000.00	1,000,395.00	5,710,395.00
2031					5,295,000.00	752,771.25	6,047,771.25
2032					5,935,000.00	474,828.75	6,409,828.75
2033					6,625,000.00	163,968.75	6,788,968.75
	<u>\$ 131,242,320.00</u>	<u>\$ 39,742,202.81</u>	<u>\$ 1,550,000.00</u>	<u>\$ 89,125.00</u>	<u>\$ 180,735,000.00</u>	<u>\$ 78,248,434.65</u>	<u>\$ 431,607,082.46</u>

**8. COUNTY DEBT (Continued)**

**Debt Guaranteed by the County**

The following Debt, which was issued by the Essex County Improvement Authority, has been guaranteed by the County of Essex and is detailed as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Expiration Date</u>	<u>Principal Amount</u>	<u>Annual Installment Amounts</u>	<u>Interest Rates</u>	<u>Amount Outstanding Dec. 31, 2008</u>
Airport Revenue, Series 1998	8-01-98	11-01-18	<u>\$ 1,000,000.00</u>	\$ 35,000.00 to \$ 410,000.00	4.00 - 5.10	\$ 620,000.00
Property and Equipment Leasing Program Pooled Revenue Bonds, Series 1992A - First Optional Call Date 12-01-02	9-15-92	12-01-12	<u>10,485,000.00</u>	485,000.00 to 715,000.00	5.50 - 6.50	2,610,000.00
Property and Equipment Leasing Program Pooled Revenue Bonds, Series 1993A - First Optional Call Date 7-01-02	2-01-93	8-01-13	<u>5,700,000.00</u>	340,000.00 to 1,760,000.00	5.25 - 5.80	1,510,000.00
Revenue Bond, Series 1995 (Garden State Cancer Center Project) - First Optional Call Date 12-01-05	6-15-95	12-01-20	<u>3,600,000.00</u>	90,000.00 to 270,000.00	5.50 - 6.00	2,390,000.00
Revenue Refunding Bonds, Series 1996 (County College Project) - First Optional Call Date 12-01-06	2-15-96	12-01-24	<u>5,485,000.00</u>	35,000.00 to 425,000.00	4.20 - 5.35	4,580,000.00
Airport Refunding Revenue Bonds, Series 2004	10-01-04	11-01-21	<u>3,285,000.00</u>	Term Bonds Due 11-01-21		3,110,000.00
Airport Revenue and Refunding Bonds, Series 2007	9-26-07	11-01-19	<u>8,590,000.00</u>	95,000.00 to 365,000.00	3.625 - 4.50	<u>8,255,000.00</u>
			<u>\$ 38,145,000.00</u>			<u>\$ 23,075,000.00</u>

The County is required to pay the Debt Service on the above Parking Facility Revenue Bonds pursuant to Trustee Service Agreements.

**8. COUNTY DEBT (Continued)**

**Debt Guaranteed by the County (Continued)**

The following debt which was issued by the Essex County Utilities Authority has been guaranteed by the County of Essex and is detailed as follows:

**Bonds**

\$67,573,674, 1999 Series A Tax Exempt Revenue  
Bonds due in annual installments starting in 2005  
of \$389,590 to \$22,700,000 through April 2022,  
interest at 4.20% to 5.09% \$ 65,160,000.00

\$17,220,000, 1999 Series C Tax Exempt Revenue  
Bonds due in annual installments starting in 2002  
of \$480,000 to \$6,375,000 through October 2022,  
interest at 4.375% to 5.95% 13,375,000.00

\$12,535,000, 1999 Series D Taxable Revenue  
Bonds due in annual installments starting in 2009  
of \$2,695,000 to \$9,840,000 through October  
2022, interest at 7.43% to 7.93%  
10,265,000.00  
88,800,000.00

**Notes**

\$6,250,000 Water System Project Notes (Series 2001)  
due November 12, 2009, interest at 2.59%  
6,250,000.00  
\$ 95,050,000.00

Under the guarantee agreements, payment of principal and interest, if not made from other sources, is derived from unlimited ad valorem taxes.

**9. INTERFUND RECEIVABLES AND PAYABLES**

As of December 31, 2008, Interfund Receivables and Payables that resulted from various Interfund transactions were as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 2,923.23	\$ 3,022,029.46
Federal and State Grant Fund	3,022,029.46	
Pension Trust Fund		2,923.23
	<u>\$ 3,024,952.69</u>	<u>\$ 3,024,952.69</u>

## 10. OTHER POST-EMPLOYMENT BENEFITS

### Plan Description

The County of Essex, by contractual agreement, provides certain post-employment benefits to retired employees and their covered eligible dependents which include health insurance coverage and prescription benefits. Benefits continue for the life of the retiree.

For the employee to be eligible for such benefits the retiree must have twenty-five years or more of pension service credits in the Public Employees' Retirement System of N.J., Police and Firemen's Retirement System of N.J., Consolidated Police and Firemen's Retirement System of N.J. or the Essex County Employees' Retirement System and ten years of service with the County.

Retirees meeting the aforementioned conditions hired subsequent to year 1978 may choose any medical plan offered by the County with the exception of the Traditional Plan and are eligible to receive the offered prescription card. Qualified retirees hired in 1978 and prior may choose any medical plan offered by the County, however these retirees are not eligible to receive the offered prescription card. In addition, retirees are required to enroll in Medicare Parts A and B upon reaching the age of Medicare eligibility.

### Actuarial Valuations

As a sole or agent employer, the County of Essex has contracted with an actuary and received an actuarial certification regarding the plan in accordance with the requirements of GASB 45, as of December 31, 2007, detailed as follows:

<i>Unfunded Accrued Liability:</i>	
Active Employees	\$ 272,683,448
Retirees	235,423,128
	<u>508,106,576</u>
<i>Employer Contribution</i>	<u>11,525,913</u>
<i>Covered Payroll</i>	<u>205,411,949</u>
<i>Unfunded Accrued Liability as a Percentage of Covered Payroll</i>	<u>247.36%</u>

The following information was amended as of December 31, 2008:

#### *Annual OPEB Cost:*

Annual Required Contribution	\$ 50,990,785
Interest on Net OPEB Obligation	1,952,318
Adjustment to Annual Required Contribution	<u>(2,516,687)</u>
Total Annual OPEB Cost	<u>\$ 50,426,416</u>

#### *Net OPEB Obligation:*

Net OPEB Obligation as of January 1, 2008	\$ 39,046,355
Annual OPEB Cost	50,426,416
Annual Employer Contribution	<u>(13,286,494)</u>
Estimated Net OPEB Obligation as of December 31, 2008	<u>\$ 76,186,277</u>

## **10. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

### **Other Information**

<i>Active Participants:</i>	
<i>Eligible for Benefits</i>	442
<i>Noneligible for Benefits</i>	2,791
<i>Inactive Participants</i>	1,599
<i>Market Value of Assets</i>	\$ - 0 -

It should be noted the above information was provided as of December 31, 2007 and is required in accordance with the regulations of the Local Financial Board to be amended every two years.

## **11. DEFERRED COMPENSATION PLAN**

The County of Essex offers its employees a Deferred Compensation Plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administrative Code under the reference N.J.A.C. 5:37.

The "Small Business Job Protective Act of 1996" revised several provisions of Section 457 of the Internal Revenue Code. A provision of the act required that all existing plans be modified to provide that the funds be held for the exclusive benefit of the participating employees and their beneficiaries.

The County of Essex authorized such modifications to their plan by resolutions of the Board of Chosen Freeholders adopted on December 9, 1998 and December 17, 1998.

The Administrators for the County of Essex's Deferred Compensation Plan are Lincoln National Life Insurance and Citistreet.

## **12. RISK MANAGEMENT**

The County maintains self-insurance programs for Workers' Compensation, Automobile, General Liability and Health Benefits with the following provisions:

### **Workers' Compensation:**

Claims for workers' compensation are funded on a cash basis through budget appropriations. There was no reserve established at December 31, 2008 for possible catastrophic claims. Claims expenses originating in 1994 and prior were charged to the Bond Ordinance Fund established in 1991 until the Fund was depleted in 1998.

The County is liable for the first \$350,000.00. Any claims in excess of \$350,000.00 are covered for specific limit to the sum of \$5,000,000.00 under the County's Excess Liability Policy.

Processing and payment of workers' compensation claims for 2008 were administered by the PMA Group servicing as third-party administrator.

There has been no provision included in the financial statements for claims incurred but not reported as of December 31, 2008.

## 12. **RISK MANAGEMENT (Continued)**

Activity for the Workers' Compensation Trust Fund for the year 2008 is detailed as follows:

Balance December 31, 2007		\$ 176,120.00
Increases:		
Budget	\$ 2,032,093.75	
Other	<u>35,016.27</u>	
		<u>2,067,110.02</u>
		<u>2,243,230.02</u>
Decreases:		
Claims		<u>2,124,199.91</u>
Balance December 31, 2008		<u><u>\$ 119,030.11</u></u>

### Automobile:

The County is liable for the first \$350,000.00. Any claims in excess of \$350,000.00 per occurrence are covered to the sum of \$5,000,000.00. Claims are funded on a cash basis through budget appropriations. A separate fund is not maintained and there was no reserve established at December 31, 2008 for possible catastrophic claims.

### General Liability:

The County is liable for the first \$350,000.00. Any claims in excess of \$350,000.00 per occurrence are covered to the sum of \$5,000,000.00. Claims are funded on a cash basis through budget appropriations. A separate fund is not maintained and there was no reserve established at December 31, 2008 for possible catastrophic claims.

### Health Care Professionals (Malpractice):

The County is responsible for the first \$500,000.00 of each medical incident. Claims in excess of \$500,000.00 are covered for an additional \$500,000.00. The annual aggregate limit is \$3,000,000.00 with an aggregate deductible in the sum of \$1,000,000.00. A separate fund is not maintained and there was no reserve established at December 31, 2008 for possible catastrophic claims.

### Health Benefits:

County employees have the option of enrolling in the County's Self-Insured Health Benefits Plan or under several Health Maintenance Organizations.

Processing and payment of self-insured health benefit claims are administered by Blue Cross and Blue Shield Company of New Jersey.

Individual stop loss coverage premiums are paid to the self-insured Plan Administrator.

Claims and premiums for health benefits are funded on a cash basis through budget appropriations. There was no reserve established at December 31, 2008 for possible catastrophic claims.

There has been no provision included in the financial statements for claims incurred but not reported as of December 31, 2008.

### **13. CONTINGENT LIABILITIES**

#### **a. Compensated Absences**

The County permits employees to accumulate sick days, which may be taken as compensatory time off or paid at a later date. All vacation leave shall be used in the year earned, unless written approval is given by the Department/Division Director allowing an employee to carry over said vacation days until the subsequent year. Any County employee who retires pursuant to the requirements of his or her retirement program is entitled to the following benefits:

##### **Vacation:**

All prior accumulated vacation days and all unused vacation days normally granted the employee for the calendar year shall be paid.

##### **Sick Time:**

All accumulated sick time, at a rate of one day paid for every five days unused, up to a maximum for forty-five days is paid for 225 unused sick days.

##### **Compensatory Time:**

Any time owed to the employee, or accrued overtime, shall be paid. In some instances compensatory time is permitted to be carried over to a subsequent year with approval of Department/Division Director.

##### **Personal Days:**

Unused personal days are also granted on a prorated basis.

It is estimated that the sum of \$15,791,624.21 computed internally at 2008 salary rates would be payable to officials and employees of the County of Essex as of December 31, 2008 for accumulated vacation, sick and compensatory time and personal days. This amount was not verified by audit.

Benefits paid in any future years will be charged to that year's budget.

Provisions for the above are not reflected on the Financial Statements of the County.

Benefits paid in any future year will be charged to that year's budget. The 2008 County Budget does not include an appropriation for accrued benefits; however, benefits to be paid in 2008 are not expected to be material.

#### **b. Federal and State Awards**

The County participates in several federal and state grant programs which are governed by various rules and regulations of the grantor agencies; therefore to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 31, 2008 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore no provisions have been recorded in the accompanying statutory basis financial statements for such contingencies.

State and Federal Grants Receivable amounts claimed against phased-out or other doubtful programs for sums in excess of unexpended reserve balances will be cancelled and charged to the Budget Operations account in future years.



### 13. CONTINGENT LIABILITIES (Continued)

#### c. Reimbursements Due New Jersey Department of Human Services

The County and the State of New Jersey, Department of Human Services, entered into a memorandum of understanding for the repayment of debt incurred relative to Essex County lawsuits, the advance of Title 30 reimbursements and pharmacy services of \$21.364 million to be paid back over a twenty-two year period commencing with calendar year 2006. A revised memorandum of understanding dated February 26, 2003 calls for a repayment plan detailed as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 500,000.00
2007	500,000.00
2008 - 2026 (@ \$1,000,000.00 Per Year)	19,000,000.00
2027	<u>1,364,000.00</u>
	<u>\$ 21,364,000.00</u>

#### d. Miscellaneous Welfare Revenue

The New Jersey Division of Local Government Services, as a way of providing fiscal relief for Essex County, permitted the County to include the sum of \$8.8 million as miscellaneous revenue from the New Jersey Department of Human Services in support of the 1999 County budget. This amount represented administrative reimbursements that would be earned by the County's Division of Welfare during the period January 1, 2000 through June 30, 2000. State approval was also given to include similar "miscellaneous revenue" in the amount of \$6,200,000 (for a cumulative total of \$15,000,000) in support of the 2000 County budget.

It is anticipated that these funds will be repaid to the State of New Jersey, Department of Human Services through reductions of future revenue.

#### e. Solid Waste Disposal

New Jersey State Law requiring solid waste haulers to send trash to specified disposal facilities is being challenged after a May 1994 U.S. Supreme Court decision overturned a local law in Clarkstown, New York requiring waste to be sent to a facility in the Township. C&A Carbone, Inc. et al. v. Township of Clarkstown. Subsequent to such decision, a United States District Court upheld the New Jersey flow control plan in Borough of Haddon Heights v. Shinn.

In February, 1995, in Atlantic Coast Demolition and Recycling, Inc. v. Board of Chosen Freeholders of Atlantic County, the United States Court of Appeals for the Third Circuit concluded in a Commerce Clause challenge to the New Jersey flow control plan that the New Jersey waste flow regulations are discriminatory because they restrict the access of out-of-state facilities to in-state waste processing and disposal service markets, finding that they can be upheld only if they can survive a heightened scrutiny test of whether nondiscriminating alternatives are available.

On May 1, 1997, the United States Court of Appeals for the Third Circuit held that portions of New Jersey's waste flow regulations violate the Commerce Clause of the United States Constitution because they discriminate against out-of-state facilities, in favor of in-state facilities. In a decision, order and injunction, published 112F.3d 652, the Court did not disapprove general control of waste flow by State and County governments. However, the Court invalidated parts of the current NJDEP waste flow regulations that reflect discrimination against out-of-state disposal facilities.

The Atlantic Coast decision was stayed pending exhaustion of further avenues of appeal. Those avenues were exhausted when the United States Supreme Court denied the Petition for Certiorari on November 10, 1997. Consequently, the Atlantic Coast decision and injunction became effective on November 10, 1997.

### **13. CONTINGENT LIABILITIES (Continued)**

#### **e. Solid Waste Disposal (Continued)**

In response to the Third Circuit's decision, and in anticipation of a denial of Certiorari, the ECUA undertook the following actions: (1) filed, along with the County, a Declaratory Judgment Action against the Port Authority and GROWS-Wills (which is pending in the Superior Court of New Jersey, Essex County) seeking a determination of the legal status of County Service Contract and the Ash Disposal Contract, in light of a final decision in Atlantic Coast, and (2) re-established regulatory flow control over Nonprocessable Waste pursuant to a nondiscriminatory procurement in compliance with Atlantic Coast.

As part of its response to Atlantic Coast, the ECUA issued nondiscriminatory bid specifications to procure transfer, transportation and/or disposal services for all Processible Waste, and all Nonprocessable Waste. The bid, submitted by Waste Management of New Jersey, Inc. ("Waste Management") for all Nonprocessable Waste was determined to be the lowest responsible bid, and accordingly, the ECUA awarded a contract to Waste Management effective January 4, 1999 for the transfer, transportation and disposal of all Nonprocessable Waste generated within the geographical boundaries of the County.

The ECUA has entered into Local Waste Disposal Agreements with each of the twenty-two municipalities located in the County (and Essex County with respect to County facilities and County related facilities, such as Essex County College and the Essex County Vocational School) and commercial haulers (the "Participants") servicing Essex County customers for the disposal at the Facility of all Processible Waste generated within the geographic boundaries of the County. The obligation of each of the Participants to make service charge payments to the ECUA is unconditional and is backed by the full faith and credit of such Participant.

To assure that Processible Waste generators that do not contract to deliver their Processible Waste to the Facility are nonetheless required to make payment of their allocable share of the ECUA's debt service and administrative costs, the ECUA intended to assess a surcharge upon all Processible Waste generated in the County but not delivered to the Facility. The surcharge would be imposed monthly, commencing on or about January 1, 2000 in the approximate amount of \$16.61 per ton of Processible Waste. The ECUA intended to assess the surcharge against individual Processible Waste generators on the basis of waste generation and to commence the current billing and enforcement of collection of the surcharges from the vendors providing Processible Waste collection services.

On June 22, 2000, the Supreme Court of New Jersey reversed the decision of the Appellate Division in IMO Passaic County Utilities Authority Petition Requesting Determination of Financial Difficulty and Application for Refinancing Approval and held that the Environmental Investment Charge ("EIC"), imposed by the Passaic County Utilities Authority ("PCUA") on municipalities and commercial waste generators that no longer use the PCUA's waste disposal facilities to cover the PCUA's debt obligations, is not statutorily authorized. The Supreme Court found that the Municipal and County Utilities Authorities law neither expressly nor impliedly contemplates imposition of such charges on nonusers of an authority's facilities to liquidate debt previously incurred in reliance on a regulatory system declared unconstitutional by the Federal courts. The Supreme Court stayed the effective date of the judgment for ninety days to provide an opportunity for legislative action.

If the Legislature does not take any action to expressly authorize the imposition of EIC's, the ECUA intends to amend the Essex Plan to reestablish regulatory flow control over that portion of the Processible Waste that is generated in Essex County but not delivered to the Facility pursuant to a Voluntary Contract. In that case, the ECUA will issue nondiscriminatory bid specifications for disposal services for that portion of the Processible Waste.

### **13. CONTINGENT LIABILITIES (Continued)**

#### **f. Service Charge Escrow Deposit Agreement**

A Service Charge Security Account (the "Security Account") was established to secure the obligations of the ECUA to pay service charges to the Port Authority under the Waste Disposal Agreement. The initial deposit thereto was required to be \$4,600,000 under provisions of the Memorandum of Agreement. The ECUA funded such Account in that amount from the proceeds of the Series 1999D Bonds. In the event the amount on deposit in the Security Account falls below \$300,000, Essex County is under an obligation to replenish the Security Account pursuant to the terms of a Limited Deficiency Agreement.

#### **g. Upsala College - Bankruptcy Filing**

Ordinance 92-35 adopted on September 30, 1992 unconditionally guarantees the principal and interest on a \$4,200,000.00/20 year loan to Upsala College. In March and September 1994 through 1998 the College failed to make scheduled loan repayments. The bonds are not in default due to supplemental security provisions. In March 1995 foreclosure procedures were initiated by the County, City of East Orange and the Essex County Improvement Authority as co-plaintiffs. On June 30, 1995, the College filed a petition for bankruptcy. Upon the bankruptcy filing, Section 362 of the United States Bankruptcy Code was implemented, staying all activities against the property of the College. The County's guarantee will only be exercised if a prior unconditional guarantee by the City of East Orange is in default.

#### **h. Litigation**

The County of Essex is a party to several matters of litigation which include general liability, employment, civil rights and other matters. The County is self-insured with respect to any claims equal to or less than \$350,000.00 and insurance coverage is generally in effect for claims exceeding this amount.

The County of Essex, as determined by the Office of the County Counsel, has a potential financial exposure estimated at \$21,585,000.00 involving 196 matters in various courts.

### **14. LEASE OBLIGATIONS**

Future minimum rental payments under Real Property Operating Lease Agreements, obtained from available records, are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 4,624,080.00
2010	4,548,781.00
2011	4,679,824.00

A number of the leases have expired and are on a month to month basis, therefore rental payments in 2009 and thereafter are subject to change. Several of the leases examined contain escalation charges based on real estate and other "operating costs" that are undeterminable until occurrence.

### **15. TRANSACTIONS AND ARRANGEMENT WITH THE ESSEX COUNTY UTILITIES AUTHORITY**

The County, by ordinance adopted July 1, 1992, created the Essex County Utilities Authority. The County determined that said creation is the most efficient and feasible means of providing for solid waste disposal and management and will not cause an undue financial burden to be placed on local governmental units within the County.

**15. TRANSACTIONS AND ARRANGEMENT WITH THE ESSEX COUNTY UTILITIES AUTHORITY  
(Continued)**

The Authority and the County acknowledge that in order to effectively plan, develop and implement a comprehensive Solid Waste System, the resources and efforts of the County must be utilized and coordinated so as to assure the efficient and effective delivery of solid waste services in a cost effective and environmentally sound manner. The Authority and the County have executed several contracts by and among themselves providing for or relating to the following:

<u>Resolution/ Ordinance Number</u>	<u>Purpose</u>
92-0764	Relating to the collection, transportation, processing, recycling and disposal of solid waste.
92-0765 99-0120 99-0724	Relating to the development and financing of an integrated Solid Waste Management System.
92-0774	In connection with the utilization by the Authority of certain county personnel, County Administrative services and/or programs in order to assist in facilitating the start-up operations of the Authority.
92-0775	Authorizing the assignment and/or transfer of all agreements, documents and/or orders relating to matters including Solid Waste Management to the Utilities Authority.
96-0278	Authorizing an amendment to the existing Interlocal Services Agreement permitting the Authority and the County to utilize personnel and expertise available with Essex County Government rather than retain the services of outside consulting firms.
97-0020	Authorizing the Utility Authority to underwrite the acquisition and operation of the County's water facilities, in addition to management and administration of the system.
98-0021	Regulatory waste flow control has been reestablished over all nonprocessable waste. Effective January 1, 1999 all such waste must be delivered to the transfer station in Newark, New Jersey.
99-0009 99-0723	Provides for a voluntary contract system for the use of the Resource Recovery Facility included in the terms of the Solid Waste Disposal Agreement.
99-0725	Authorizes a limited deficiency agreement in connection with a service charge escrow deposit agreement with the Port Authority of New York and New Jersey.

The County continues to administer payroll and certain fringe benefit costs as of December 31, 2008.

**16. AGREEMENT BETWEEN THE COUNTY AND THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

Prior to establishing the Essex County Utilities Authority, the County executed an amended and restated County Service Contract with the Port Authority of New York and New Jersey. Under a previously executed contract the County is obligated to provide for the transportation and disposal of all ash residue produced by the Resource Recovery Facility and the Port Authority is obligated to make certain payments for a portion of the above costs.

**16. AGREEMENT BETWEEN THE COUNTY AND THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (Continued)**

A Resource Recovery Facility has been constructed by the Port Authority and the American Re-Fuel Company for the purposes of recycling and disposal of solid waste. The County of Essex contractually agreed to pay the Port Authority the sum of \$58,000,000.00 for the right to use the facility. An improvement authorization was adopted by the County of Essex on May 13, 1987 in the sum of \$48,000,000.00 that was funded by a loan obtained from the State of New Jersey, Department of Environmental Protection. Loan proceeds in the sum of \$40,000,000.00 were advanced to the Port Authority and the additional liability for disposal rights and development costs in the sum of \$18,000,000.00 was to be paid over a period of twenty-one years. The balance of the \$18,000,000.00 contractual rights payable at December 31, 1999 is the sum of \$3,573,529.69 with a final maturity in the year 2008.

**17. AGREEMENT BETWEEN THE COUNTY AND AMERICAN RE-FUEL COMPANY OF ESSEX COUNTY**

American Re-Fuel Company operates the Essex County Resource Recovery Facility (ERRF). In an agreement with the County, American Re-Fuel is permitted to import garbage if County disposals do not meet plant capacity. In order to meet capacity, agreements with other jurisdictions have been executed for certain tonnage amounts. If the plant is unable to operate at a rate that is profitable, the County is required to make up the difference in revenues. The Essex County Utilities Authority includes such payments to American Re-Fuel Company as Operations and Maintenance Expense.

## **APPENDIX C**

### **FORMS OF CONTINUING DISCLOSURE CERTIFICATES**

## **CONTINUING DISCLOSURE CERTIFICATE**

**THIS CONTINUING DISCLOSURE CERTIFICATE** is made as of June \_\_, 2010 by the County of Essex, New Jersey, a political subdivision duly organized under the laws of the State of New Jersey (the “Issuer”).

### **W I T N E S S E T H:**

**WHEREAS**, the Issuer is issuing its General Obligation Bonds, Series 2010 dated June 23, 2010 in the aggregate principal amount of \$80,203,000 (the “Bonds”) on the date hereof; and

**WHEREAS**, the Bonds are being issued pursuant to bond ordinances adopted by the Issuer and a certificate signed by the Issuer on June 10, 2010; and

**WHEREAS**, the Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended and supplemented (codified on the date hereof at 15 U.S.C. 77 et seq.) (the “Securities Exchange Act”) has adopted amendments to its Rule 15c2-12 (codified at 17 C.F.R. § 240.15c2-12) (“Rule 15c2-12”) effective July 3, 1995 which generally prohibit a broker, dealer, or municipal securities dealer from purchasing or selling municipal securities, such as the Bonds, unless such broker, dealer or municipal securities dealer has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to various information repositories; and

**WHEREAS**, the Issuer represented in its Notice of Sale dated June 1, 2010 (the “Notice of Sale”) that it would deliver on the closing date for the Bonds a “Continuing Disclosure Certificate” pursuant to which the Issuer will agree to provide at the times and to the persons described in Rule 15c2-12 the annual financial information and event notices to the Municipal Securities Rulemaking Board (the “MSRB”) required to be disclosed on a continual basis pursuant to Rule 15c2-12; and

**WHEREAS**, on June 10, 2010, the Issuer accepted the bid of \_\_\_\_\_, on behalf of itself and each of the original underwriters for the Bonds (each, a “Participating Underwriter”) for the purchase of the Bonds; and

**WHEREAS**, the execution and delivery of this Certificate has been duly authorized by the Issuer and all conditions, acts and things necessary and required to exist, to have happened, or to have been performed precedent to and in the execution and delivery of this Certificate, do exist, have happened and have been performed in regular form, time and manner; and

**WHEREAS**, the Issuer is executing this Certificate for the benefit of the Holders of the Bonds.

**NOW, THEREFORE**, for and in consideration of the premises and of the mutual representations, covenants and agreements herein set forth, the Issuer, its successors and assigns, do mutually promise, covenant and agree as follows:

## **ARTICLE I**

### **DEFINITIONS**

Section 1.1 Terms Defined in Recitals. The following terms shall have the meanings set forth in the recitals hereto:

Bonds	Participating Underwriter
Issuer	Rule 15c2-12
Notice of Sale	SEC
	Securities and Exchange Act

Section 1.2 Additional Definitions. The following additional terms shall have the meanings specified below:

“Annual Report” means Financial Statements and Operating Data provided at least annually.

“Bondholder” or “holder” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bonds.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York or in West Paterson, New Jersey are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

“Disclosure Event” means any event described in subsection 2.1(d) of this Certificate.

“Disclosure Event Notice” means the notice to the MSRB as provided in subsection 2.4(a).

“Disclosure Representative” means the Chief Financial Officer of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate from time to time.

“Dissemination Agent” means an entity acting in such capacity under this Certificate or any other successor entity designated in writing by the Issuer and which has filed a written acceptance of such designation.



“Final Official Statement” means the final Official Statement of the Issuer dated June \_\_, 2010 pertaining to the Bonds.

“Financial Statements” means the audited financial statements of the Issuer for each Fiscal Year and includes balance sheets, statements of changes in fund balances and statements of current funds, revenues, expenditures and other charges or statements which convey similar information.

“Fiscal Year” means the fiscal year of the Issuer. As of the date of this Certificate, the Fiscal Year of the Issuer begins on January 1 and closes on December 31 of each calendar year.

“GAAS” means generally accepted auditing standards as in effect from time to time, consistently applied.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Operating Data” means certain financial and statistical information of the Issuer, which for purposes of this Certificate shall include the financial and statistical information in Appendix A to the Final Official Statement under the headings “Financial Information and Budget Highlights”, “Property Valuations”, “Tax Information”, “Comparison of Tax Levy to Annual Debt Service Requirements”, “Current Fund Revenue Sources per Annual Adopted Budget”, “Current Fund Balances and Amounts Utilized in Succeeding Year’s Budget”, “Debt Information” and “Schedule of Debt Service Requirements on the County’s Tax Supported Bond Debt”.

“State” means the State of New Jersey.

Section 1.3 Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number mean the corresponding Articles and Sections of this Certificate. The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Certificate, refer to this Certificate as a whole unless otherwise expressly stated.

As the context shall require, the disjunctive term “or” shall be interpreted conjunctively as required to insure that the Issuer performs any obligations, mentioned in the passage in which such term appears.

The headings of this Certificate are for convenience only and shall not defined or limit the provisions hereof.

## **ARTICLE II**

### **CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS**

Section 2.1 Continuing Disclosure Covenants of the Issuer. The Issuer agrees that it will provide, or shall cause the Dissemination Agent to provide:

(a) Not later than October 1 of each year, commencing with the first Fiscal Year of the Issuer ending after January 1, 2010, an Annual Report to the MSRB;

(b) Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(a), a copy of the Annual Report to the Dissemination Agent, if the Issuer has appointed or engaged a Dissemination Agent;

(c) If audited Financial Statements are not submitted as part of the filing as set forth in subsection 2.1(a), the Issuer will submit unaudited financial statements with such filing, and will subsequently submit audited Financial Statements when and if available, to the MSRB;

(d) In a timely manner, to the MSRB, notice of any of the following events with respect to the Bonds, if material (each, a “Disclosure Event”);

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds;
- (viii) Bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds;  
and
- (xi) Rating changes.

(e) In a timely manner, to the MSRB, notice of a failure by the Issuer to provide the Annual Report within the period described in subsection 2.1(a) hereof.

Section 2.2 Continuing Disclosure Representations. The Issuer represents and warrants that:

(a) Financial Statements shall be prepared according to principles prescribed by the Division of Local Government Services in the Department of Community Affairs of the State of New Jersey pursuant to chapter 5 of Title 40A of the New Jersey Statutes as in effect from time to time.

(b) Financial Statements prepared annually shall be audited in accordance with GAAS.

(c) The Issuer has not failed to comply in any material respect with any prior continuing disclosure undertaking made by the Issuer in accordance with Rule 15c2-12.

Section 2.3 Form of Annual Report.

(a) The Annual Report may be submitted as a single document or as separate documents comprising a package.

(b) Any or all of the items which must be included in the Annual Report may be incorporated by reference from other documents, including official statements of the Issuer or related public entities which have been submitted to the MSRB or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

(c) The audited Financial Statements of the Issuer, if any, may be submitted separately from the balance of the Annual Report.

Section 2.4 Responsibilities, Duties, Immunities and Liabilities of the Dissemination Agent.

(a) If the Issuer or the Dissemination Agent (if one has been appointed or engaged by the Issuer) has determined it necessary to report the occurrence of a Disclosure Event, the Issuer or Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a notice of such occurrence with the MSRB (the "Disclosure Event Notice") in the form provided by the Issuer.

(b) The Issuer and/or the Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a written report with the Issuer certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided to the MSRB.

## Section 2.5 Appointment, Removal and Resignation of the Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carry out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this subsection shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(c) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Issuer. Such resignation shall take effect on the date specified in such notice.

## **ARTICLE III**

### **DISCLOSURE DEFAULT AND REMEDIES**

Section 3.1 Disclosure Default. The occurrence and continuation of a failure or refusal by the Issuer to observe, perform or comply with any covenant, condition or agreement on its part to be observed or performed in this Certificate and such failure or refusal shall remain uncured for a period of thirty (30) days shall constitute a Disclosure Default hereunder.

#### Section 3.2 Remedies on Default.

(a) Any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the Issuer and of the officers, agents and employees of the Issuer which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Issuer under this Certificate and may compel the Issuer or any such officers, agents, or employees, except of the Dissemination Agent, to perform and carry out their duties under this Certificate; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

(b) In case any Bondholder shall have proceeded to enforce its rights under this Certificate and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to any Bondholder, then and in every such case the Issuer and any Bondholder shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer and any Bondholder shall continue as though no such proceeding had been taken.

(c) A default under this Certificate shall not be deemed a default under the Bonds, and the sole remedy under this Certificate in the event of any failure or refusal by the Issuer to comply with this Certificate shall be as set forth in subsection 3.2(a) of this Certificate.

## **ARTICLE IV**

### **MISCELLANEOUS**

Section 4.1 Purposes of the Continuing Disclosure Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2 Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from (a) disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or (b) including any other information in any Annual Report or any Disclosure Event Notice, in addition to that which is required by this Certificate. If the Issuer chooses to include information in any Annual Report or any Disclosure Event Notice in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or any future Disclosure Event Notice.

Section 4.3 Notices. All notices required to be given or authorized shall be in writing and shall be sent by registered or certified mail to the Issuer, County Administration Building, 465 Dr. Martin Luther King Jr., Boulevard, Newark, New Jersey 07102, Attention: Paul J. Hopkins II.

Section 4.4 Severability. If any provision of this Certificate shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.5 Amendments, Changes and Modifications.

(a) Without the consent of any Bondholders, the Issuer at any time and from time to time may enter into any amendments or modifications to this Certificate for any of the following purposes:

- (i) to add to covenants and agreements of the Issuer hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Issuer by this Certificate;
- (ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer

or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting the Issuer; provided that any such modification shall comply with the requirements of Rule 15c2-12 as then in effect at the time of such modification; or

- (iii) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Certificate which, in each case, comply with Rule 15c2-12 as then in effect at the time of such modification.

provided, that prior to approving any such amendment or modification, the Issuer determines that such amendment or modifications does not adversely affect the interests of the Holders of the Bonds in any material respect.

(b) Upon entering into any amendment or modification required or permitted by this Certificate, the Issuer shall deliver, or cause the dissemination Agent to deliver, to the MSRB written notice of any such amendment or modification.

(c) The Issuer shall be entitled to rely exclusively upon an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.5.

Section 4.6 Amendments Required by Rule 15c2-12. The Issuer recognizes that the provisions of this Certificate are intended to enable the participating Underwriters to comply with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof, a change in this Certificate shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by any Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendment shall be permitted or necessary to assure continued compliance by the Participating Underwriter with Rule 15c2-12 as so amended or interpreted, then the Issuer shall amend this Certificate to comply with and be bound by any such amendment to this Certificate to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.5(b) hereof.

Section 4.7 Governing Law. This Certificate shall be governed exclusively by and construed in accordance with the applicable laws of the State of New Jersey.

Section 4.8 Termination of Issuer's Continuing Disclosure Obligations. The continuing obligation of the Issuer under Section 2.1 hereof to provide the Annual Report and any Disclosure Event Notice and to comply with the other requirements of said Section shall terminate if and when either (a) the Bonds are no longer outstanding or (b) the Issuer no longer remains an "obligated person" (as defined in Rule 15c2-12(f)(10) with respect to the Bonds in either event, only after the Issuer delivers, or causes the Dissemination Agent to deliver, to the

MSRB written notice to such effect. This Certificate shall be in full force and effect from the date hereof and shall continue in effect so long as any Bonds are Outstanding.

Section 4.9 Binding Effect. This Certificate shall inure to the benefit of and shall be binding upon the Issuer and its successors and assigns.

**IN WITNESS WHEREOF, THE COUNTY OF ESSEX, NEW JERSEY** has caused this Certificate to be executed in its name and its corporate seal to be hereunto affixed, all as of the date first above written.

**[SEAL]**

**THE COUNTY OF ESSEX, NEW JERSEY**

**By:\_\_\_\_\_**  
**Paul J. Hopkins II, Treasurer**

## **CONTINUING DISCLOSURE CERTIFICATE**

**THIS CONTINUING DISCLOSURE CERTIFICATE** is made as of June \_\_, 2010 by the County of Essex, New Jersey, a political subdivision duly organized under the laws of the State of New Jersey (the “Issuer”).

### **W I T N E S S E T H:**

**WHEREAS**, the Issuer is issuing its General Obligation Bonds, Series 2010 dated June 23, 2010 in the aggregate principal amount of \$46,150,000 (the “Bonds”) on the date hereof; and

**WHEREAS**, the Bonds are being issued pursuant to bond ordinances adopted by the Issuer and a certificate signed by the Issuer on June 10, 2010; and

**WHEREAS**, the Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended and supplemented (codified on the date hereof at 15 U.S.C. 77 et seq.) (the “Securities Exchange Act”) has adopted amendments to its Rule 15c2-12 (codified at 17 C.F.R. § 240.15c2-12) (“Rule 15c2-12”) effective July 3, 1995 which generally prohibit a broker, dealer, or municipal securities dealer from purchasing or selling municipal securities, such as the Bonds, unless such broker, dealer or municipal securities dealer has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to various information repositories; and

**WHEREAS**, the Issuer represented in its Notice of Sale dated June 1, 2010 (the “Notice of Sale”) that it would deliver on the closing date for the Bonds a “Continuing Disclosure Certificate” pursuant to which the Issuer will agree to provide at the times and to the persons described in Rule 15c2-12 the annual financial information and event notices to the Municipal Securities Rulemaking Board (the “MSRB”) required to be disclosed on a continual basis pursuant to Rule 15c2-12; and

**WHEREAS**, on June 10, 2010, the Issuer accepted the bid of \_\_\_\_\_, on behalf of itself and each of the original underwriters for the Bonds (each, a “Participating Underwriter”) for the purchase of the Bonds; and

**WHEREAS**, the execution and delivery of this Certificate has been duly authorized by the Issuer and all conditions, acts and things necessary and required to exist, to have happened, or to have been performed precedent to and in the execution and delivery of this Certificate, do exist, have happened and have been performed in regular form, time and manner; and



**WHEREAS**, the Issuer is executing this Certificate for the benefit of the Holders of the Bonds.

**NOW, THEREFORE**, for and in consideration of the premises and of the mutual representations, covenants and agreements herein set forth, the Issuer, its successors and assigns, do mutually promise, covenant and agree as follows:

## **ARTICLE I**

### **DEFINITIONS**

Section 1.1 Terms Defined in Recitals. The following terms shall have the meanings set forth in the recitals hereto:

Bonds	Participating Underwriter
Issuer	Rule 15c2-12
Notice of Sale	SEC
	Securities and Exchange Act

Section 1.2 Additional Definitions. The following additional terms shall have the meanings specified below:

“Annual Report” means Financial Statements and Operating Data provided at least annually.

“Bondholder” or “holder” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bonds.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York or in West Paterson, New Jersey are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

“Disclosure Event” means any event described in subsection 2.1(d) of this Certificate.

“Disclosure Event Notice” means the notice to the MSRB as provided in subsection 2.4(a).

“Disclosure Representative” means the Chief Financial Officer of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate from time to time.

“Dissemination Agent” means an entity acting in such capacity under this Certificate or any other successor entity designated in writing by the Issuer and which has filed a written acceptance of such designation.

“Final Official Statement” means the final Official Statement of the Issuer dated June \_\_, 2010 pertaining to the Bonds.

“Financial Statements” means the audited financial statements of the Issuer for each Fiscal Year and includes balance sheets, statements of changes in fund balances and statements of current funds, revenues, expenditures and other charges or statements which convey similar information.

“Fiscal Year” means the fiscal year of the Issuer. As of the date of this Certificate, the Fiscal Year of the Issuer begins on January 1 and closes on December 31 of each calendar year.

“GAAS” means generally accepted auditing standards as in effect from time to time, consistently applied.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Operating Data” means certain financial and statistical information of the Issuer, which for purposes of this Certificate shall include the financial and statistical information in Appendix A to the Final Official Statement under the headings “Financial Information and Budget Highlights”, “Property Valuations”, “Tax Information”, “Comparison of Tax Levy to Annual Debt Service Requirements”, “Current Fund Revenue Sources per Annual Adopted Budget”, “Current Fund Balances and Amounts Utilized in Succeeding Year’s Budget”, “Debt Information” and “Schedule of Debt Service Requirements on the County’s Tax Supported Bond Debt”.

“State” means the State of New Jersey.

Section 1.3 Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number mean the corresponding Articles and Sections of this Certificate. The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Certificate, refer to this Certificate as a whole unless otherwise expressly stated.

As the context shall require, the disjunctive term “or” shall be interpreted conjunctively as required to insure that the Issuer performs any obligations, mentioned in the passage in which such term appears.

The headings of this Certificate are for convenience only and shall not defined or limit the provisions hereof.

## **ARTICLE II**

### **CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS**

Section 2.1 Continuing Disclosure Covenants of the Issuer. The Issuer agrees that it will provide, or shall cause the Dissemination Agent to provide:

(a) Not later than October 1 of each year, commencing with the first Fiscal Year of the Issuer ending after January 1, 2010, an Annual Report to the MSRB;

(b) Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(a), a copy of the Annual Report to the Dissemination Agent, if the Issuer has appointed or engaged a Dissemination Agent;

(c) If audited Financial Statements are not submitted as part of the filing as set forth in subsection 2.1(a), the Issuer will submit unaudited financial statements with such filing, and will subsequently submit audited Financial Statements when and if available, to the MSRB;

(d) In a timely manner, to the MSRB, notice of any of the following events with respect to the Bonds, if material (each, a “Disclosure Event”);

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds;
- (viii) Bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) Rating changes.

(e) In a timely manner, to the MSRB, notice of a failure by the Issuer to provide the Annual Report within the period described in subsection 2.1(a) hereof.

Section 2.2 Continuing Disclosure Representations. The Issuer represents and warrants that:

(a) Financial Statements shall be prepared according to principles prescribed by the Division of Local Government Services in the Department of Community Affairs of the State of New Jersey pursuant to chapter 5 of Title 40A of the New Jersey Statutes as in effect from time to time.

(b) Financial Statements prepared annually shall be audited in accordance with GAAS.

(c) The Issuer has not failed to comply in any material respect with any prior continuing disclosure undertaking made by the Issuer in accordance with Rule 15c2-12.

Section 2.3 Form of Annual Report.

(a) The Annual Report may be submitted as a single document or as separate documents comprising a package.

(b) Any or all of the items which must be included in the Annual Report may be incorporated by reference from other documents, including official statements of the Issuer or related public entities which have been submitted to the MSRB or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

(c) The audited Financial Statements of the Issuer, if any, may be submitted separately from the balance of the Annual Report.

Section 2.4 Responsibilities, Duties, Immunities and Liabilities of the Dissemination Agent.

(a) If the Issuer or the Dissemination Agent (if one has been appointed or engaged by the Issuer) has determined it necessary to report the occurrence of a Disclosure Event, the Issuer or Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a notice of such occurrence with the MSRB (the "Disclosure Event Notice") in the form provided by the Issuer.

(b) The Issuer and/or the Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a written report with the Issuer certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided to the MSRB.

## Section 2.5 Appointment, Removal and Resignation of the Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carry out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this subsection shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(c) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Issuer. Such resignation shall take effect on the date specified in such notice.

## **ARTICLE III**

### **DISCLOSURE DEFAULT AND REMEDIES**

Section 3.1 Disclosure Default. The occurrence and continuation of a failure or refusal by the Issuer to observe, perform or comply with any covenant, condition or agreement on its part to be observed or performed in this Certificate and such failure or refusal shall remain uncured for a period of thirty (30) days shall constitute a Disclosure Default hereunder.

#### Section 3.2 Remedies on Default.

(a) Any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the Issuer and of the officers, agents and employees of the Issuer which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Issuer under this Certificate and may compel the Issuer or any such officers, agents, or employees, except of the Dissemination Agent, to perform and carry out their duties under this Certificate; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

(b) In case any Bondholder shall have proceeded to enforce its rights under this Certificate and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to any Bondholder, then and in every such case the Issuer and any Bondholder shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer and any Bondholder shall continue as though no such proceeding had been taken.

(c) A default under this Certificate shall not be deemed a default under the Bonds, and the sole remedy under this Certificate in the event of any failure or refusal by the Issuer to comply with this Certificate shall be as set forth in subsection 3.2(a) of this Certificate.

## **ARTICLE IV**

### **MISCELLANEOUS**

Section 4.1 Purposes of the Continuing Disclosure Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2 Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from (a) disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or (b) including any other information in any Annual Report or any Disclosure Event Notice, in addition to that which is required by this Certificate. If the Issuer chooses to include information in any Annual Report or any Disclosure Event Notice in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or any future Disclosure Event Notice.

Section 4.3 Notices. All notices required to be given or authorized shall be in writing and shall be sent by registered or certified mail to the Issuer, County Administration Building, 465 Dr. Martin Luther King Jr., Boulevard, Newark, New Jersey 07102, Attention: Paul J. Hopkins II.

Section 4.4 Severability. If any provision of this Certificate shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.5 Amendments, Changes and Modifications.

(a) Without the consent of any Bondholders, the Issuer at any time and from time to time may enter into any amendments or modifications to this Certificate for any of the following purposes:

- (i) to add to covenants and agreements of the Issuer hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Issuer by this Certificate;
- (ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the

business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting the Issuer; provided that any such modification shall comply with the requirements of Rule 15c2-12 as then in effect at the time of such modification; or

- (iii) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Certificate which, in each case, comply with Rule 15c2-12 as then in effect at the time of such modification.

provided, that prior to approving any such amendment or modification, the Issuer determines that such amendment or modifications does not adversely affect the interests of the Holders of the Bonds in any material respect.

(b) Upon entering into any amendment or modification required or permitted by this Certificate, the Issuer shall deliver, or cause the dissemination Agent to deliver, to the MSRB written notice of any such amendment or modification.

(c) The Issuer shall be entitled to rely exclusively upon an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.5.

Section 4.6 Amendments Required by Rule 15c2-12. The Issuer recognizes that the provisions of this Certificate are intended to enable the participating Underwriters to comply with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof, a change in this Certificate shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by any Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendment shall be permitted or necessary to assure continued compliance by the Participating Underwriter with Rule 15c2-12 as so amended or interpreted, then the Issuer shall amend this Certificate to comply with and be bound by any such amendment to this Certificate to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.5(b) hereof.

Section 4.7 Governing Law. This Certificate shall be governed exclusively by and construed in accordance with the applicable laws of the State of New Jersey.

Section 4.8 Termination of Issuer's Continuing Disclosure Obligations. The continuing obligation of the Issuer under Section 2.1 hereof to provide the Annual Report and any Disclosure Event Notice and to comply with the other requirements of said Section shall terminate if and when either (a) the Bonds are no longer outstanding or (b) the Issuer no longer remains an "obligated person" (as defined in Rule 15c2-12(f)(10) with respect to the Bonds in either event, only after the Issuer delivers, or causes the Dissemination Agent to deliver, to the

MSRB written notice to such effect. This Certificate shall be in full force and effect from the date hereof and shall continue in effect so long as any Bonds are Outstanding.

Section 4.9 Binding Effect. This Certificate shall inure to the benefit of and shall be binding upon the Issuer and its successors and assigns.

**IN WITNESS WHEREOF, THE COUNTY OF ESSEX, NEW JERSEY** has caused this Certificate to be executed in its name and its corporate seal to be hereunto affixed, all as of the date first above written.

**[SEAL]**

**THE COUNTY OF ESSEX, NEW JERSEY**

**By:** \_\_\_\_\_  
**Paul J. Hopkins II, Treasurer**



## **APPENDIX D**

### **NOTICES OF SALE**

## **NOTICE OF SALE**

**\$80,203,000  
COUNTY OF ESSEX  
NEW JERSEY**

### **GENERAL OBLIGATION BONDS, SERIES 2010**

**Consisting of**

**\$60,250,000 General Improvement Bonds, Series 2010A (Tax-Exempt)**

**\$3,200,000 County Vocational School Bonds, Series 2010B**

**(New Jersey School Bond Reserve Act, P.L. 1980, c.72) (Tax-Exempt)**

**\$15,576,500 County College Bonds, Series 2010C (Tax-Exempt)**

**and**

**\$1,176,500 County College Bonds, Series 2010D**

**(County College Bonds Act, P.L. 1971, c.12) (Tax-Exempt)**

ELECTRONIC BIDS, via BiDCOMP/PARITY Competitive Bidding System (BiDCOMP/Parity) (the "Proposals") only, will be received by the Treasurer of the Board of Chosen Freeholders of the County of Essex, New Jersey (the "County"), on June 10, 2010 until 11:00 a.m., New York City time, at which time they will be announced, for the purchase of all, but not less than all, of the County's \$80,203,000 General Obligation Bonds, Series 2010, consisting of: \$60,250,000 General Improvement Bonds, Series 2010A (Tax-Exempt) (the "Series 2010A Bonds"), \$3,200,000 County Vocational School Bonds, Series 2010B (New Jersey School Bond Reserve Act, P.L. 1980, c.72) (Tax-Exempt) (the "Series 2010B Bonds"), \$15,576,500 County College Bonds, Series 2010C (Tax-Exempt) (the "Series 2010C Bonds") and \$1,176,500 County College Bonds, Series 2010D (Tax-Exempt) (County College Bonds Act, P.L. 1971, c. 12) (the "Series 2010D Bonds" and, together with the Series 2010A Bonds, the Series 2010B Bonds and the Series 2010C Bonds, the "Bonds"). Bidders are required to submit their Proposals for the purchase of the Bonds in accordance with the terms of the Notice of Sale.

### **Interest Payment Dates**

The Bonds will be dated the date of delivery (which is expected to be June 23, 2010) and will bear interest at the rate per annum specified by the successful bidder therefor in accordance herewith, payable on February 1, 2011 and semi-annually thereafter on the first day of August and February in each year until maturity.

### **Principal Amortization**

Principal of the Bonds will be paid annually (at maturity, unless designated as mandatory sinking fund payments in the manner prescribed herein), subject to prior optional redemption, on August 1 of each of the following years and in the following aggregate amounts:

\$60,250,000 General Improvement Bonds, Series 2010A, maturing in the principal amount of \$175,000 in the year 2011; \$1,630,000 in the year 2012; \$2,290,000 in the year 2013; \$4,980,000 in the year 2014; \$4,450,000 in the year 2015; \$4,405,000 in the year 2016;

\$4,365,000 in the year 2017; \$5,190,000 in the year 2018; \$4,255,000 in the year 2019; \$4,070,000 in the year 2020; \$3,975,000 in the year 2021; \$4,725,000 in the year 2022; \$15,200,000 in the year 2023; \$265,000 in the year 2024; and \$275,000 in the year 2025.

\$3,200,000 County Vocational School Bonds, Series 2010B, maturing in the principal amount of \$175,000 in the year 2011; \$185,000 in each of the years 2012 and 2013; \$190,000 in the year 2014; \$195,000 in each of the years 2015 and 2016; \$200,000 in the year 2017; \$210,000 in the year 2018; \$215,000 in the year 2019; \$220,000 in the year 2020; \$230,000 in the year 2021; \$235,000 in the year 2022; \$245,000 in the year 2023; \$255,000 in the year 2024; and \$265,000 in the year 2025.

\$15,576,500 County College Bonds, Series 2010C, maturing in the principal amount of \$61,500 in the year 2011; \$275,000 in the year 2012; \$835,000 in the year 2013; \$840,000 in the year 2014; \$1,625,000 in the year 2015; \$1,600,000 in the year 2016; \$1,590,000 in the year 2017; \$875,000 in the year 2018; \$1,550,000 in the year 2019; \$1,480,000 in the year 2020; \$1,305,000 in the year 2021; \$795,000 in the year 2022; \$2,550,000 in the year 2023; \$95,000 in the year 2024; and \$100,000 in the year 2025.

\$1,176,500 County College Bonds, Series 2010D (County College Bond Act, P.L. 1971, C. 12), maturing in the principal amount of \$61,500 in the year 2011; \$65,000 in the year 2012; \$70,000 in each of the years 2013 to 2016, inclusive; \$75,000 in each of the years 2017 and 2018; \$80,000 in each of the years 2019 and 2020; \$85,000 in the year 2021; \$90,000 in each of the years 2022 and 2023; \$95,000 in the year 2024; and \$100,000 in the year 2025.

The combined maturity schedule for the Bonds is as follows:

<b><u>YEAR</u></b>	<b><u>PRINCIPAL AMOUNT</u></b>	<b><u>YEAR</u></b>	<b><u>PRINCIPAL AMOUNT</u></b>
2011	\$ 473,000	2019	\$ 6,100,000
2012	2,155,000	2020	5,850,000
2013	3,380,000	2021	5,595,000
2014	6,080,000	2022	5,845,000
2015	6,340,000	2023	18,085,000
2016	6,270,000	2024	710,000
2017	6,230,000	2025	740,000
2018	6,350,000		

### **Term Bond Option**

Bidders may designate in their proposal two or more consecutive annual principal payments as a term bond, which matures on the maturity date of the last annual principal payment of the sequence. Any term bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire principal amount for each annual principal payment designated for inclusion in such term bond. There is no limitation on the number of term bonds in the Bonds. The Bonds to be redeemed in any year of

mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from among the Bonds of the maturity being redeemed.

### **Optional Redemption Provisions**

The Bonds maturing on or prior to August 1, 2020 shall not be subject to redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 2021 shall be subject to redemption prior to their respective maturity dates, on or after August 1, 2020 at the option of the County, either in whole or in part at any time in any order of maturity at par (the "Redemption Price") and accrued interest thereon to the date of redemption.

Notice of Redemption shall be given by publishing such notice once a week for two (2) successive weeks in a newspaper of general circulation that carries financial news, is printed in the English language and is customarily published on each business day in the State of New York, the first of such publications to be at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. A Notice of Redemption shall also be mailed by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the County. However, so long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notices of Redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds, nor shall the notice be published as provided herein and will be done in accordance with DTC procedures. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the County determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by the County by lot. If Notice of Redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

### **New Jersey School Bond Reserve Act**

The Series 2010B Bonds also will be secured by the School Bond Reserve (the "School Bond Reserve") established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") and in accordance with the New Jersey School Bond Reserve Act, P.L. 1980 Ch. 72, approved July 16, 1980 (the "New Jersey School Bond Reserve Act").

### **County College Bond Act**

The Series 2010D Bonds are entitled to the benefits of the County College Bond Act (N.J.S.A. 18A:64A-22.1 et seq.). Under the provisions of the County College Bond Act, the State shall appropriate annually and pay an amount equal to the amount of principal and interest due on the bonds entitled to the provisions of the County College Bond Act. The amounts paid by the State pursuant to said Act are paid directly to the paying agent for the bonds and therefore must be used for the payment of the principal of and interest on said bonds. Any bonds or notes entitled to the benefits of the County College Bond Act shall not be deemed to be a debt or liability of the State or a pledge of the faith and credit of the State, but are dependent for repayment upon appropriations provided by law from time to time.

## **Book-Entry-Only System**

As long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co., as nominee of DTC, which will credit payments of principal of and interest on the Bonds to the DTC participants as listed in the records of DTC as of each next preceding January 15 and July 15, respectively (the "Record Dates" for payment of interest on the Bonds), which participants will in turn credit such payments to the beneficial owners of the Bonds.

All Bidders of the Bonds must be participants of The Depository Trust Company, New York, New York ("DTC") or affiliated with its participants. The Bonds will be issued in fully registered form, and when issued will be registered in the name of and held by Cede & Co., as the registered owner thereof and nominee for DTC, an automated depository for securities and clearinghouse for securities transactions.

Individual purchases of beneficial ownership interests in the Bonds will be made in book-entry form (without certificates) in the denomination of \$5,000 each or any integral multiple thereof (except for two odd pieces in excess of \$5,000). It shall be the obligation of the successful bidder to furnish to DTC an underwriter's questionnaire and the denomination of the Bonds not less than seventy-two (72) hours prior to the delivery of the Bonds and to furnish to bond counsel, referenced below, the initial public offering prices of the Bonds not less than forty-eight (48) hours prior to delivery of the Bonds.

In the event that either DTC determines not to continue to act as securities depository for the Bonds or the County determines that the beneficial owners of the Bonds be able to obtain bond certificates, the County will appoint a paying agent and will issue and deliver replacement Bonds in the form of fully registered certificates.

## **Electronic Bidding Procedures**

Bids may be submitted electronically via PARITY in accordance with this Notice of Sale, until 11:00 a.m., New York City time, on June 10, 2010, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 849-5021. In the event that a bid for the Bonds is submitted via PARITY, the bidder further agrees that:

1. The County may regard the electronic transmission of the bid through PARITY (including information about the purchase price of the Bonds, the interest rate or rates to be borne by the various maturities of the Bonds, the initial public offering price of each maturity and any other information included in such transmission) as though the same information were submitted directly to the County and executed by a duly authorized signatory of the bidder. If a bid submitted electronically by PARITY is accepted by the County, the terms of the Proposal for Bonds and this Notice of Sale and the information that is electronically transmitted through PARITY shall form a contract, and the successful bidder shall be bound by the terms of such contract.

2. PARITY is not an agent of the County, and the County shall have no liability whatsoever based on any bidder's use of PARITY, including but not limited to any failure by PARITY to correctly or timely transmit information provided by the County or information provided by the bidder.

3. The County may choose to discontinue use of electronic bidding via PARITY by issuing a notification to such effect via TM3 News Services, or by other available means, no later than 3:00 p.m. (New York City Time) on the last business date prior to the bid date set forth above.

4. Once the bids are communicated electronically via PARITY to the County as described above, each bid will constitute a Proposal for Bonds and shall be deemed to be an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale. For purposes of submitting all Proposal for Bonds, the time as maintained on PARITY shall constitute the official time.

5. Each bidder choosing to bid electronically shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure access to any qualified prospective bidder, and neither the County nor Parity shall be responsible for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The County is using PARITY as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. By using PARITY, each bidder agrees to hold the County harmless for any harm or damages caused to such bidder in connection with its use of PARITY for bidding on the Bonds.

### **Bid Specifications**

Each Proposal submitted must name the rate or rates of interest per annum to be borne by the Bonds bid for and the rate or rates named must be multiples of one-eighth ( $1/8$ ) or one-twentieth ( $1/20$ ) of one per centum. Not more than one rate may be named for Bonds of the same maturity. There is no limitation on the rates that may be named. No interest rate bid may exceed five and a quarter percent (5.25%). If more than one rate of interest is named, no interest rate named for any maturity may be less than the interest rate named for any prior maturity. Each Proposal submitted must be for all of the Bonds and the purchase price specified in the proposal must be not less than one hundred percent (100%) of the aggregate par value of the Bonds.

### **Award, Delivery and Payment**

The Bonds will be awarded to the bidder on whose bid the total loan may be made at the lowest true interest cost. Such true interest cost shall be computed, as to each bid, by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and the price bid, excluding accrued interest to the delivery date. No Proposal shall be considered that offers to pay an amount less

than the principal amount of Bonds offered for sale or under which the total loan is made at an interest cost higher than the lowest true interest cost to the County under any legally acceptable proposal. If two or more such bidders offer to pay the lowest true interest cost, then the Bonds will be sold to one of such bidders selected by lot from among all such bidders. The bidder to which the Bonds are awarded (in the manner specified above) is herein referred to as the "Successful Bidder."

It is expected that delivery of the Bonds to DTC and payment for the Bonds will take place on or about, June 23, 2010 at the offices of Gibbons P.C., bond counsel to the County ("Bond Counsel"), in Newark, New Jersey or at such other place as may be agreed upon with the Successful Bidder. The Bonds will be delivered to DTC in single denominations for each maturity of each type of bond. PAYMENT FOR THE BONDS AT THE TIME OF ORIGINAL ISSUANCE AND DELIVERY SHALL BE IN IMMEDIATELY AVAILABLE FUNDS.

### **Change of Bid Date and Closing Date**

The County reserves the right to postpone, from time to time, the date established for the receipt of bids and will undertake to notify registered prospective Bidders via notification published on Thomson Municipal Market Monitor ("TM3") ([www.tm3.com](http://www.tm3.com)). Prospective Bidders may request notification by facsimile transmission of any such changes in the date or time for the receipt of bids by so advising, and furnishing their telecopier numbers to Acacia Financial Group, Inc. at (856) 234-2266 by 12:00 Noon, New York City time, on the day prior to the announced date for receipt of bids. In addition, the County reserves the right to make changes to this Notice of Sale. Such changes will be announced on the TM3.

A postponement of the bid date will be announced via TM3 not later than 11:00 a.m., New York City time, on the last business day prior to any announced date for receipt of bids, and an alternative sale date and time will be announced via TM3 by Noon, New York City time, not less than forty-eight (48) hours prior to such alternative date for receipt of bids.

On any such alternative date and time for receipt of bids, the County will accept electronic bids for the purchase of the Bonds, such bids to conform in all respects to the provisions of this Notice of Sale, except for the changes in the date and time for receipt of bids and any other changes announced via TM3 at the time the date and time for receipt of bids are announced.

### **Right To Reject Bids; Waive Irregularities**

The right is reserved to reject all bids, and any bid not complying with the terms of this Notice of Sale will be rejected. The County reserves the right to reject any or all Proposals and so far as permitted by law, to waive any irregularity or informality in any or all Proposals.

## **Good Faith Deposit**

A good faith deposit (the "Deposit"), in the form of either (i) a financial surety bond (the "Financial Surety Bond"), or (ii) an electronic transfer of immediately available federal funds in accordance with the wiring instructions contained in the immediately succeeding paragraph, in the amount of \$1,604,060 is required for each bid for the Bonds to be considered. The Financial Surety Bond must be from an insurance company licensed to issue such a bond in the State of New Jersey and approved by the Director of the Division of Local Government Services of New Jersey (the "Director"). At present, the Director has approved the use of Sure-Bid, a division of Financial Security Assurance Inc. Use of any other Financial Surety Bond must be approved by the Director prior to the bid and will not be accepted by the County unless evidence of such approval is provided prior to the bid. The Financial Surety Bond must be submitted to the County prior to 10:30 a.m. New York City time on the date for receipt of bids, and must be in the form and substance acceptable to the County. A Financial Surety Bond must identify the bidder whose Deposit is guaranteed by such Financial Surety Bond. The Successful Bidder for the Bonds who utilized a Financial Surety Bond is required to submit its Deposit to the County in the form of a wire transfer not later than 1:00 p.m. New York City time on the next business day following the award. If such Deposits are not received by that time, the Financial Surety Bond may be drawn by the County to satisfy the Deposit requirement.

A bidder providing the Deposit via electronic transfer of funds shall transmit such funds to the following:

PNC Bank, 80 Park Plaza, Newark, NJ  
ABA No.: 031207607  
Account No.: 8101105991  
Account Name: County of Essex Capital Account  
Contact: Paul J. Hopkins II, Treasurer  
Phone: (973) 621-6306

If an electronic transfer of funds is used, such funds must be received in the account identified immediately above no later than 10:30 a.m. New York City time on the date for receipt of bids, and must be accompanied by detailed wiring instructions for the return thereof in the event that such bidder is not the Successful Bidder. Please note that the contact information provided immediately above should be used by bidders for the purposes of confirming receipt of electronic transfer of funds and the transmittal of instructions for the return of such electronic transfers of funds in the event such bidder is not the Successful Bidder. Electronic transfers of funds of unsuccessful bidders for the Bonds will be returned upon award of the Bonds. It is the intent of the County that electronic transfers of funds will be returned via wire transfer to the unsuccessful bidders not later than 5:00 p.m. on the date for receipt of bids, provided that wiring instructions have been provided by such unsuccessful bidder at the time of transmission of the Deposit to the County. The County shall not bear any liability for any delay that may occur in the return of an electronic transfer of the Deposit to an unsuccessful bidder. Interest earned on the Deposit will be credited to the County and will not be available to the Successful Bidder for the Bonds.

The Deposit of the Successful Bidder will be collected and the proceeds thereof retained by the County to be applied in partial payment for the Bonds and no interest will be allowed or



paid upon the amount thereof, but in the event the Successful Bidder shall fail to comply with the terms of its respective bid, the proceeds thereof will be retained as and for full liquidated damages. Award of the Bonds to the Successful Bidder or rejection of all bids is expected to be made within five hours after opening of the bids, but such Successful Bidder may not withdraw its Proposal for Bonds until after 5:00 p.m. of the day of such bid-opening and then only if such award has not been made prior to the withdrawal.

### **Bond Insurance**

If the Bonds qualify for issuance of any policy of municipal bond insurance, any purchase of such policy shall be at the sole option and expense of the Successful Bidder. If the Bonds are to be insured, the Successful Bidder shall pay the premium therefor prior to the delivery of the Bonds. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued shall not in any way relieve the Successful Bidder of its contractual obligations arising from the acceptance of its Proposal for Bonds for the purchase of the Bonds.

### **CUSIP Numbers**

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for the failure or refusal of the Successful Bidder to accept delivery of and pay for the Bonds. The CUSIP Service Bureau charges for the assignment of CUSIP numbers on the Bonds shall be the responsibility of and shall be paid for by the Successful Bidder. One series of CUSIP numbers will be assigned to the Series 2010A Bonds and the Series 2010C Bonds, a separate series of CUSIP numbers will be assigned to the Series 2010B Bonds, and a separate series of CUSIP numbers will be assigned to the Series 2010D Bonds.

### **Undertakings of the Successful Bidder**

THE SUCCESSFUL BIDDER SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THEIR RESPECTIVE INITIAL REOFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED BELOW. THE SUCCESSFUL BIDDER MUST SELL TO THE PUBLIC 10% OR MORE IN PAR AMOUNT OF THE RESPECTIVE SERIES OF THE BONDS FROM EACH MATURITY THEREOF AT THE INITIAL REOFFERING PRICES.

The successful bidder shall within thirty (30) minutes after being notified of the award of the Bonds, advise the County in writing (via facsimile transmission) of the respective Bonds initial reoffering prices to the public of each maturity of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the County within twenty-four (24) hours after notification of the award, furnish the following information to the County to complete the Official Statement in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the County that the Bonds were initially offered to the public).

- B. The identity of the underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information that the County determines is necessary to complete the Official Statement in final form.

After the award of the bonds, the County will prepare copies of the final Official Statement and will include therein such additional information concerning the reoffering of the bonds as the successful bidder may reasonably request. The successful bidder will be responsible to the County in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE COUNTY A CERTIFICATE ACCEPTABLE TO BOND COUNSEL TO THE EFFECT THAT (I) THE SUCCESSFUL BIDDER HAVE MADE A BONA FIDE PUBLIC OFFERING OF BONDS AT THE INITIAL REOFFERING PRICES AND (II) SUBSTANTIAL AMOUNTS OF THE BONDS WERE SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES. Bond counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder, (ii) the sale to the public of 10% or more in par amount of the bonds of each maturity at the initial reoffering prices would be sufficient to certify as to the sale of a substantial amount of the bonds, and (iii) reliance on other facts as a basis for such certification would require evaluation by bond counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

### **Legal Opinions**

The obligations hereunder to pay for and to accept delivery of the Bonds shall be conditioned on the availability and the delivery at the time of delivery of the Bonds of the approving opinion of the law firm of Gibbons P.C., Newark, New Jersey, bond counsel to the County, which will be furnished without cost to the Successful Bidder, substantially in the form set forth in the Official Statement distributed in preliminary form in connection with the sale of the Bonds. Such opinion shall state to the effect that the Bonds are valid and legally binding obligations of the County, and that all the taxable property therein will be subject to the levy of ad valorem taxes, without limitation as to rate or amount, to pay the principal of the Bonds and the interest thereon; and will also state that under existing law, interest on the Bonds is excluded from gross income for purposes of Federal income taxation. The obligations hereunder to pay for and to accept delivery of the Bonds shall be further conditioned on the availability and delivery to the Successful Bidder, at the time of delivery of the Bonds, of (i) certificates from the County Treasurer in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds, the receipt of payment therefor and the fact the Bonds will not be arbitrage obligations within the meaning of the Code; (ii) a certificate from the County Attorney, in form and tenor satisfactory to Bond Counsel and dated as of the date of such delivery, to the effect that there is no litigation pending or (to the knowledge of the signer or signers thereof) threatened affecting the validity of the Bonds; and (iii) a certificate from the County Treasurer, in form and tenor satisfactory to Bond Counsel and dated as of the date of such delivery, to the effect that to the best of his knowledge of such and belief, and after reasonable investigation: (1)

neither the Official Statement relating to the Bonds nor any amendment, or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading; (2) since the date of the Official Statement (or the date of the most recent amendment or supplement thereto) no event has occurred which would make the statements therein untrue or, in the light of the circumstances in which they were made, misleading, and (3) there has not been any material adverse change in the operation or financial affairs of the County since the date of such Official Statement.

### **Preliminary Official Statement**

The County has issued an Official Statement with respect to the sale of the Bonds in preliminary form (the "Preliminary Official Statement") which the County has deemed final as of its date for purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 ("Rule 15c2-12"), except for certain omissions permitted thereunder and except for changes permitted by other applicable law.

The Preliminary Official Statement may be accessed via the Internet at [www.i-dealprospectus.com](http://www.i-dealprospectus.com). A printed version is also available upon request made to the Treasurer of the County at the Hall of Records, 465 Dr. Martin Luther King Jr. Boulevard, Newark, New Jersey 07102 (telephone (973) 621-6306), or from the County's financial advisor, Acacia Financial Group, Inc., Four Greentree Centre, Suite 206, 13000 Lincoln Drive West, Marlton, New Jersey 08053 (telephone (856) 234-2266).

### **Official Statement**

The County agrees to provide the successful bidder with up to two hundred (200) copies of the final Official Statement adopted by the County in relation to the sale by the County of the Bonds within the period of time allowed under Rule 15c2-12, at the sole cost and expense of the County, with any additional copies which the successful bidder shall reasonably request to be provided at the sole cost and expense of the successful bidder.

### **Continuing Disclosure**

In order to assist the successful bidder in complying with Rule 15c2-12, the County agrees to deliver on the Closing Date a Continuing Disclosure Certificate to be dated as of the Closing Date pursuant to which the County shall agree to provide at the times and to the information repositories and other persons described in Rule 15c2-12 the financial or operating data required to be disclosed on a continuing basis pursuant to Rule 15c2-12.

Paul J. Hopkins II  
Treasurer

Dated: June 2, 2010

## **NOTICE OF SALE**

**\$46,150,000  
COUNTY OF ESSEX  
NEW JERSEY**

### **GENERAL OBLIGATION BONDS, SERIES 2010**

**Consisting of**

**\$37,550,000 GENERAL IMPROVEMENT BONDS, SERIES 2010E  
(FEDERALLY TAXABLE - BUILD AMERICA BONDS - DIRECT PAY TO ISSUER)**

**and**

**\$8,600,000 COUNTY COLLEGE BONDS, SERIES 2010F  
(FEDERALLY TAXABLE - BUILD AMERICA BONDS - DIRECT PAY TO ISSUER)**

ELECTRONIC BIDS, via BiDCOMP/PARITY Competitive Bidding System (BiDCOMP/Parity) (the "Proposals") only, will be received by the Treasurer of the Board of Chosen Freeholders of the County of Essex, New Jersey (the "County"), on June 10, 2010 until 11:00 a.m., New York City time, at which time they will be announced, for the purchase of all, but not less than all, of the County's \$46,150,000 General Obligation Bonds, Series 2010, consisting of: \$37,550,000 General Improvement Bonds, Series 2010E (Federally Taxable - Build America Bonds - Direct Pay to Issuer) and \$8,600,000 County College Bonds, Series 2010F (Federally Taxable - Build America Bonds - Direct Pay to Issuer) (collectively, the "Bonds"). Bidders are required to submit their Proposals for the purchase of the Bonds in accordance with the terms of the Notice of Sale.

The County is offering all of the Bonds as taxable obligations designated as Build America Bonds under Section 54AA(g)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), pursuant to which the County will select the "direct credit payment to issuer" option as provided in Section 6431 of the Code.

### **Interest Payment Dates**

The Bonds will be dated the date of delivery (which is expected to be June 23, 2010) and will bear interest at the rate per annum specified by the successful bidder therefor in accordance herewith, payable on February 1, 2011 and semi-annually thereafter on the first day of August and February in each year until maturity.

### **Principal Amortization**

Principal of the Bonds will be paid annually (at maturity, unless designated as mandatory sinking fund payments in the manner prescribed herein), subject to prior optional redemption, on August 1 of each of the following years and in the following aggregate amounts:

\$37,550,000 General Improvement Bonds, Series 2010E (Federally Taxable - Build America Bonds - Direct Pay to Issuer), maturing in the principal amount of \$3,380,000 in the year 2023; \$16,070,000 in the year 2024; and \$18,100,000 in the year 2025.

\$8,600,000 County College Bonds, Series 2010F (Federally Taxable - Build America Bonds - Direct Pay to Issuer), maturing in the principal amount of \$510,000 in the year 2023; \$5,135,000 in the year 2024; and \$2,955,000 in the year 2025.

The combined maturity schedule for the Bonds is as follows:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2023	\$ 3,890,000
2024	21,205,000
2025	21,055,000

### **Term Bond Option**

Bidders may designate in their proposal two or more consecutive annual principal payments as a term bond, which matures on the maturity date of the last annual principal payment of the sequence. Any term bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire principal amount for each annual principal payment designated for inclusion in such term bond. There is no limitation on the number of term bonds in the Bonds. The Bonds to be redeemed in any year of mandatory sinking fund redemption shall be redeemed at par and shall be selected on a pro rata basis from among the Bonds of the maturity being redeemed.

### **Optional Redemption Provisions**

The Bonds shall be subject to redemption prior to their respective maturity dates, on or after August 1, 2020 at the option of the County, either in whole or in part at any time in any order of maturity at par (the "Redemption Price") and accrued interest thereon to the date of redemption.

### **Extraordinary Optional Redemption**

The Bonds shall be subject to redemption prior to their stated maturity dates, in whole or in part on any date, in any order of maturity, at the option of the County, upon the occurrences of an Extraordinary Event, as defined below, at a redemption price (the "Extraordinary Optional Redemption Price") equal to the greater of :

(1) the issue price set forth on the inside cover page of the Official Statement (but not less than 100% ) of the principal amount of such Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual

basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, described below, plus 100 basis points; plus, in each case, accrued interest on such Bonds to be redeemed to the date fixed for redemption.

An “Extraordinary Event” will have occurred if the County determines that a material adverse change has occurred to Section 54AA or 6431 of the Internal Revenue Code of 1986, as amended (the “Code”) (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to “Build America Bonds”) or there is any guidance published by the Internal Revenue Service or the United States Department of the Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Department of the Treasury, which determination is not the result of an act or omission by the County to satisfy the requirements to qualify to receive the 35% cash subsidy payment from the United States Department of the Treasury, pursuant to which the County’s 35% cash subsidy payment from the United States Department of the Treasury is reduced or eliminated.

“Treasury Rate” means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least 2 business days, but no more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities )(or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds to be redeemed; provided, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

### **Notice of Redemption**

Notice of Redemption shall be given by publishing such notice once a week for two (2) successive weeks in a newspaper of general circulation that carries financial news, is printed in the English language and is customarily published on each business day in the State of New York, the first of such publications to be at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. A Notice of Redemption shall also be mailed by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the County. However, so long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notices of Redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds, nor shall the notice be published as provided herein and will be done in accordance with DTC procedures. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the County determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by the County on a pro rata basis. However, the County can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners on such a proportional basis. If Notice of Redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed

for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

### **Book-Entry-Only System**

As long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co., as nominee of DTC, which will credit payments of principal of and interest on the Bonds to the DTC participants as listed in the records of DTC as of each next preceding January 15 and July 15, respectively (the "Record Dates" for payment of interest on the Bonds), which participants will in turn credit such payments to the beneficial owners of the Bonds.

All Bidders of the Bonds must be participants of The Depository Trust Company, New York, New York ("DTC") or affiliated with its participants. The Bonds will be issued in fully registered form, and when issued will be registered in the name of and held by Cede & Co., as the registered owner thereof and nominee for DTC, an automated depository for securities and clearinghouse for securities transactions.

Individual purchases of beneficial ownership interests in the Bonds will be made in book-entry form (without certificates) in the denomination of \$5,000 each or any integral multiple thereof. It shall be the obligation of the successful bidder to furnish to DTC an underwriter's questionnaire and the denomination of the Bonds not less than seventy-two (72) hours prior to the delivery of the Bonds and to furnish to bond counsel, referenced below, the initial public offering prices of the Bonds not less than forty-eight (48) hours prior to delivery of the Bonds.

In the event that either DTC determines not to continue to act as securities depository for the Bonds or the County determines that the beneficial owners of the Bonds be able to obtain bond certificates, the County will appoint a paying agent and will issue and deliver replacement Bonds in the form of fully registered certificates.

### **Electronic Bidding Procedures**

Bids may be submitted electronically via PARITY in accordance with this Notice of Sale, until 11:00 a.m., New York City time, on June 10, 2010, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 849-5021. In the event that a bid for the Bonds is submitted via PARITY, the bidder further agrees that:

1. The County may regard the electronic transmission of the bid through PARITY (including information about the purchase price of the Bonds, the interest rate or rates to be borne by the various maturities of the Bonds, the initial public offering price of each maturity and any other information included in such transmission) as though the same information were submitted directly to the County and executed by a duly authorized signatory of the bidder. If a bid submitted electronically by PARITY is accepted by the County, the terms of the Proposal for Bonds and this Notice of Sale and the information that is electronically transmitted through PARITY shall form a contract, and the successful bidder shall be bound by the terms of such contract.

2. PARITY is not an agent of the County, and the County shall have no liability whatsoever based on any bidder's use of PARITY, including but not limited to any failure by PARITY to correctly or timely transmit information provided by the County or information provided by the bidder.

3. The County may choose to discontinue use of electronic bidding via PARITY by issuing a notification to such effect via TM3 News Services, or by other available means, no later than 3:00 p.m. (New York City Time) on the last business date prior to the bid date set forth above.

4. Once the bids are communicated electronically via PARITY to the County as described above, each bid will constitute a Proposal for Bonds and shall be deemed to be an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale. For purposes of submitting all Proposal for Bonds, the time as maintained on PARITY shall constitute the official time.

5. Each bidder choosing to bid electronically shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure access to any qualified prospective bidder, and neither the County nor Parity shall be responsible for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The County is using PARITY as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. By using PARITY, each bidder agrees to hold the County harmless for any harm or damages caused to such bidder in connection with its use of PARITY for bidding on the Bonds.

### **Bid Specifications**

Each Proposal submitted must name the rate or rates of interest per annum to be borne by the Bonds bid for and the rate or rates named must be in multiples of 1/1000 of one per cent per annum. Not more than one rate may be named for Bonds of the same maturity. There is no limitation on the rates that may be named. No interest rate bid may exceed seven and one-half percent (7.50%). If more than one rate of interest is named, no interest rate named for any maturity may be less than the interest rate named for any prior maturity. Each Proposal submitted must be for all of the Bonds and the purchase price specified in the proposal must be not less than one hundred percent (100%) of the aggregate par value of the Bonds.

To comply with the Build America Bond provisions set forth in Section 54AA of the Code, each bid for the Bonds must specify the issue price (reoffering price) of each maturity for the Bonds, and such reoffering price cannot exceed the par amount of such maturity by more than 0.25% multiplied by the number of complete years to the earlier of the maturity date or the first optional redemption date for the Bonds of that maturity.



## **Award, Delivery and Payment**

The Bonds will be awarded to the bidder on whose bid the total loan may be made at the lowest true interest cost. Such true interest cost shall be computed, as to each bid, by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and the price bid, excluding accrued interest to the delivery date. No Proposal shall be considered that offers to pay an amount less than the principal amount of Bonds offered for sale or under which the total loan is made at an interest cost higher than the lowest true interest cost to the County under any legally acceptable proposal. If two or more such bidders offer to pay the lowest true interest cost, then the Bonds will be sold to one of such bidders selected by lot from among all such bidders. The bidder to which the Bonds are awarded (in the manner specified above) is herein referred to as the "Successful Bidder."

It is expected that delivery of the Bonds to DTC and payment for the Bonds will take place on or about, June 23, 2010 at the offices of Gibbons P.C., bond counsel to the County ("Bond Counsel"), in Newark, New Jersey or at such other place as may be agreed upon with the Successful Bidder. The Bonds will be delivered to DTC in single denominations for each maturity of each type of bond. PAYMENT FOR THE BONDS AT THE TIME OF ORIGINAL ISSUANCE AND DELIVERY SHALL BE IN IMMEDIATELY AVAILABLE FUNDS.

## **Change of Bid Date and Closing Date**

The County reserves the right to postpone, from time to time, the date established for the receipt of bids and will undertake to notify registered prospective Bidders via notification published on Thomson Municipal Market Monitor ("TM3") ([www.tm3.com](http://www.tm3.com)). Prospective Bidders may request notification by facsimile transmission of any such changes in the date or time for the receipt of bids by so advising, and furnishing their telecopier numbers to Acacia Financial Group, Inc. at (856) 234-2266 by 12:00 Noon, New York City time, on the day prior to the announced date for receipt of bids. In addition, the County reserves the right to make changes to this Notice of Sale. Such changes will be announced on the TM3.

A postponement of the bid date will be announced via TM3 not later than 11:00 a.m., New York City time, on the last business day prior to any announced date for receipt of bids, and an alternative sale date and time will be announced via TM3 by Noon, New York City time, not less than forty-eight (48) hours prior to such alternative date for receipt of bids.

On any such alternative date and time for receipt of bids, the County will accept electronic bids for the purchase of the Bonds, such bids to conform in all respects to the provisions of this Notice of Sale, except for the changes in the date and time for receipt of bids and any other changes announced via TM3 at the time the date and time for receipt of bids are announced.

## **Right To Reject Bids; Waive Irregularities**

The right is reserved to reject all bids, and any bid not complying with the terms of this Notice of Sale will be rejected. The County reserves the right to reject any or all Proposals and so far as permitted by law, to waive any irregularity or informality in any or all Proposals.

## **Good Faith Deposit**

A good faith deposit (the "Deposit"), in the form of either (i) a financial surety bond (the "Financial Surety Bond"), or (ii) an electronic transfer of immediately available federal funds in accordance with the wiring instructions contained in the immediately succeeding paragraph, in the amount of \$923,000 is required for each bid for the Bonds to be considered. The Financial Surety Bond must be from an insurance company licensed to issue such a bond in the State of New Jersey and approved by the Director of the Division of Local Government Services of New Jersey (the "Director"). At present, the Director has approved the use of Sure-Bid, a division of Financial Security Assurance Inc. Use of any other Financial Surety Bond must be approved by the Director prior to the bid and will not be accepted by the County unless evidence of such approval is provided prior to the bid. The Financial Surety Bond must be submitted to the County prior to 10:30 a.m. New York City time on the date for receipt of bids, and must be in the form and substance acceptable to the County. A Financial Surety Bond must identify the bidder whose Deposit is guaranteed by such Financial Surety Bond. The Successful Bidder for the Bonds who utilized a Financial Surety Bond is required to submit its Deposit to the County in the form of a wire transfer not later than 1:00 p.m. New York City time on the next business day following the award. If such Deposits are not received by that time, the Financial Surety Bond may be drawn by the County to satisfy the Deposit requirement.

A bidder providing the Deposit via electronic transfer of funds shall transmit such funds to the following:

PNC Bank, 80 Park Plaza, Newark, NJ  
ABA No.: 031207607  
Account No.: 8101105991  
Account Name: County of Essex Capital Account  
Contact: Paul J. Hopkins II, Treasurer  
Phone: (973) 621-6306

If an electronic transfer of funds is used, such funds must be received in the account identified immediately above no later than 10:30 a.m. New York City time on the date for receipt of bids, and must be accompanied by detailed wiring instructions for the return thereof in the event that such bidder is not the Successful Bidder. Please note that the contact information provided immediately above should be used by bidders for the purposes of confirming receipt of electronic transfer of funds and the transmittal of instructions for the return of such electronic transfers of funds in the event such bidder is not the Successful Bidder. Electronic transfers of funds of unsuccessful bidders for the Bonds will be returned upon award of the Bonds. It is the intent of the County that electronic transfers of funds will be returned via wire transfer to the unsuccessful bidders not later than 5:00 p.m. on the date for receipt of bids, provided that wiring instructions have been provided by such unsuccessful bidder at the time of transmission of the Deposit to the County. The County shall not bear any liability for any delay that may occur in the return of an electronic transfer of the Deposit to an unsuccessful bidder. Interest earned on the Deposit will be credited to the County and will not be available to the Successful Bidder for the Bonds.

The Deposit of the Successful Bidder will be collected and the proceeds thereof retained by the County to be applied in partial payment for the Bonds and no interest will be allowed or

paid upon the amount thereof, but in the event the Successful Bidder shall fail to comply with the terms of its respective bid, the proceeds thereof will be retained as and for full liquidated damages. Award of the Bonds to the Successful Bidder or rejection of all bids is expected to be made within five hours after opening of the bids, but such Successful Bidder may not withdraw its Proposal for Bonds until after 5:00 p.m. of the day of such bid-opening and then only if such award has not been made prior to the withdrawal.

### **Bond Insurance**

If the Bonds qualify for issuance of any policy of municipal bond insurance, any purchase of such policy shall be at the sole option and expense of the Successful Bidder. If the Bonds are to be insured, the Successful Bidder shall pay the premium therefor prior to the delivery of the Bonds. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued shall not in any way relieve the Successful Bidder of its contractual obligations arising from the acceptance of its Proposal for Bonds for the purchase of the Bonds.

### **CUSIP Numbers**

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for the failure or refusal of the Successful Bidder to accept delivery of and pay for the Bonds. The CUSIP Service Bureau charges for the assignment of CUSIP numbers on the Bonds shall be the responsibility of and shall be paid for by the Successful Bidder.

### **Undertakings of the Successful Bidder**

THE SUCCESSFUL BIDDER SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THEIR RESPECTIVE INITIAL REOFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED BELOW. THE SUCCESSFUL BIDDER MUST SELL TO THE PUBLIC 10% OR MORE IN PAR AMOUNT OF THE RESPECTIVE SERIES OF THE BONDS FROM EACH MATURITY THEREOF AT THE INITIAL REOFFERING PRICES.

The successful bidder shall within thirty (30) minutes after being notified of the award of the Bonds, advise the County in writing (via facsimile transmission) of the respective Bonds initial reoffering prices to the public of each maturity of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the County within twenty-four (24) hours after notification of the award, furnish the following information to the County to complete the Official Statement in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the County that the Bonds were initially offered to the public).
- B. The identity of the underwriters if the successful bidder is part of a group or syndicate.

- C. Any other material information that the County determines is necessary to complete the Official Statement in final form.

After the award of the bonds, the County will prepare copies of the final Official Statement and will include therein such additional information concerning the reoffering of the bonds as the successful bidder may reasonably request. The successful bidder will be responsible to the County in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE COUNTY A CERTIFICATE ACCEPTABLE TO BOND COUNSEL TO THE EFFECT THAT (I) THE SUCCESSFUL BIDDER HAVE MADE A BONA FIDE PUBLIC OFFERING OF BONDS AT THE INITIAL REOFFERING PRICES AND (II) SUBSTANTIAL AMOUNTS OF THE BONDS WERE SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES. Bond counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder, (ii) the sale to the public of 10% or more in par amount of the bonds of each maturity at the initial reoffering prices would be sufficient to certify as to the sale of a substantial amount of the bonds, and (iii) reliance on other facts as a basis for such certification would require evaluation by bond counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

### **Legal Opinions**

The obligations hereunder to pay for and to accept delivery of the Bonds shall be conditioned on the availability and the delivery at the time of delivery of the Bonds of the approving opinion of the law firm of Gibbons P.C., Newark, New Jersey, bond counsel to the County, which will be furnished without cost to the Successful Bidder, substantially in the form set forth in the Official Statement distributed in preliminary form in connection with the sale of the Bonds. Such opinion shall state to the effect that the Bonds are valid and legally binding obligations of the County, and that all the taxable property therein will be subject to the levy of ad valorem taxes, without limitation as to rate or amount, to pay the principal of the Bonds and the interest thereon. The obligations hereunder to pay for and to accept delivery of the Bonds shall be further conditioned on the availability and delivery to the Successful Bidder, at the time of delivery of the Bonds, of (i) certificates from the County Treasurer in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds, the receipt of payment therefor and the fact the Bonds will not be arbitrage obligations within the meaning of the Code; (ii) a certificate from the County Attorney, in form and tenor satisfactory to Bond Counsel and dated as of the date of such delivery, to the effect that there is no litigation pending or (to the knowledge of the signer or signers thereof) threatened affecting the validity of the Bonds; and (iii) a certificate from the County Treasurer, in form and tenor satisfactory to Bond Counsel and dated as of the date of such delivery, to the effect that to the best of his knowledge of such and belief, and after reasonable investigation: (1) neither the Official Statement relating to the Bonds nor any amendment, or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading; (2) since the date of the Official

Statement (or the date of the most recent amendment or supplement thereto) no event has occurred which would make the statements therein untrue or, in the light of the circumstances in which they were made, misleading, and (3) there has not been any material adverse change in the operation or financial affairs of the County since the date of such Official Statement.

### **Preliminary Official Statement**

The County has issued an Official Statement with respect to the sale of the Bonds in preliminary form (the "Preliminary Official Statement") which the County has deemed final as of its date for purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 ("Rule 15c2-12"), except for certain omissions permitted thereunder and except for changes permitted by other applicable law.

The Preliminary Official Statement may be accessed via the Internet at [www.i-dealprospectus.com](http://www.i-dealprospectus.com). A printed version is also available upon request made to the Treasurer of the County at the Hall of Records, 465 Dr. Martin Luther King Jr. Boulevard, Newark, New Jersey 07102 (telephone (973) 621-6306), or from the County's financial advisor, Acacia Financial Group, Inc., Four Greentree Centre, Suite 206, 13000 Lincoln Drive West, Marlton, New Jersey 08053 (telephone (856) 234-2266).

### **Official Statement**

The County agrees to provide the successful bidder with up to two hundred (200) copies of the final Official Statement adopted by the County in relation to the sale by the County of the Bonds within the period of time allowed under Rule 15c2-12, at the sole cost and expense of the County, with any additional copies which the successful bidder shall reasonably request to be provided at the sole cost and expense of the successful bidder.

### **Continuing Disclosure**

In order to assist the successful bidder in complying with Rule 15c2-12, the County agrees to deliver on the Closing Date a Continuing Disclosure Certificate to be dated as of the Closing Date pursuant to which the County shall agree to provide at the times and to the information repositories and other persons described in Rule 15c2-12 the financial or operating data required to be disclosed on a continuing basis pursuant to Rule 15c2-12.

Paul J. Hopkins II  
Treasurer

Dated: June 2, 2010

## **APPENDIX E**

### **FORMS OF APPROVING OPINIONS OF GIBBONS P.C.**

**[FORM OF BOND COUNSEL OPINION]**

June \_\_, 2010

Board of Chosen Freeholders of  
County of Essex, New Jersey  
Newark, New Jersey 07102

Dear Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of Chosen Freeholders of the County of Essex, in the State of New Jersey (the "County"), including ordinances, affidavits and certificates delivered by officials of the County, and other proofs submitted to us relative to the issuance and sale of \$80,203,000 of the County's General Obligation Bonds, Series 2010, dated the date of delivery, consisting of consisting of \$60,250,000 General Improvement Bonds, Series 2010A (Tax-Exempt) (the "Series 2010A Bonds"), \$3,200,000 County Vocational School Bonds (New Jersey School Bond Reserve Act, P.L. 1980, c.72) (Tax-Exempt) (the "Series 2010B Bonds"), \$15,576,500 County College Bonds, Series 2010C (Tax-Exempt) (the "Series 2010C Bonds"), \$1,176,500 County College Bonds, Series 2010D (County College Bond Act, P.L. 1971, c. 12) (Tax-Exempt) (the "Series 2010D Bonds", and together with the Series 2010A Bonds, the Series 2010B Bonds, and the Series 2010C Bonds, the "Tax-Exempt Bonds").

The Tax-Exempt Bonds are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes (the "Local Bond Law"), and where appropriate, Title 18A, Education, of the New Jersey Statutes (the "Education Law"), a certificate of the County Executive executed June 10, 2010 combining the Tax-Exempt Bonds into one consolidated issue and providing for the form and other details of the Tax-Exempt Bonds, the various bond ordinances referred to therein each in all respects duly approved and published as required by law and an award certificate of the County Treasurer executed June 10, 2010. The Tax-Exempt Bonds are of various denominations and the Tax-Exempt Bonds are each numbered consecutively upwards.

Each of the Tax-Exempt Bonds is dated the date of delivery, bears interest at the interest rates set forth on the inside cover of the Official Statement relating to the Tax-Exempt Bonds and matures on August 1 in the years and in the principal amounts as set forth below:

<u>Year</u>	<u>Series 2010A Bonds</u>	<u>Series 2010B Bonds</u>	<u>Series 2010C Bonds</u>	<u>Series 2010D Bonds</u>
2011	\$ 175,000	\$175,000	\$ 61,500	\$ 61,500
2012	1,630,000	185,000	275,000	65,000
2013	2,290,000	185,000	835,000	70,000
2014	4,980,000	190,000	840,000	70,000
2015	4,450,000	195,000	1,625,000	70,000
2016	4,405,000	195,000	1,600,000	70,000
2017	4,365,000	200,000	1,590,000	75,000
2018	5,190,000	210,000	875,000	75,000
2019	4,255,000	215,000	1,550,000	80,000
2020	4,070,000	220,000	1,480,000	80,000
2021	3,975,000	230,000	1,305,000	85,000
2022	4,725,000	235,000	795,000	90,000
2023	15,200,000	245,000	2,550,000	90,000
2024	265,000	255,000	95,000	95,000
2025	275,000	265,000	100,000	100,000

The Tax-Exempt Bonds are subject to redemption prior to maturity.

We have examined the Local Bond Law, the Education Law and such other laws and originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents as we deem necessary to render the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Tax-Exempt Bonds pursuant to the Local Bond Law, the Education Law and other applicable provisions of law, and that the Tax-Exempt Bonds have been duly authorized, executed and delivered and are valid and legally binding obligations of the County. The Series



2010B Bonds are entitled to the benefits of the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. The Series 2010D Bonds are entitled to the benefits of the County College Bond Act, N.J.S.A. 18A:64A-22.1 et seq.

2. The County has the power and is obligated to levy ad valorem taxes upon all the taxable property within the County for the payment of the principal of and interest on the Tax-Exempt Bonds, without limitation as to rate or amount.

3. Under existing law, interest on the Tax-Exempt Bonds is excluded from the gross income of the owners of the Tax-Exempt Bonds for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Tax-Exempt Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. We express no opinion regarding any other Federal income tax consequences arising with respect to the Tax-Exempt Bonds.

4. Under existing law, interest on the Tax-Exempt Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

With respect to our Federal income tax opinion, we note that the Code imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Tax-Exempt Bonds in order for interest on the Tax-Exempt Bonds to be excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. The County has covenanted to comply with the provisions of the Code applicable to the Tax-Exempt Bonds and has covenanted not to take any action or permit any action to be taken which would cause the interest on the Tax-Exempt Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code or cause interest on the Tax-Exempt Bonds to be treated as an item of tax preference under Section 57 of the Code. We have assumed continuing compliance by the County with the above covenants in rendering our opinion with respect to the exclusion of interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes and with respect to interest on the Tax-Exempt Bonds not constituting an item of tax preference.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the County other than the certified copies of the proceedings and proofs hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said Tax-Exempt Bonds.

Our opinion concerning the enforceability of the Tax-Exempt Bonds is subject to federal and state laws regarding bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally (including, without limitation, laws relating to fraudulent conveyance, and by general principles of law and equity (regardless of whether enforcement is considered or sought in proceedings at law or in equity) and by limitation on remedial rights under applicable law). Their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions stated herein are based upon current authorities, and there can be no assurance that future legislative or administrative changes or court decisions will not affect said opinions.

Except as stated above, we express no opinion as to any Federal or state tax consequences with respect to the Tax-Exempt Bonds.

Very truly yours,

**[FORM OF BOND COUNSEL OPINION]**

June \_\_, 2010

Board of Chosen Freeholders of  
County of Essex, New Jersey  
Newark, New Jersey 07102

Dear Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of Chosen Freeholders of the County of Essex, in the State of New Jersey (the “County”), including ordinances, affidavits and certificates delivered by officials of the County, and other proofs submitted to us relative to the issuance and sale of the County’s \$46,150,000 General Obligation Bonds, Series 2010, consisting of \$37,550,000 General Improvement Bonds, Series 2010E (Federally Taxable - Build America Bonds - Direct Pay to Issuer) (the “Series 2010E Bonds”) and \$8,600,000 County College Bonds, Series 2010F (Federally Taxable - Build America Bonds - Direct Pay to Issuer) (the “Series 2010F Bonds”, and together with the Series 2010E Bonds, the “Taxable Bonds”), dated the date of delivery.

The Taxable Bonds are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes (the “Local Bond Law”), and where appropriate, Title 18A, Education of the New Jersey Statutes, as amended (the “Education Law”), a certificate of the County Executive executed June 10, 2010 combining the Taxable Bonds into one consolidated issue and providing for the form and other details of the Taxable Bonds, the various bond ordinances referred to therein each in all respects duly approved and published as required by law and an award certificate of the County Treasurer executed June 10, 2010. The Taxable Bonds are of various denominations and the Taxable Bonds are each numbered consecutively upwards.

Each of the Taxable Bonds is dated the date of delivery, bears interest at the interest rates set forth on the inside cover of the Official Statement relating to the Taxable Bonds and matures on August 1 in the years and in the principal amounts as set forth below:

<u>Year</u>	<u>Series 2010E Bonds</u>	<u>Series 2010F Bonds</u>
2023	\$ 3,380,000	\$ 510,000
2024	16,070,000	5,135,000
2025	18,100,000	2,955,000

The Taxable Bonds are subject to redemption prior to maturity.

We have examined the Local Bond Law, the Education Law and such other laws and originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents as we deem necessary to render the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Taxable Bonds pursuant to the Local Bond Law, the Education Law and other applicable provisions of law, and that the Taxable Bonds have been duly authorized, executed and delivered and are valid and legally binding obligations of the County.

2. The County has the power and is obligated to levy ad valorem taxes upon all the taxable property within the County for the payment of the principal of and interest on the Taxable Bonds, without limitation as to rate or amount.

3. Under existing law, interest on the Taxable Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the County other than the certified copies of the proceedings and proofs hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said Taxable Bonds.

Our opinion concerning the enforceability of the Taxable Bonds is subject to federal and state laws regarding bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally (including, without limitation, laws relating to fraudulent conveyance, and by general principles of law and equity (regardless of whether enforcement is considered or sought in proceedings at law or in equity) and by limitation on remedial rights under applicable law). Their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions stated herein are based upon current authorities, and there can be no assurance that future legislative or administrative changes or court decisions will not affect said opinions.

Except as stated above, we express no opinion as to any Federal or state tax consequences with respect to the Taxable Bonds.

Very truly yours,