

# PRELIMINARY OFFICIAL STATEMENT DATED July 9, 2010

## NEW BOOK ENTRY ONLY ISSUE

*In the opinion of Drinker Biddle & Reath LLP, Bond Counsel to the County of Morris, New Jersey (the "County"), assuming compliance by the County with certain tax covenants described herein, under existing law, interest on the Bonds is excluded from gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax applicable to individuals and corporations and interest on the Bonds is not included in "adjusted current earnings" in the calculation of alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code on certain corporations. Based upon 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.*

## THE COUNTY OF MORRIS, NEW JERSEY \$17,274,000 GENERAL OBLIGATION BONDS OF 2010

### Consisting of:

- \$ 12,871,000 General Improvement Bonds of 2010**
- \$ 2,050,000 Park Bonds of 2010**
- \$ 2,353,000 County College Bonds of 2010**

The \$17,274,000 General Obligation Bonds of 2010 (the "Bonds") are being issued by the County, pursuant to various duly adopted bond ordinances of the County and a resolution of the County adopted on June 23, 2010 (the "Bond Combining Resolution"). The Bonds will be issued as one fully registered bond for each maturity in the name of Cede & Co., as nominee of DTC, 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 only on the records of DTC and the DTC Participants and only in the principal amount of \$5,000 or any integral multiple of \$1,000 thereof. 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 "DTC, BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds will be dated the date of their delivery and will mature on February 15 in the years and in the principal amounts set forth on the inside front cover hereof. The principal or redemption price, if any, shall be paid on the respective maturity dates in accordance with the Notice of Sale. Interest on the Bonds is payable on February 15, 2011 and semiannually thereafter by check or draft mailed or delivered on February 15 and August 15 in each year until maturity to the registered owners. 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, disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such amounts to the beneficial owners is the responsibility of DTC Participants and indirect Participants. See "DTC, BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds are subject to redemption prior to maturity as described 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 real 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 Notice of Sale and subject to the final approving opinion of Drinker Biddle & Reath LLP, Florham Park, New Jersey, Bond Counsel to the County. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York, on or about July 29, 2010.

**Electronic or sealed proposals will be received for the Bonds until 11:00 a.m. on July 21, 2010.  
All proposals must be in accordance with the Notice of Sale.**

## **\$17,274,000 GENERAL OBLIGATION BONDS OF 2010**

### **Consisting of:**

<b>\$12,871,000</b>	<b>General Improvement Bonds of 2010</b>
<b>\$ 2,050,000</b>	<b>Park Bonds of 2010</b>
<b>\$ 2,353,000</b>	<b>County College Bonds of 2010</b>

### **COMBINED AMOUNTS, MATURITIES, INTEREST RATES, YIELDS OR PRICES, AND CUSIPS**

<u>Year</u> <u>(February 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield or</u> <u>Price</u>	<u>CUSIPS**</u>
2011	\$1,275,000	%	%	
2012	875,000			
2013	955,000			
2014	1,650,000			
2015	1,650,000			
2016	1,650,000			
2017	1,650,000			
2018	1,720,000			
2019	1,720,000			
2020	1,420,000			
2021	1,420,000			
2022	1,289,000			

\*\*Registered trademark of American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number listed above is being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the County does not make any representation with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.



## COUNTY OFFICIALS

### The Board of Chosen Freeholders

**Gene F. Feyl**  
Director of the Board

**William J. Chegwiddden**  
Deputy Director

**Douglas R. Cabana**  
**James W. Murray**

**John J. Murphy**  
**Margaret Nordstrom**

**Jack J. Schrier**

**Diane M. Ketchum**  
Clerk of the Board of Chosen Freeholders

**John Bonanni**  
County Administrator

**Daniel W. O'Mullan**  
County Counsel

**Glenn Roe**  
Director of Finance & County Treasurer

### ADVISORS TO THE COUNTY

**Drinker Biddle & Reath LLP**  
Bond Counsel

**Nisivoccia & Company, LLP**  
Auditors

**Acacia Financial Group, Inc.**  
Financial Advisors

No Dealer, Broker, salesperson or other person has been authorized by the County 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 the County. 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 by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion 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.

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# **OFFICIAL STATEMENT**

## **COUNTY OF MORRIS**

### **INTRODUCTION**

This Official Statement which includes the cover page and the appendices hereto has been prepared by the County of Morris (the "County") in the State of New Jersey (the "State") and provides certain information regarding the financial and economic condition of the County in connection with the sale of its \$17,274,000 General Obligation Bonds of 2010 (the "Bonds"). The presentation of information is intended to show recent historic information and is not necessarily indicative of future continuing trends in the financial position or other affairs of the County.

### **PURPOSE OF THE FINANCING**

The Bonds are being issued to finance the construction of capital improvements and the acquisition of equipment approved by the governing body and deemed necessary for the County of Morris. Improvements being financed include the prior Greystone property now known as Central Park of Morris County, Park facilities and several County College of Morris buildings. A significant portion of the Bonds will also finance various road and bridge projects. (See "County Bond Ordinances & Indebtedness" herein.)

### **AUTHORIZATION**

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 revised statutes of New Jersey. The Bonds are authorized by various bond ordinances and resolutions adopted by the Board of Chosen Freeholders of the County. The ordinances included in the sale of the Bonds were published in full 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 ordinance can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that the Bonds after issuance, and the running of such estoppel period, 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 by the County.

### **DESCRIPTION OF THE BONDS**

The Bonds will be dated the date of their delivery and will mature on February 15 in the years and in the principal amounts set forth below:

\$12,871,000 General Improvement Bonds of 2010 maturing in the principal amount of \$1,000,000 in the year 2011, \$600,000 in each of the years 2012 to 2013, inclusive, \$1,200,000 in each of the years 2014 to 2021, inclusive, and \$1,071,000 in the year 2022.

\$2,050,000 Park Bonds of 2010 maturing in the principal amount of \$150,000 in each of the years 2011 to 2012, inclusive, \$230,000 in each of the years 2013 to 2017, inclusive, and \$300,000 in each of the years 2018 to 2019, inclusive.

\$2,353,000 County College Bonds of 2010 maturing in the principal amount of \$125,000 in each of the years 2011 to 2013, inclusive, \$220,000 in each of the years 2014 to 2021, inclusive, and \$218,000 in the year 2022.

Interest on the Bonds is payable February 15, 2011 and semiannually thereafter on February 15 and August 15 in each year until maturity.

### **REDEMPTION OF THE BONDS PRIOR TO MATURITY**

The Bonds maturing on or prior to February 15, 2019 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after February 15, 2020 are subject to redemption at the option of the County, in whole or in part at any time on or after February 15, 2019, at par, plus any accrued interest to date of such redemption.

## **NOTICE OF REDEMPTION**

In the event of any redemption, notice thereof shall be mailed by first class mail, postage prepaid, to the registered owner of any Bonds to be redeemed at the address shown on the registration books of the County not less than thirty (30) days nor more than sixty (60) days prior to the redemption date; provided, however, that failure to mail or receive such notice, or any defect therein, shall not affect the validity of the proceedings for redemption.

If notice of redemption has been given by mail, 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 shall be issued in fully registered form and, when issued, will be registered in the name of and held by Cede & Co., as the owner thereof and nominee for The Depository Trust Company, New York, New York ("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 only on the records of DTC and the DTC participants, and only in the principal amount of \$5,000 or any integral multiple thereof, except that such minimum amount of the Bonds in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in the denomination of \$1,000 or any integral multiple thereof..

## **DTC - Book-Entry-Only System (1)**

The following is a description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds. 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. However, the County takes no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners (as defined below) should rely on the following information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

General. The Depository Trust Company ("DTC"), New York, New York, 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 Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity of the Bonds, and will be deposited with DTC. The following discussion will not apply to any Bonds issued in certificate form due to the discontinuance of DTC's Book-Entry System, as described below.

DTC and its Participants. DTC, the world's largest securities 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, 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 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).

<sup>1</sup> Source: The Depository Trust Company

Purchase of Ownership Interests. Purchases of 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 a Bond ("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.

Transfers. 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 and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. 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 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 Bond documents. For example, Beneficial Owners of 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 are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. 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 the County or the Trustee on the 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 its nominee), the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, 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.

Discontinuation of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates for the Bonds are required to be printed and delivered. The use of the system of book-entry transfers through DTC (or a successor depository) may be discontinued as described in the Resolution. In that event, Bond certificates for the Bonds will be printed and delivered to DTC.

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 COUNTY AND THE PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO THE DIRECT PARTICIPANTS OR THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF PRINCIPAL OR INTEREST ON THE BONDS; (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.**

**NEITHER THE COUNTY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT, OR ANY OTHER PERSON WHO IS NOT SHOWN IN THE REGISTRATION BOOKS OF THE COUNTY AS BEING A BONDHOLDER. THE COUNTY AND THE PAYING AGENT SHALL HAVE NO RESPONSIBILITY WITH RESPECT TO (I) ANY OWNERSHIP INTEREST IN THE BONDS; (II) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR INTEREST ON THE BONDS; (III) THE DELIVERY TO ANY DIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (IV) THE SELECTION BY DTC OR ANY PARTICIPANTS OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.**

**SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.**

#### **DISCONTINUANCE OF BOOK-ENTRY ONLY SYSTEM**

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Paying Agent for such purposes only upon the surrender thereof to the Paying Agent together with the duly executed assignment in form satisfactory to the County and the Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the first (1st) day, whether or not it is a business day, of the calendar month next preceding an Interest Payment Date.

#### **SECURITY FOR THE BONDS**

The Bonds will be general obligations of the County. All the taxable real property within the County is subject to the levy of ad valorem taxes to pay the principal of and the interest on the Bonds, without limitation as to rate or amount. The County has never defaulted in the payment of either principal or interest on any indebtedness.



## **COUNTY COLLEGE BOND ACT**

The \$2,353,000 County College Bonds of 2010 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“Act”). Under the provisions of the Act, the State shall appropriate and pay annually on behalf of the County an amount equal to half the amount of principal and interest due on the \$2,353,000 County College Bonds of 2010.

The amounts paid by the State pursuant to the Act are paid directly to the paying agent for that portion of the County College Bonds of 2010 and therefore must be used for the payment of the principal of and the interest on the County College Bonds of 2010. Any obligations issued by the County that are entitled to the benefits of the provisions of the Act are not debts or liabilities of the State, but are dependent for repayment upon appropriations provided by law from time to time.

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

### **LOCAL BOND LAW (N.J.S.A. 40A:2-1 et seq.)**

The “Local Bond Law” generally governs the issuance of bonds and notes by local units to finance certain 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. A 5% cash down payment is generally required toward the financing of capital expenditures. All bonds and notes issued by the County are general (“full faith and credit”) obligations.

### **DEBT LIMITS**

The authorized bonded indebtedness of the County is limited by statute, subject to the exceptions noted below, to an amount equal to 2% of its average equalized assessed valuation. The equalized valuation basis of the County is set by statute as the average for the last three years, of the equalized value of all taxable real property within the County and improvements thereon as stated in the annual debt statement or revision thereof.

### **EXCEPTIONS TO DEBT LIMITS - EXTENSIONS OF CREDIT**

The debt limit of the County may be exceeded with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the County must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the ability of the County to meet its obligations or to provide essential services, or makes other statutory determinations, approval is granted. In addition, debt in excess of the debt limit may be issued by the County under N.J.S.A. 40A:2-7 (g) for purposes permitted under the Local Bond Law if the amount of such obligations (exclusive of utility and assessment obligations) and all others authorized pursuant to such a provision during the then current fiscal year do not exceed an amount equal to 2/3 of the amount budgeted for the retirement of outstanding obligations.

The County's net debt as of April 30, 2010 was .243% and was .250% as of December 31, 2009, compared to the statutory debt limit of 2.00%.

### **SHORT-TERM FINANCING**

The County may sell short-term “bond anticipation notes” to temporarily finance a project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Under the Local Bond Law, bond anticipation notes, which are full faith and credit obligations of the issuer, may be issued for a period not exceeding one year and may be renewed from time to time, again for a period that does not exceed one year. All bond anticipation notes, including all renewals, must be paid not later than three years from their original date, unless the issuer begins to amortize such notes on or before the third anniversary date. If the appropriate amortization is commenced by the third year, such notes must finally 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. The County may also issue short-term “capital notes” to temporarily finance any improvements.

The aggregate amount of all capital notes outstanding at any one time shall not exceed the lesser of \$200,000 or ½ of 1% of the equalized valuation basis. Capital notes shall be authorized in the same manner as bond anticipation notes. Additionally, capital notes shall be payable from funds other than the proceeds of obligations within 5 years from issuance of the original capital notes and not less than 20% thereof shall be paid in each succeeding year.

### **THE LOCAL BUDGET LAW (N.J.S.A. 40A:4-1 et seq.)**

The foundation of the New Jersey local finance system is the annual budget. Every local unit must adopt an operating budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Items of revenue and appropriation are regulated by law and must be certified by the Director of the Division (the "Director") prior to final adoption of the budget. The budget law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

Tax anticipation notes are limited in amount by law and must be paid off in full by a county not later than June 30th of the succeeding fiscal year. The County has no tax anticipation notes outstanding and presently does not anticipate issuing such notes.

The Director has no authority over individual operating appropriations unless a specific amount is required by law, but the review function, focusing on anticipated revenue, serves to protect the solvency of all local units.

The budgets of local 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 county's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

### **COUNTY BUDGET "CAPs" (N.J.S.A. 40A:4-45.1 et seq.)**

The annual budgets of counties must conform to the provisions of the "Local Government CAP Law" as amended from time to time. These provisions limit the increase in the County tax levy to the lesser of 2.5% or the cost of living adjustment, defined as the Implicit Price Deflator for State and Local Government Purchases of Goods and Services, computed by the U.S. Department of Commerce. Certain CAP exemptions allow for modification to the ceiling for such items as: expenditures necessary to comply with court orders or certain federal or state mandates, added revenue generated by new construction, contracts or agreements between local governments and authorities, debt service, capital expenditures, and programs funded in cooperation with federal and state agencies.

Additionally, 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 Local Finance Board 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.

### **MISCELLANEOUS REVENUES**

N.J.S.A. 40A:4-26 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 shall determine upon application by the 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 unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof with the exception of the inclusion of categorical grants-in-aid contracts for their face amounts with an offsetting appropriation.

### **DEFERRAL OF CURRENT EXPENSES**

Emergency appropriations made under N.J.S.A. 40A:4-46, after the adoption of the budget and the determination of the tax rate, may be authorized by the Board of Chosen Freeholders. However, with minor exceptions set forth below, such appropriations must be included in full in the following year's budget.

Under the amended "CAP" law, emergency appropriations aggregating less than 3% of the previous year's final current operating appropriations may be raised in that portion of the budget outside the "CAP" if approved by at least two-thirds

of the members of the Board of Chosen Freeholders and the Director of the Division of Local Government Services. Emergency appropriations that aggregate more than 3% of the previous year's final current operating appropriations must be raised within the "CAP." Emergency appropriations for debt service, capital improvements, the County's share of Federal or State grants and other statutorily permitted items are outside the "CAP."

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, and tax map preparation, revision of ordinances, and master plan preparations, which may be amortized over five years.

### **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 and, although subaccounts (line items) within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

The Board of Chosen Freeholders may by resolution, adopted by 2/3 vote of the full membership, transfer appropriations from accounts with an excess of funds to those with insufficient funds. However, the statute prohibits the use of appropriations for contingent expenses, deferred charges, cash deficit of preceding year, reserve for uncollected taxes, down payments, capital improvement fund or interest and redemption charges.

### **CAPITAL BUDGET**

In accordance with the Local Budget Law, each local unit must adopt and annually revise a capital program budget for a period not greater than the next ensuing six years. 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 unit may contemplate over the six years. Expenditures for capital purposes may be made either by ordinances adopted by the Board of Chosen Freeholders setting forth the items and the method of financing or from the annual operating budget if the items were detailed (see "Capital Improvement Program" Appendix A).

### **THE LOCAL FISCAL AFFAIRS LAW (N.J.S.A. 40A:5-1 et seq.)**

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit. The County's statement is also on file with the Clerk of the Board of Chosen Freeholders.

An independent examination of the County's financial statements must be performed annually by a registered municipal accountant of New Jersey. The audit, conforming to the Division of Local Government Services "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director prior to June 30 of each 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.

### **OFFICIAL'S CERTIFICATE**

The County will deliver a certificate, dated as of the date of delivery of the Bonds, signed by the County Treasurer, certifying that this Official Statement, as of its date, does not contain any untrue statement of a material fact nor does it omit any material fact necessary to make the statements in this Official Statement, in light of the circumstances under which they were made, not misleading. In providing such certificate, said official will state that he has not undertaken to independently verify information obtained or derived from various United States Government publications.

### **LITIGATION**

To the knowledge of the County Counsel, there is no litigation pending or threatened, restraining or enjoining the issuance or delivery of the Bonds offered for sale or the levy or collection of any taxes to pay the interest on or principal of said Bonds, or in any manner questioning the authority of proceedings for the issuance of said Bonds or for the levy or collection of said taxes.

There are the usual matters of litigation pending against the County, such as workers compensation claims, which are covered by insurance, negligence claims which are covered or appear to be covered by liability insurance, administrative actions and similar matters, all of which would appear to have a negligible effect, if any, upon the County's financial condition. Please see Appendix B – Financial Statements and Independent Auditor's report for further discussion on these matters.

## **LEGAL MATTERS**

The legality of the Bonds will be subject to the final approving opinion of Drinker Biddle & Reath LLP, Florham Park, New Jersey, Bond Counsel to the County. Such opinion will be to the effect that the Bonds are valid and legally binding obligations of the County and, unless paid from other sources, the County is authorized and required by law to levy ad valorem taxes upon all real property taxable by said County for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

## **TAX MATTERS**

### **EXCLUSION OF INTEREST ON THE BONDS FROM GROSS INCOME FOR FEDERAL TAX PURPOSES**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the County to comply with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The County has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or permit any action that would cause the interest on the Bonds to be included in gross income under Section 103 of the Code or cause interest on the Bonds to be an item of tax preference under Section 57 of the Code or includable in adjusted current earnings for purposes of the alternative minimum tax imposed under the Code.

Assuming the County observes its covenants with respect to compliance with the Code, Drinker Biddle & Reath LLP, Bond Counsel to the County, is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Code. Bond Counsel is further of the opinion that interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax applicable to individuals and corporations and interest on the Bonds is not included in "adjusted current earnings" in the calculation of alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code on certain corporations.

### **ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the 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 Bonds from gross income pursuant to Section 103 of the Code, interest on the Bonds not constituting an item of tax preference under Section 57 of the Code and interest on the Bonds not being included in "adjusted current earnings" for purposes of the alternative minimum tax imposed under the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences of holding the Bonds (including, but not limited to, those listed above).

### **STATE TAXATION**

Bond Counsel is of the opinion that, 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.

## **CONTINUING DISCLOSURE UNDERTAKING**

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the County of Morris, New Jersey (the “County”) has agreed to provide, or cause to be provided:

(i) to the Municipal Securities Rulemaking Board (“MSRB”), through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the Securities and Exchange Commission, and any State of New Jersey information depositories relating to municipal securities as may be designated from time to time by appropriate State of New Jersey officials (collectively, a “Repository”) certain annual financial information and operating data, generally consistent with the information contained under the headings “Appendix A” and “Appendix B”, including audited financial statements.

Such information is expected to be available on or before June 30 of each year for the fiscal year ending on the preceding December 31, and will be made available, in addition to the Repository, to the Trustee, if any, and to each holder of the Bonds who makes request for such information;

(ii) in a timely manner, to the Repository or to the MSRB, notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions or events affecting the tax-exempt status of the security
- (g) modifications to rights of holders of the Bonds
- (h) bond calls
- (i) defeasances
- (j) release, substitution or sale of property securing repayment of the Bonds
- (k) rating changes

The County may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above if such other event is material with respect to the Bonds, but the County does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above;

(iii) in a timely manner, to each Repository, or to the MSRB, notice of a failure (of which the County has knowledge) by the County to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking (the “Continuing Disclosure Certificate”). The form of the Continuing Disclosure Certificate is included as Appendix D to this Official Statement. The County has never failed to comply with any previous such undertaking.

The County reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate in the judgment of the County; provided that, the County agrees that any such modification will be done in a manner consistent with the Rule. The County reserves the right to terminate its obligation to provide annual financial information and notices of material events, as set forth above, if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The County acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bonds and shall be enforceable by the holders of the Bonds or the Trustee, if any, on behalf of such holders; provided that, the holder’s or the Trustee’s right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the County’s obligations hereunder and any failure by the County to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds.

## **FINANCIAL STATEMENTS OF THE COUNTY**

Included in Appendix B are audited financial statements of the County for the years ended December 31, 2009, 2008 and 2007, and the independent auditors' report thereon dated June 10, 2010. Nisivoccia & Company, LLP takes responsibility for the audited financial statement presented in Appendix B to the extent specified in their independent Auditor's Report in Appendix B.

**ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Director of Finance and County Treasurer, Glenn Roe, Administration and Records Building, Court Street, P.O. Box 900, Morristown, New Jersey 07963-0900, telephone (973) 285-6085.

**MISCELLANEOUS**

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized.

Neither this Official Statement nor any statement, which may have been made verbally or in writing, is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered by the Director of Finance and County Treasurer for and on behalf of the County.

Dated: July 9, 2010

The County of Morris

/s/ Glenn Roe

Director of Finance and County Treasurer

# COUNTY OF MORRIS

## COUNTY BOND ORDINANCES AND INDEBTEDNESS

AS OF APRIL 30, 2010

Ord #	Purpose	Bonds and Notes Authorized	Reductions	2010 Bonds	Future Offering
<u>GENERAL CAPITAL ORDINANCES</u>					
721	Automated Finance & P/R System	\$ 809,000	\$ 550,000	\$ 100,000	\$ 159,000
851	Pigeon Hill Wetland Mitigation Project/Juvenile Detention Ctr	285,000	200,000	40,000	45,000
878	Construction, Washington Street Bridge in Town of Boonton	238,000	213,596		24,404
893	Preliminary Costs of Design & Eng of Const on Old Jail Site	190,000	130,000		60,000
010	Road Improvement Projects	1,904,000	1,615,000	289,000	-
021	Upgrade of Morris County Mosquito Commission Facility	1,809,000	1,614,000	195,000	-
027	Bridge Design & Construction Projects at Various County Locations	6,811,000	6,072,640	450,000	288,360
029	Acq of Various Properties in the Twp of Washington	952,000	190,000		762,000
038	Completion/Design & Install of Fire pumps & Alarms at Various Facilities	380,000	175,000	100,000	105,000
050	Abatement, Rehabilitation, Demolition & Construction of Recreational Facilities on the Greystone Park Property	4,571,000	4,000,000		571,000
063	Final Phase - MC Integrated Justice Information System	1,071,000	987,227		83,773
064	Energy Saving Installation - Various County Facilities	285,000	100,000		185,000
065	Improvements to Speedwell Village	800,000	650,000		150,000
069	Emergency Training Facility - Fire & Police Academy	238,000	125,000		113,000
076	Roof Replacement - Various County Facilities	475,000	375,000		100,000
080	Acq of Vehicles & Equipment for Road and Bridge Departments	738,000	450,000	100,000	188,000
084	Acq of Additional Frequencies for the Trunked Radio System	950,000	850,000	100,000	-
085	Acq of a Replacement Aerial Lift Truck- Division of Shade Tree Management	142,000		80,000	62,000
087	Abatement & Demolition of Facilities on the Greystone Park Property	1,904,000	750,000	350,000	804,000
089	Bridge Design/Construction, Culvert Install & Repair of Various County Bridges	3,800,000	2,875,210	750,000	174,790
091	Renovations of Bathrooms/Locker Rooms at Fire & Police Academy	190,000	150,000		40,000
097	Renovations to County Garage Facilities	190,000	125,000	65,000	-
098	Installation of County Roadway Drainage Improvements	1,428,000	700,000	500,000	228,000
099	Replacement of Administration & Records Building Generator	500,000		150,000	350,000
104	Plans & Specs for the Utilization of Vacant Space at Morris View	380,000	300,000		80,000
105	Plans & Specs for Refurbishing Central Ave Complex at Greystone Park	380,000	200,000		180,000
106	Plans & Specs for Installation & Rehabilitation of Utilities at Greystone Park	571,000	200,000	200,000	171,000
112	Development of Wastewater Management Plan to Identify Wastewater Alternatives	475,000	325,000		150,000
113	Analysis of Existing Dam Conditions, Preparation of Operation Manuals, Dam Rehab	2,857,000	2,000,000		857,000
117	Replacement of Boiler Control Panels at Morris View	47,000			47,000
118	Replacement of Heating, Ventilating & Air Conditioning Equip - County Facilities	142,000	100,000		42,000
120	Construction of a Salt Storage Barn to be Shared with the Twp of Montville	238,000		230,000	8,000
122	Roads Replacement Vehicles and Equipment	485,000	385,000	100,000	-
123	Acq of New and Replacement Computers and Appurtenances	1,619,000	1,000,000	619,000	-
128	Acq & Install of Upgrades to the Life Safety Complex Training Systems Including but not Limited to a Live Prop & Sound System	344,000		344,000	-
129	Improvements to Historic Speedwell Village	457,000	150,000	100,000	207,000
132	Upgrades to Fire & Sprinkler Systems at Various County Facilities	380,000		150,000	230,000
136	Completion of Replacement of Boiler Plant in Administration & Records Building	380,000	340,000		40,000
137	Bridge Design and Construction at Various County Locations	4,452,000	1,596,782	1,000,000	1,855,218
139	Rehabilitate & Connect All Utilities to County Facilities on Greystone Park Property	2,000,000	500,000		1,500,000
140	Acq & Install of Courthouse Security Equipment	285,000	100,000	150,000	35,000
141	Design & Install of County Roadway Drainage Improvements at Various Locations	952,000		500,000	452,000
142	Acq of Additional Radio Channels Incl Equipment, Licenses & Coordination Fees	200,000	100,000		100,000
143	Acq of Pre-Fabricated Concrete Equipment Shelter for the Randolph Tower Site	138,000			138,000
144	Development of County-wide Paging System for Fire & EMS	761,000	400,000	200,000	161,000
145	Acq & Implementation of Automated Time & Attendance, Personnel & Payroll Systems	1,904,000	1,250,000	250,000	404,000
146	Design & Construction for Renovations of Existing Central Ave Complex Building	1,285,000	700,000		585,000
147	Financing, Acq, & Install of Renewable Energy Capital Equipment & Facilities	475,000			475,000
150	Design & Replacement of 24" PCCP Transmission Main in Randolph Twp	190,000		100,000	90,000
153	Acq of Replacement In-Vehicle Tablet Computers with Laptop Computers	190,000		190,000	-
158	Analysis of Existing Dam Conditions, Determination of Dam Classifications, Preparation of Operation & Maintenance Manuals, Emergency Action Plans & Dam Rehab	3,333,000			3,333,000
159	Improvements to Historical Speedwell Village	319,000			319,000
160	Professional Consulting Services for Computer Aided Dispatch for a County-wide Public Safety Communications Center	238,000		200,000	38,000
161	Acq of New & Replacement Radios & Accessories for All County Government Users	119,000		119,000	-
162	Replacement of Heating, Ventilating & Air Conditioning Equip at Various County Facilities	142,000			142,000
163	Development of Preliminary Feasibility Study & Design for Construction of New Wing on the Existing Office of Emergency Management & Communications Center	1,428,000		1,000,000	428,000
164	Acq of Replacement Vehicles & Equip for Road & Bridge Dept & Motor Service Ctr	166,000		100,000	66,000
165	Roadway Design & Construction Projects	3,727,000		1,000,000	2,727,000
171	Replace Boiler Plant in Public Safety Training Academy & the Medical Services Bldg	666,000		500,000	166,000
172	Roof Replacement at Various County Facilities	475,000			475,000
173	Various Improvements to the Morris View Healthcare Facility	332,000		200,000	132,000
176	Renovation of the Public Safety Training Academy	198,000		100,000	98,000
177	Initial Design of Phase II of Recreational Fields at Central Park of Morris County	475,000		150,000	325,000
178	County Roadway Drainage Improvement Projects	475,000			475,000

**COUNTY OF MORRIS**  
**COUNTY BOND ORDINANCES AND INDEBTEDNESS**  
**AS OF APRIL 30, 2010**

Ord #	Purpose	Bonds and Notes Authorized	Reductions	2010 Bonds	Future Offering
<u>GENERAL CAPITAL ORDINANCES (Continued)</u>					
181	Replacement and/or Upgrade of Fire Detection/Sprinkler Systems Various County Facilities	\$ 380,000	\$ -	\$ -	\$ 380,000
182	Acquisition of New & Replacement Computers, Monitors, Printers, Scanners, Software, Network Wiring, Servers, etc.	927,000		750,000	177,000
183	Renovation to Central Ave Complex at Greystone Park to Accommodate Various Users	3,619,000		250,000	3,369,000
184	Bridge Design & Construction Projects at Various County Locations	3,719,000		500,000	3,219,000
191	Demolition of the Washington Building	193,000			193,000
193	Design/Consultant Costs for Construction of an Expanded County Public Safety Complex	952,000		500,000	452,000
194	Renovation of 30 Schuyler Place for CCM Programs	380,000			380,000
195	Replacement of Workstations for the Department of Planning & Development	190,000		100,000	90,000
196	Design & Development of an Additional County Courtroom	475,000			475,000
TOTAL GENERAL CAPITAL ORDINANCES		<u>\$ 75,175,000</u>	<u>\$ 32,544,455</u>	<u>\$ 12,871,000</u>	<u>\$29,759,545</u>
<u>PARK CAPITAL ORDINANCES</u>					
172	Park Linear Path System	\$ 680,000	\$ 680,000	\$ -	\$ -
206	Improvement of MC Park Commission Facilities	1,615,000	1,100,000	400,000	115,000
207	Acq of Vehicles & Equipment by the MC Park Commission	822,000	275,000	500,000	47,000
209	Improvements of Morris County Park Commission Facilities	1,333,000		750,000	583,000
210	Acquisition of Vehicles & Equipment by the Morris County Park Commission	637,000		400,000	237,000
TOTAL PARK CAPITAL ORDINANCES		<u>\$ 5,087,000</u>	<u>\$ 2,055,000</u>	<u>\$ 2,050,000</u>	<u>\$ 982,000</u>
<u>COUNTY COLLEGE ORDINANCES</u>					
192	Renovations and Improvements to Academic Buildings at the County College of Morris	\$ 2,353,000	\$ -	\$ 2,353,000	\$ -
TOTAL COUNTY COLLEGE ORDINANCES		<u>\$ 2,353,000</u>	<u>\$ -</u>	<u>\$ 2,353,000</u>	<u>\$ -</u>
TOTAL GENERAL, PARK & COLLEGE ORDINANCES		<u>\$ 82,615,000</u>	<u>\$ 34,599,455</u>	<u>\$ 17,274,000</u>	<u>\$30,741,545</u>

NOTE: Reductions reflect reimbursements from other outside entities for their agreed upon share of the cost or cancellation of unexpended balances and partial bonding of ordinances.



## **Appendix A**

### **Certain General, Demographic, Economic and Financial Information Concerning the County of Morris**

## PROFILE - IN BRIEF

### COUNTY - MORRIS

### COUNTY SEAT - MORRISTOWN

Morris County is situated in the center of northern New Jersey about 25 miles from New York City. The County is served by New Jersey Transit and other railroads. The Morristown airport and several airfields are located within its borders. Interstate Highways 80, 280 and 287 intersect the County. It is world and national headquarters of numerous large industrial and pharmaceutical firms, some of which are listed herein.

Form of Government: Board of Chosen Freeholders

Number of Constituent Municipalities - 39

Population, Census 2000 – 470,212

Population, Census 1990 - 421,361

Land Area - Square Miles - 470.24

Net Valuation Taxable on Which Taxes are Apportioned

2007: \$ 98,075,628,273

2008: \$ 102,596,960,196

2009: \$ 103,669,450,016

Tax Rate Per \$100

2007: \$.191

2008: \$.190

2009: \$.195

Tax Levy

2007: \$186,075,742

2008: \$193,480,382

2009: \$201,365,440

2010: \$209,993,183

Distribution of Ratables - 2009

<u>Class</u>	<u>Assessed Valuation</u>	<u>Percent of Total</u>
Vacant Land	\$ 1,310,313,450	1.66%
Residential	60,378,573,088	76.48
Farm	727,561,648	0.92
Commercial	11,613,287,447	14.71
Industrial	2,841,125,700	3.60
Apartment	2,080,489,400	2.63
	<u>\$ 78,951,350,733</u>	<u>100.00%</u>

**COUNTY OF MORRIS**  
**SELECT FINANCIAL INFORMATION**  
**AS OF APRIL 30, 2010**

1. Schedule of County Debt Service – Permanent Debt:

Principal:	
General	\$ 172,992,000
College	20,368,000
Park	12,701,000
Total	<u>206,061,000</u>
Interest	36,029,716
Total Debt Service on Outstanding Bonds	<u>242,090,716</u>
Loan Payable – State of New Jersey – Principal and Interest	<u>1,152,828</u>
Total Debt Service	<u><u>\$ 243,243,544</u></u>

2. Statement of Statutory Debt:

Gross Debt	\$ 421,557,082
Less: Deduction	<u>173,254,321</u>
Net Debt	<u><u>\$ 248,302,761</u></u>

3. Budget Revenue:

Anticipated Revenue – Budgeted	\$ 314,992,970
Anticipated Revenue – Realized	74,042,832
Miscellaneous Revenue Not Anticipated	3,178,241

4. Budget Appropriations:

Appropriations – Budgeted	\$ 314,992,970
Appropriations – Expended Year to Date	104,047,683

## **COUNTY OF MORRIS**

### **GENERAL INFORMATION**

#### **GOVERNMENTAL STRUCTURE**

Morris County is governed by a Board of Chosen Freeholders composed of seven members, all of whom are elected at large. The Administrator is responsible for the day-to-day operation of the County government under the guidelines and policy supervision of the Board.

#### **EDUCATION**

There are two (2) four-year universities and a four-year college within the County, a two-year County College and the Morris County School of Technology. The County College, centrally located in Randolph Township, consists of a beautiful 218 acre campus and 11 buildings providing about 506,038 square feet of space. The Spring 2010 enrollment was approximately 4,428 full-time and 3,673 part-time students. The Morris County Vocational School District consists of the Morris County School of Technology, located in Denville, and two (2) satellite academies: the Academy for Mathematics, Science and Engineering located at Morris Hills High School and the Academy for Law and Public Safety at Butler High School. Shared time enrollment is 250 students, all located on the Denville campus. Full-time enrollment consists of 700 students among the three (3) locations. Adult/evening education enrollment is 3,417 and 60 post-secondary.

#### **WATER SUPPLY SERVICE**

The Morris County Municipal Utilities Authority (MCMUA) was formed in 1958 to explore, develop and protect water supply resources for the future needs of Morris County. The MCMUA has provided for the future water supply needs of Morris County through the development of ground water and surface water resources.

The MCMUA currently owns and operates four (4) 3.0 MG storage tanks, one (1) 2.0 MG elevated storage tank, two (2) booster pump stations, 30 miles of transmission main and eight (8) groundwater production wells which have a combined diversion of 6.2 MGD. With the development and operation of production wells on the Flanders Valley Golf Course and in the Alamatong Wellfields, the MCMUA has provided a source of supply for eight (8) municipalities and two (2) utilities in the west-central portion of Morris County. These include Randolph, Mine Hill, Roxbury, Jefferson, Mt. Arlington, Denville, Parsippany-Troy Hills, Wharton, Southeast Morris County M.U.A. and N.J. American for distribution to Mendham Borough and Mendham Township.

In an effort to meet the long-term water supply needs of Morris County, the MCMUA is currently exploring the potential of increasing its use of imported surface water. Additionally, the MCMUA is presently evaluating the potential of developing an innovative aquifer and/or mine storage project to store ground and surface water. These additional water sources will enable the MCMUA to provide quality water to more Morris County municipalities far into the twenty-first century.

## **SOLID WASTE**

The Morris County Municipal Utilities Authority (MCMUA) was designated by the Board of Chosen Freeholders as the agency to implement the County's Solid Waste Management Plan. The County has adopted a solid waste management strategy that is consistent with State policy. Through a variety of facilities and programs, the MCMUA helps provide Morris County with a long range and reliable solid waste management system. This system is both economically and environmentally sound and adheres to State goals of maximum use of resource recovery and recycling wherever practical.

The MCMUA owns two (2) transfer stations located in the Townships of Mt. Olive and Parsippany-Troy Hills. The MCMUA manages the two (2) facilities which transfer all of Morris County's solid waste to out-of-state landfills. In 2007, the MCMUA sought bids for the purposes of selecting a private company to operate the two (2) transfer stations, provide transportation services from the transfer stations to disposal facilities, and to provide solid waste disposal capacity at licensed and permitted facilities. The MCMUA awarded the transfer station operations, transportation and disposal contracts to Waste Management of New Jersey. The contract began on January 28, 2008 and the term for this arrangement is five (5) years.

The MCMUA has developed and operates the Morris County Recycling Consolidation Center located in the Town of Dover. This County facility accepts, processes and markets corrugated cardboard, mixed paper, newspaper and other fiber products. The MCMUA has entered into a marketing agreement with a private company to accept, process and market glass, plastics and metal containers.

The MCMUA also provides curbside recycling services to participating municipalities. In addition, the MCMUA operates two (2) regional yard waste composting facilities which process leaves, grass and brush and then markets the high quality compost material.

Finally, the MCMUA conducts Household Hazardous Waste Collection Programs and owns and operates a permanent Household Hazardous Waste Facility at the Mt. Olive Transfer Station.

## **PUBLIC WORKS**

Essential management, professional engineering, design and construction services in support of the construction of buildings, traffic signals, drainage, roads, and bridges are provided through the oversight of the County Public Works Department.

Funding for a public works project is contingent upon the approval of a new capital improvement ordinance and the use of capital funds already on hand. State aid will be sought for several road and bridge projects. Due to a policy, which stresses ongoing maintenance and replacement, bonding requirements have considerably lessened. In addition, a strong cash position and application of Federal and State grant funds have enabled the County to reduce the need for bonding. This progressive program has resulted in bonding, at attractive interest rates, the construction costs of a variety of County Facilities.

## **LABOR RELATIONS**

As of December 31, 2009, the County employed approximately 2,007 employees. Of these, approximately 1,826 were represented by 22 collective bargaining units. The County's negotiations with these units are professionally managed by its Office of Labor Relations.

## **PARKS AND RECREATION**

Recreation and leisure time facilities are integral to the quality of life throughout the County. The Morris County Park System, consisting of more than 18,000 acres, featuring nine (9) general purpose parks, five (5) outstanding eighteen-hole golf course facilities, a large group picnic recreation complex, an equestrian facility, five (5) historic sites, three (3) environmental education centers, a sports arena with three (3) indoor skating rinks, a marina on Lake Hopatcong, five (5) lake recreation areas, three (3) public gardens, over 150 miles of recreational trails, two (2) linear parks protecting streams, four (4) open space land banks, and (1) 300 acre active recreation area being developed in multiple phases is the largest park system in the County and the largest County Park System in the State. There are also Municipal, State and National Parks within the County and a number of large natural and man-made lakes.

Morris County has successfully received funding from the State Green Acres Program since its inception in 1961, and on January 16, 1985, the County of Morris was the first local unit in the State to be approved for the Green Acres Trust Program. This program has been developed by the New Jersey Department of Environmental Protection to assist Local Governments in the acquisition, preservation, and improvement of land for recreation. Through the Green Acres Trust Program, the Morris County Park Commission has received funding in the form of grants and low interest loans. Loans are repaid over a ten (10) to twenty (20)-year period at 2% simple interest per year. Both Federal and State of New Jersey Transportation Trust Funds have been used to enhance the multi-use trails in Morris County. The additional funding, such as the Morris County Open Space Trust Fund, has allowed the Park Commission to expand certain County Parks, such as Loantaka Brook Reservation, Mahlon Dickerson Reservation, Pyramid Mountain Natural Historical Area, the Waughaw Mountain Greenway, Schooley's Mountain County Park, Silas Condict County Park, Passaic River County Park, Tourne and Hedden County Parks, as well as to make other improvements and renovations for universal access, especially to self-supporting, revenue-producing facilities. Historic Trust Fund Grants from both the State of New Jersey and the Federal Government have enabled the Park Commission to preserve historic sites, manage collections, and implement interpretive education programs for the public.

The first Morris County Open Space and Farmland Preservation Trust Fund Acquisition was completed in 1994. This fund, which is administered by the Morris County Planning, Development, and Technology Department, was overwhelmingly approved by a referendum in 1992. In 1998, sixty-five (65) percent of the Morris County voters endorsed a referendum to establish a Park Improvement Trust Fund through a dedicated tax of \$.25% per \$100 of assessed property value. These programs enable the Morris County Park Commission to further expand and develop the County's parks for active and passive public recreational purposes, as well as to protect critical natural resources such as potable water supplies, while preserving beautiful natural areas and important historic sites, which are being used as a focus to promote regional ecotourism. The Park Commission recently completed a comprehensive public input process and a Strategic Master Plan for the County Park System which established prioritized goals and objectives for the Park Commission, which celebrated its fiftieth anniversary in 2006.

**COUNTY OF MORRIS**  
**COMPARATIVE COUNTY BUDGETS**

	<b>2010 (Including Amendments thru April 30, 2010)</b>	<b>2009 (Including Amendments)</b>
<b>ANTICIPATED REVENUES:</b>		
Fund Balance Utilized	\$ 20,000,000	\$ 20,000,000
State and Federal Grants	14,982,880	29,281,849
Other	<u>70,016,907</u>	<u>72,832,478</u>
	104,999,787	122,114,327
County Tax Levy	<u>209,993,183</u>	<u>201,365,440</u>
	<u><b>\$ 314,992,970</b></u>	<u><b>\$ 323,479,767</b></u>
<b>APPROPRIATIONS:</b>		
Operations	\$ 257,965,726	\$ 267,085,814
Capital Improvements	1,000,000	900,000
Debt Service	36,378,205	36,649,895
Statutory Expenditures	<u>19,649,039</u>	<u>18,844,058</u>
	<u><b>\$ 314,992,970</b></u>	<u><b>\$ 323,479,767</b></u>

The 2010 County Budget was adopted by the Board of Chosen Freeholders on April 14, 2010.

## **COUNTY OF MORRIS CAPITAL IMPROVEMENT PROGRAM**

A tentative six-year Capital Improvement Program (2010-2015) was adopted by the Board of Chosen Freeholders on April 14, 2010, and amended through April 30, 2010, and proposes the following expenditures for 2010 and the next five years.

Road and Bridge Improvements	\$ 86,855,000
County Buildings and Equipment	7,987,000
Communications Center/Emergency Management – Construction/Design	29,000,000
Morris View Renovation	2,500,000
Washington Building - Demolition	203,000
Flood and Drainage Improvements	19,350,000
Park Commission – Various Improvements, Vehicles and Equipment	15,984,723
Municipal Utilities Authority – Improvements	1,700,000
County College of Morris	53,087,427
Department of Human Services - Morris View, MAPS, Nutrition	2,523,000
Information Services	1,160,000
Prosecutor	270,000
Planning, Development and Technology	240,000
Bureau of Law Enforcement – Vehicle, Equipment and Construction of Storage Garage	1,072,000
Central Park Complex and Recreation Fields – Construction & Renovation	14,900,000
Department of Law and Public Safety – Improvements and Equipment	3,112,125
Renewable Energy Program	300,000

Total Six-Year Capital Plan	<u><u><b>\$ 240,244,275</b></u></u>
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**Anticipated Financing:**

Cash and Federal/State Aid	\$ 14,816,275
Issuance of Bond Anticipation Notes and/or Bonds	225,428,000

	<u><u><b>\$ 240,244,275</b></u></u>
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# **PARTIAL LIST OF LARGEST EMPLOYERS**

(As of December 31, 2009)

<u>Company</u>	<u>Location</u>	<u>Employees</u>
Atlantic Health System	Various Locations	4,933
U.S. Army Armament Research and Development	Rockaway	3,575
Novartis Corporation	Various Locations	3,573
Quest Diagnostics	Madison	2,978
Securitas Security Services	Parsippany	2,602
Saint Clare's	Various Locations	2,342
Kings Super Markets, Inc.	Parsippany	2,094
Automatic Data Processing, Inc.	Various Locations	2,019
County of Morris	Various Locations	2,007
United Parcel Service	Parsippany	1,941*
AT&T Corporation	Various Locations	1,500
Honeywell	Morris Township	1,500
Wyndham Worldwide Corporation	Parsippany	1,395
BASF Corporation	Various Locations	1,315
Greystone Psychiatric Center	Various Locations	1,265

# **PARTIAL LIST OF LARGEST TAXPAYERS<sup>ii</sup>**

(As of December 31, 2009)

<u>Name of Taxpayer</u>	<u>Industry</u>	<u>2009 Assessed Valuation</u>	<u>Equalized Valuation</u>
Novartis Corporation	Pharmaceutical	\$321,530,700	\$478,254,797
Point View Campus LLC	Financial	327,873,800	324,146,120
Rockaway Center Associates	Retail Trade	145,000,000	229,249,012
MC NEIL-PPC INC	Pharmaceutical	182,500,000	194,252,262
LTI NJ Financial LLC	Financial	73,000,000	147,863,075
KBS II 300-600 Campus Drive, LLC	Real Estate	108,017,200	108,669,215
State Farm Insurance	Insurance	82,500,000	108,111,650
Allied Signal, Inc.	Chemical Products	64,900,000	100,760,751
Route 24 Holding, Inc.	Real Estate	50,000,000	89,333,572
Pernwil Associates	Real Estate	43,726,900	86,536,513
JPMorgan Chase	Financial	42,229,800	85,537,371
Oakwood Garden Associates, LLC	Real Estate	80,000,000	84,432,718
Pfizer	Pharmaceutical	79,000,000	84,087,280
AT&T Lease Administration	Communication	52,500,000	81,509,082
Segal Realty Associates	Real Estate	76,000,000	80,211,082
Knoll Manor Associates	Real Estate	61,015,400	79,957,280
Teachers Insurance Assoc. of America	Insurance	60,875,100	79,773,424
Mack-Cali Realty	Real Estate	50,000,000	77,627,698
Deloitte & Touche	Financial	57,660,700	75,561,132
Investcorp	Real Estate	57,268,000	75,046,521
KBS II 100-200 Campus Drive, LLC	Real Estate	73,000,900	73,441,549
St. Francis Lifecare Corporation	Health Care	45,700,000	70,984,778
Wells REIT	Real Estate	69,600,000	70,020,121
Lake Lenore Estates, LLC	Real Estate	51,831,300	67,922,029
Mack-Cali Realty	Real Estate	49,101,800	64,345,171

<sup>ii</sup> Beginning with the 2006 Official Statement, the County has changed the presentation of its largest taxpayers to reflect the 25 largest taxpayers by individual properties.

\* Represent 2008 numbers.

**COUNTY OF MORRIS**  
**MEDIAN HOUSEHOLD INCOME** <sup>iii</sup>

<u>Year</u>	<u>Morris County</u>
2008	\$ 99,706
2007	94,684
2006	89,587

**POPULATION** <sup>iii</sup>

Census Estimate 2009	488,518
Census Estimate 2008	486,946
Federal Census 2000	470,212

**LABOR FORCE** <sup>iv</sup>  
(Not Seasonally Adjusted)

<u>County</u>	<u>Workforce</u>	<u>Employed</u>	<u>Unemployed</u>
Dec 2009	272,428	252,300	20,128
June 2009	277,316	256,206	21,110
Dec 2008	274,997	261,474	13,523
June 2008	276,938	266,135	10,803
Dec 2007	274,305	266,227	8,078
June 2007	274,314	265,885	8,429
<b>State</b>			
Dec 2009	4,515,333	4,075,334	439,999
June 2009	4,596,021	4,160,793	435,228
Dec 2008	4,512,678	4,210,477	302,201
June 2008	4,542,858	4,306,239	236,619
Dec 2007	4,477,066	4,283,129	193,937
June 2007	4,493,142	4,303,242	189,900

**UNEMPLOYMENT** <sup>iv</sup>  
(Not Seasonally Adjusted)

	<u>Morris County</u>	<u>State of New Jersey</u>	<u>U.S.A.</u>
Dec 2009	7.4%	9.7%	9.7%
June 2009	7.6	9.5	9.7
Dec 2008	4.9	6.7	7.1
June 2008	3.9	5.2	5.7
Dec 2007	2.9	4.3	4.8
June 2007	3.1	4.2	4.7

<sup>iii</sup> Source: U.S. Census Bureau, Morris County Planning Board

<sup>iv</sup> Source: U.S. Dept. of Labor, Bureau of Labor Statistics: United States: Series ID: LNU04000000,  
New Jersey: Series ID: LAUST34000003, LAUST34000004, LAUST34000005, LAUST34000006  
Morris County: Series ID: LAUPS34045003, LAUPS34045004, LAUPS34045005, LAUPS34045006

**ASSESSED VALUATION OF REAL PROPERTY (CONSTITUENT MUNICIPALITIES)  
AND EQUALIZED VALUATIONS TAXABLE AND TAX RATES**

<b>Year</b>	<b>State Equalized Valuation of Real Property <sup>ix</sup></b>	<b>County Tax Base <sup>viii</sup></b>		
		<b>Assessed Valuation of Real Property</b>	<b>Net Equalized Valuation of Real and Personal Property</b>	<b>Tax Rate Per \$100</b>
2009	\$101,776,499,284	\$ 78,951,350,733	\$103,669,450,016	.195
2008	103,049,558,897	76,700,603,539	102,596,960,196	.190
2007	101,516,706,133	71,944,871,498	98,075,628,273	.191
2006	97,102,388,574	70,984,491,271	88,856,872,329	.202
2005	87,878,245,688	62,027,632,792	79,054,301,765	.218
2004	78,296,990,579	57,745,448,081	71,724,336,057	.233

**CLASSIFICATIONS OF RATABLES - REAL PROPERTY**

	<b>2009</b>		<b>2008</b>	
	<b>Assessed Valuation</b>	<b>Percent Of Total</b>	<b>Assessed Valuation</b>	<b>Percent Of Total</b>
Vacant Land	\$ 1,310,313,450	1.66%	\$ 1,373,940,350	1.79%
Residential	60,378,573,088	76.48	58,547,857,080	76.33
Farm	727,561,648	0.92	722,822,548	0.94
Commercial	11,613,287,447	14.71	11,350,378,461	14.80
Industrial	2,841,125,700	3.60	2,711,381,200	3.54
Apartment	2,080,489,400	2.63	1,994,223,900	2.60
	<b>\$ 78,951,350,733</b>	<b>100.00%</b>	<b>\$ 76,700,603,539</b>	<b>100.00%</b>

**TAX COLLECTION PROCESS**

County taxes are collected by the constituent municipalities and paid to the County Treasurer. The municipal levy includes all County, school and municipal taxes. Each municipality is required to pay the County Treasurer its share of the County Purpose Tax on the fifteenth day of February, May, August, and November of each year. The County receives 100% of its share of the taxes collected by each municipality from the first taxes collected. 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 levy, a municipality has until February 15 of the year immediately following (45 days) to pay in full the amount due to the County.

<sup>viii</sup> As determined by the Morris County Tax Board.

<sup>ix</sup> As determined by the New Jersey Division of Taxation.

# COUNTY OF MORRIS

## STATEMENT OF NET EQUALIZED VALUATION, NET VALUATION TAXABLE TAX RATES & CURRENT TAX COLLECTIONS FOR CONSTITUENT MUNICIPALITIES

AS OF DECEMBER 31, 2009

	Net Equalized Valuation Real & Personal Property on Which County Taxes are Apportioned		2009 Municipal Tax Base		2009 Average Ratio of Assessed to True Value of Real Property	Percentage of Current Tax Collections*	
	2009	2008	Net Valuation Taxable*	General Tax Rate Per \$100		2009	2008
Boonton, Town	\$ 1,326,296,441	\$ 1,349,249,270	\$ 1,292,975,946	\$ 2.02	98.78 %	98.36 %	98.10 %
Boonton Township	1,100,787,205	1,099,395,626	1,137,315,582	1.46	103.61	97.17	97.53
Butler Borough	1,074,871,195	1,063,094,765	755,342,980	2.75	70.86	98.75	99.14
Chatham Borough	2,441,407,442	2,346,989,238	2,057,959,626	1.66	84.58	98.90	99.04
Chatham Township	3,288,254,822	3,294,888,174	2,936,723,658	1.57	89.37	98.83	98.76
Chester Borough	475,936,992	467,628,951	453,804,374	1.99	95.71	97.39	98.41
Chester Township	2,195,682,116	2,230,761,264	2,249,284,682	1.70	102.58	97.00	98.22
Denville Township	3,565,499,240	3,524,915,454	2,288,704,288	2.64	64.38	98.56	98.50
Dover, Town	1,642,176,617	1,703,051,456	1,553,627,400	1.81	95.68	96.71	96.22
East Hanover Township	3,699,322,656	3,734,169,526	2,473,164,810	1.96	67.23	99.09	99.40
Florham Park Borough	3,357,907,547	3,278,877,905	3,318,910,820	1.24	99.40	99.12	99.36
Hanover Township	4,139,864,889	4,196,257,833	2,013,787,492	2.64	49.37	98.69	98.81
Harding Township	2,779,231,972	2,746,715,964	2,021,010,460	1.06	72.77	99.18	95.48
Jefferson Township	3,208,402,649	3,212,937,231	3,236,249,216	1.84	100.98	97.94	97.96
Kinnelon Borough	2,470,186,619	2,464,348,279	1,666,735,965	2.73	67.50	97.98	98.11
Lincoln Park Borough	1,709,551,504	1,710,788,744	1,576,650,735	2.04	92.48	98.41	98.63
Madison Borough	3,768,811,860	3,672,969,970	2,106,509,966	2.53	55.97	96.30	99.36
Mendham Borough	1,569,035,776	1,517,455,547	1,582,998,674	1.53	101.09	98.96	98.80
Mendham Township	2,246,088,845	2,221,821,308	2,170,029,798	1.63	96.65	98.69	98.89
Mine Hill Township	538,663,656	534,511,212	524,649,997	1.89	97.96	97.96	97.14
Montville Township	5,622,670,477	5,436,261,777	2,837,152,521	3.21	50.53	98.31	98.25
Morris Township	5,892,980,158	5,596,236,064	3,778,913,338	2.27	64.41	98.44	98.64
Morris Plains Borough	1,596,992,624	1,525,974,857	1,486,372,326	1.73	93.95	98.48	99.07
Morristown, Town	3,125,968,588	3,001,932,140	2,225,524,793	2.53	71.72	98.80	98.07
Mt. Lakes Borough	1,487,682,407	1,411,501,260	1,284,172,607	2.11	86.42	98.89	98.82
Mt. Arlington Borough	861,040,511	862,522,494	694,754,832	2.20	80.77	98.35	98.76
Mt. Olive Township	3,864,415,262	3,892,820,507	3,657,876,297	2.38	94.75	98.53	98.38
Netcong Borough	342,948,236	332,550,953	340,913,254	2.11	100.11	96.95	97.56
Parsippany-Troy Hills Twp.	9,850,501,986	9,666,126,163	7,498,142,742	2.34	76.31	99.15	99.24
Long Hill Township (Passaic)	1,894,469,220	1,887,171,997	1,287,694,014	2.66	68.12	98.34	98.22
Pequannock Township	2,865,854,019	2,900,519,174	2,890,905,498	1.67	101.15	98.83	100.00
Randolph Township	4,948,783,802	4,998,429,107	2,918,426,557	3.11	59.07	98.35	98.43
Riverdale Borough	900,327,414	890,190,256	854,835,316	1.44	95.52	96.00	98.60
Rockaway Borough	933,754,792	951,846,844	775,031,591	2.31	83.87	97.46	97.39
Rockaway Township	4,589,387,613	4,487,150,052	2,895,544,905	3.33	63.25	98.49	98.35
Roxbury Township	3,951,401,584	4,036,287,915	2,066,192,754	3.70	52.48	97.90	98.35
Victory Gardens Borough	97,673,733	100,290,401	97,569,800	1.66	100.17	96.04	97.17
Washington Township	3,380,843,416	3,372,634,572	3,248,332,328	1.98	96.24	98.21	98.22
Wharton Borough	863,774,131	875,685,946	843,727,000	2.01	98.35	97.91	98.20
	\$ 103,669,450,016	\$ 102,596,960,196	\$ 79,098,518,942				

\*Real and Personal Property

# COUNTY OF MORRIS

## GROSS DEBT AND NET DEBT OF CONSTITUENT MUNICIPALITIES

AS OF APRIL 30, 2010

	Gross Debt			Deductions			Net Debt	Average Valuations	Statutory Percent- Net Debt
	School	Utility	Other	School	Utility	Other			
Boonton, Town of	\$ 23,581,325	\$ 4,969,380	\$ 6,378,905	\$ 23,581,325	\$ 4,969,380	\$ -	\$ 6,378,905	\$ 1,295,726,014	0.49 %
Boonton Township	2,533,000	292,022	3,656,632	2,533,000	292,022	1,608,072	2,048,560	1,089,538,080	0.19
Butler Borough	6,703,000	14,830,857	8,575,071	6,703,000	1,912,485	177,094	21,316,349	1,042,329,333	2.05
Chatham Borough	16,240,615	2,802,206	16,588,777	16,240,615	2,802,206	-	16,588,777	2,370,155,174	0.69
Chatham Township	22,029,458	6,720,760	10,484,750	22,029,458	6,720,760	-	10,484,750	3,214,993,153	0.32
Chester Borough	4,887,469	1,609,056	5,687,360	4,887,469	1,609,056	49,000	5,638,360	466,488,147	1.21
Chester Township	22,952,700	-	15,207,937	22,952,700	-	506,301	14,701,636	2,190,737,552	0.67
Denville Township	17,723,452	9,889,203	18,958,971	17,723,452	9,889,203	11,498,598	7,460,372	3,466,577,850	0.22
Dover, Town of	11,514,000	4,219,616	5,494,415	11,514,000	2,809,441	-	6,904,589	1,612,693,970	0.43
East Hanover Township	19,678,561	4,202,411	22,905,983	19,678,561	4,202,411	402,973	22,503,010	3,794,026,273	0.59
Florham Park Borough	20,984,226	14,888,238	19,376,431	20,984,226	14,888,238	100,000	19,276,431	3,303,655,662	0.58
Hanover Township	14,607,397	-	-	14,607,397	-	-	-	4,107,412,024	0.00
Harding Township	3,865,000	-	13,945,751	3,865,000	-	-	13,945,751	2,674,677,657	0.52
Jefferson Township	25,650,000	11,353,741	15,158,105	25,650,000	11,353,741	75,399	15,082,706	3,181,206,341	0.47
Kinnelon Borough	29,961,000	700,000	14,759,930	29,961,000	-	42,676	15,417,254	2,432,487,490	0.63
Lincoln Park Borough	5,195,000	1,140,630	29,335,568	5,195,000	1,140,630	123,145	29,212,423	1,666,538,372	1.75
Madison Borough	43,945,000	-	32,422,500	43,945,000	-	-	32,422,500	3,693,499,131	0.88
Mendham Borough	13,917,030	4,745,000	5,411,275	13,917,030	4,745,000	312,981	5,098,294	1,529,539,411	0.33
Mendham Township	18,133,402	1,191,322	20,042,464	18,133,402	1,191,322	938,391	19,104,073	2,210,797,541	0.86
Mine Hill Township	2,783,000	2,457,938	4,384,785	2,783,000	2,074,292	462,535	4,305,896	530,159,118	0.81
Montville Township	23,188,341	18,633,884	45,493,559	23,188,341	18,633,884	15,224,736	30,268,823	5,470,204,803	0.55
Morris Township	5,020,227	14,497,338	23,435,710	5,020,227	14,141,338	-	23,791,710	5,800,027,973	0.41
Morris Plains Borough	5,793,000	-	8,813,520	5,793,000	-	5,584	8,807,936	1,560,016,088	0.56
Morristown, Town of	2,659,773	29,231,189	77,260,407	2,659,773	18,417,697	38,520,506	49,553,393	3,072,921,003	1.61
Mt. Lakes Borough	14,445,000	-	9,427,850	14,445,000	-	-	9,427,850	1,435,406,542	0.65
Mt. Arlington Borough	3,085,000	-	11,280,137	3,085,000	-	-	11,280,137	868,322,610	1.30
Mt. Olive Township	59,773,721	14,079,937	29,582,151	59,773,721	14,079,937	470,000	29,112,151	3,824,217,896	0.76
Netcong Borough	-	155,250	618,774	-	155,250	64,224	554,550	328,851,538	0.17
Parsippany-Troy Hills Twp	45,183,000	57,813,075	70,933,927	45,183,000	56,812,536	-	71,934,466	9,752,107,109	0.74
Long Hill Township (Passaic)	21,266,836	-	18,914,453	21,266,836	-	-	18,914,453	1,856,701,580	1.02
Pequannock Township	15,000,000	12,760,811	7,106,990	15,000,000	12,086,384	2,927	7,778,490	2,836,558,508	0.27
Randolph Township	33,442,000	-	20,517,354	33,442,000	-	2,548,106	17,969,249	4,886,512,953	0.37
Riverdale Borough	1,396,000	7,382,950	4,304,300	1,396,000	7,382,950	105,622	4,198,678	861,679,643	0.49
Rockaway Borough	3,522,856	730,046	4,224,375	3,522,856	730,046	-	4,224,375	930,567,237	0.45
Rockaway Township	24,309,683	3,922,725	30,246,794	24,309,683	3,922,725	2,328,126	27,918,668	4,609,357,696	0.61
Roxbury Township	16,471,000	5,516,200	14,384,135	16,471,000	2,640,165	126,818	17,133,351	3,875,879,411	0.44
Victory Gardens Borough	-	-	-	-	-	-	-	96,710,561	0.00
Washington Township	23,936,387	-	12,548,500	23,936,387	-	-	12,548,500	3,321,497,839	0.38
Wharton Borough	7,960,455	4,014,423	2,195,661	7,960,455	4,014,423	24,275	2,171,386	853,475,487	0.25
	<u>\$ 633,337,913</u>	<u>\$ 254,750,207</u>	<u>\$ 660,064,208</u>	<u>\$ 633,337,913</u>	<u>\$ 223,617,522</u>	<u>\$ 75,718,090</u>	<u>\$ 615,478,802</u>	<u>\$ 102,114,254,771</u>	

**COUNTY OF MORRIS**  
**GENERAL, COLLEGE AND PARK IMPROVEMENT**  
**SERIAL BONDS ISSUED AND OUTSTANDING**  
**AS OF APRIL 30, 2010**

	Date of Issue	Amount of Original Issue	Maturities Dates for Bonds Outstanding as of 4/30/10	Amounts	Rate of Interest	Balance 04/30/10
<u>GENERAL:</u>						
General Improvement Bonds 1993	05/13/93	\$ 20,750,000	05/13/10-12 05/13/13	\$ 1,039,000 1,009,000	5.125 % 5.125	\$ 4,126,000
General Improvement Bonds 2000	09/15/00	33,472,000	09/15/10	2,200,000	4.750	2,200,000
General Improvement Bonds 2001	09/01/01	22,599,000	09/01/10	1,885,000	4.000	1,885,000
Refunding Pension MC Improvement Authority Bonds 2003	01/14/03	5,540,000	02/01/11 02/01/12 02/01/13 02/01/14 02/01/15 02/01/16 02/01/17 02/01/18	400,000 400,000 400,000 400,000 500,000 500,000 200,000 240,000	4.700 4.950 5.150 5.250 5.350 5.750 5.750 5.750	3,040,000
General Improvement Bonds 2003	06/24/03	16,288,000	05/01/10 05/01/11 05/01/12 05/01/13 05/01/14 05/01/15	1,500,000 1,500,000 1,500,000 1,500,000 1,225,000 1,163,000	2.400 2.600 2.750 2.875 3.000 3.125	8,388,000
Refunding General Bonds 2003	07/01/03	46,105,000	02/01/11 02/01/12 02/01/13 02/01/14 02/01/15 02/01/16 02/01/17 02/01/18 02/01/19 02/01/20 02/01/21 02/01/22 02/01/23 02/01/24 02/01/25	4,240,000 4,245,000 4,250,000 4,260,000 4,265,000 1,005,000 995,000 985,000 975,000 965,000 955,000 950,000 940,000 930,000 385,000	5.000 5.000 5.000 5.000 5.000 3.600 3.700 3.750 4.000 4.000 4.000 4.125 4.200 4.250 4.250	30,345,000
General Improvement Bonds 2004	06/22/04	19,837,000	04/01/11 04/01/12 04/01/13 04/01/14 04/01/15 04/01/16	1,100,000 1,500,000 1,500,000 1,500,000 1,500,000 1,282,000	3.500 3.625 3.750 4.000 4.125 4.250	8,382,000
Pension Refunding General Bonds 2004	12/14/04	9,950,000	10/01/10 10/01/11 10/01/12 10/01/13 10/01/14 10/01/15 10/01/16	800,000 800,000 800,000 800,000 800,000 800,000 1,150,000	4.270 4.440 4.630 4.780 4.830 4.930 5.030	5,950,000
General Improvement Bonds 2005	06/16/05	15,779,000	02/01/11 02/01/12 02/01/13 02/01/14 02/01/15 02/01/16	1,200,000 1,200,000 1,200,000 1,700,000 1,800,000 1,879,000	3.000 3.125 3.500 3.500 3.750 3.750	8,979,000

**COUNTY OF MORRIS**  
**GENERAL, COLLEGE AND PARK IMPROVEMENT**  
**SERIAL BONDS ISSUED AND OUTSTANDING**  
**AS OF APRIL 30, 2010**

	Date of Issue	Amount of Original Issue	Maturities Dates for Bonds Outstanding as of 4/30/10	Amounts	Rate of Interest	Balance 04/30/10
GENERAL (Cont'd.)						
Refunding General Bonds 2006	03/15/06	\$ 32,624,000	03/15/11	\$ 5,805,000	4.667 %	\$ 24,929,000
			03/15/12	5,205,000	5.000	
			03/15/13	4,400,000	5.000	
			03/15/14	2,985,000	5.000	
			03/15/15	1,469,000	5.000	
			03/15/16	625,000	4.000	
			03/15/17	625,000	5.000	
			03/15/18-19	625,000	4.000	
			03/15/20-21	620,000	4.000	
			03/15/22	515,000	4.000	
			03/15/23	410,000	4.125	
			03/15/24	400,000	4.125	
General Improvement Bonds 2006	10/05/06	21,666,000	10/01/10	1,900,000	3.625	15,466,000
			10/01/11	1,701,000	3.625	
			10/01/12-14	2,100,000	3.625	
			10/01/15	2,200,000	3.625	
			10/01/16	3,365,000	3.625	
General Improvement Bonds 2007	08/30/07	8,890,000	08/15/10	600,000	4.000	7,450,000
			08/15/11-12	600,000	4.125	
			08/15/13	500,000	4.125	
			08/15/14-17	900,000	4.125	
			08/15/18	780,000	4.125	
			08/15/19	770,000	4.250	
General Improvement Bonds 2008	09/19/08	7,194,000	04/15/11-13	600,000	2.750	6,269,000
			04/15/14-15	650,000	3.000	
			04/15/16	650,000	3.250	
			04/15/17-18	650,000	3.500	
			04/15/19	650,000	3.625	
			04/15/20	569,000	3.750	
Refunding General Bonds 2009	05/18/09	15,914,000	03/15/11	3,118,000	3.000	15,914,000
			03/15/12	3,692,000	3.000	
			03/15/13	3,691,000	5.000	
			03/15/14	3,637,000	5.000	
			03/15/15	1,776,000	3.000	
General Improvement Bonds 2009	07/21/09	29,769,000	04/15/11-12	100,000	1.500	29,669,000
			04/15/13	200,000	1.500	
			04/15/14	300,000	1.750	
			04/15/15	1,100,000	2.000	
			04/15/16	4,100,000	2.500	
			04/15/17	10,500,000	3.000	
			04/15/18	5,500,000	3.000	
			04/15/19	3,500,000	3.125	
			04/15/20	2,000,000	3.125	
			04/15/21	1,000,000	4.000	
			04/15/22	1,269,000	4.000	
			TOTAL GENERAL BONDS			
<u>COUNTY COLLEGE:</u>						
County College Bonds 2002	06/27/02	\$ 5,819,000	03/15/11	\$ 400,000	3.850 %	\$ 2,019,000
			03/15/12-14	400,000	4.000	
			03/15/15	419,000	4.000	
County College Bonds 2003	06/24/03	2,575,000	05/01/10	275,000	2.400	1,050,000
			05/01/11	260,000	2.600	
			05/01/12	260,000	2.750	
			05/01/13	255,000	2.875	
County College Bonds 2004	06/22/04	6,360,000	04/01/11	650,000	3.500	650,000

**COUNTY OF MORRIS**  
**GENERAL, COLLEGE AND PARK IMPROVEMENT**  
**SERIAL BONDS ISSUED AND OUTSTANDING**  
**AS OF APRIL 30, 2010**

	Date of Issue	Amount of Original Issue	Maturities Dates for Bonds Outstanding as of 4/30/10	Amounts	Rate of Interest	Balance 04/30/10
<u>COUNTY COLLEGE (Cont'd)</u>						
County College Bonds 2007	08/30/07	\$ 6,503,000	08/15/10 08/15/11 08/15/12-18 08/15/19	\$ 650,000 500,000 550,000 453,000	4.000 % 4.125 4.125 4.250	\$ 5,453,000
County College Bonds 2009	07/21/09	11,496,000	04/15/11-12 04/15/13 04/15/14 04/15/15 04/15/16 04/15/17 04/15/18 04/15/19-20 04/15/21 04/15/22	300,000 400,000 600,000 1,500,000 1,500,000 1,500,000 1,000,000 1,000,000 1,000,000 1,096,000	1.500 1.500 1.750 2.000 2.500 3.000 3.000 3.125 4.000 4.000	11,196,000
TOTAL COUNTY COLLEGE BONDS						<u>\$ 20,368,000</u>
<u>PARK:</u>						
Park Bonds 1993	05/13/93	\$ 5,969,000	05/13/10-12 05/13/13	\$ 299,000 288,000	5.125 % 5.125	\$ 1,185,000
Park Bonds 2000	09/15/00	5,796,000	09/15/10	400,000	4.750	400,000
Park Bonds 2001	09/01/01	2,654,000	09/01/10	205,000	4.000	205,000
Park Bonds 2003	06/24/03	650,000	05/01/10 05/01/11 05/01/12 05/01/13 05/01/14 05/01/15	55,000 55,000 55,000 55,000 55,000 45,000	2.400 2.600 2.750 2.875 3.000 3.125	320,000
Refunding Park Bonds 2003	07/15/03	2,805,000	02/01/11-14	310,000	5.000	1,240,000
Refunding Park Bonds 2006	03/15/06	1,516,000	03/15/11 03/15/12-13 03/15/14 03/15/15	380,000 380,000 360,000 16,000	4.667 5.000 5.000 5.000	1,516,000
Park Bonds 2006	10/05/06	1,632,000	10/01/10 10/01/11	325,000 332,000	3.625 3.625	657,000
Park Bonds 2007	08/30/07	2,201,000	08/15/10 08/15/11-16 08/15/17	210,000 210,000 281,000	4.000 4.125 4.125	1,751,000
Park Bonds 2008	09/19/08	2,198,000	04/15/11-13 04/15/14-15 04/15/16 04/15/17 04/15/18	250,000 250,000 250,000 250,000 73,000	2.750 3.000 3.250 3.500 3.500	1,823,000
Refunding Park Bonds 2009	05/18/09	1,796,000	03/15/11 03/15/12 03/15/13 03/15/14 03/15/15	352,000 403,000 404,000 408,000 229,000	3.000 3.000 5.000 5.000 3.000	1,796,000
Park Bonds 2009	07/21/09	1,858,000	04/15/11 04/15/12 04/15/13 04/15/14 04/15/15 04/15/16 04/15/17-18 04/15/19	300,000 150,000 100,000 100,000 250,000 250,000 200,000 258,000	1.500 1.500 1.500 1.750 2.000 2.500 3.000 3.125	1,808,000
TOTAL PARK BONDS						<u>\$ 12,701,000</u>
TOTAL SERIAL BONDS ISSUED & OUTSTANDING						<u><u>\$ 206,061,000</u></u>



**STATEMENT OF STATUTORY NET DEBT  
APRIL 30, 2010**

**GROSS DEBT**

General Bonds - Issued & Outstanding	\$ 172,992,000
County College Bonds - Issued & Outstanding	<u>20,368,000</u>
	193,360,000
Park Bonds - Issued & Outstanding	<u>12,701,000</u>
	206,061,000
Bonds Authorized and Issued by the County Improvement Authority Guaranteed by the County of Morris	101,912,000
Bonds Authorized but not Issued: General Improvements: Authorized but not Issued	<u>52,492,760</u>
	52,492,760
Debt Authorized by the County Improvement Authority Guaranteed by the County of Morris	60,000,000
Loan Payable to Green Acres	<u>1,091,322</u>
<b>TOTAL GROSS DEBT</b>	421,557,082

Less: Applicable Deductions

Bonds Authorized and Issued by the County Improvement Authority Guaranteed by the County of Morris	101,912,000
Debt Authorized by the County Improvement Authority Guaranteed by the County of Morris	60,000,000
Bonds & Notes Authorized But Not Issued: - Capital Projects for County Colleges (N.J.S.A. 18A:64A-22.1 To N.J.S.A. 18A:64A-22.8)	<u>11,342,321</u>

**TOTAL STATUTORY NET DEBT** \$ 248,302,761

Three-year Average (2007-2009) Equalized Valuation  
of Real Property (Pursuant to N.J.S.A. 54:1-35.1) \$ 102,114,254,771

Debt Expressed as a Percentage of  
Average Equalized Valuation of Real Property .243%

State Equalized Valuation of Real Property for 2009  
(Pursuant to N.J.S.A. 54:1-35.1) \$ 101,776,499,284

Assessed Valuation Taxable of Real and Personal Property for 2009 \$ 79,098,518,942

**STATEMENT OF STATUTORY NET DEBT (Continued)**  
**APRIL 30, 2010**

Ratio of Assessed Value to True Value of Real and Personal Property – 2009	76.30%
Estimated True (Equalized) Valuation of Real and Personal Property on Which County Taxes are Apportioned - 2009	<u>\$ 103,669,450,016</u>
Debt Expressed as a Percentage of Equalized Valuation of Real and Personal Property on which County Taxes are Apportioned	.240%
Debt Limitation Per N.J.S.A. 40A:2-6 (Counties) 2% of Three-year Average Equalized Valuation	\$ 2,042,285,095
<b>NET DEBT</b>	<u>248,302,761</u>
<b>UNUSED BORROWING MARGIN</b>	<u>\$ 1,793,982,334</u>

**COUNTY OF MORRIS**  
**COUNTY PERMANENT DEBT**  
**AS OF APRIL 30, 2010**

Year	Principal				Interest	Debt Service	State of New Jersey	Debt Service
	General	College	Park	Total		on Outstanding Bonds		
2010	\$9,924,000	\$925,000	\$1,494,000	\$12,343,000	\$4,238,015	\$16,581,015	\$157,770	\$16,738,785
2011	22,203,000	2,110,000	2,488,000	26,801,000	7,103,659	33,904,659	315,540	34,220,199
2012	22,981,000	1,510,000	2,057,000	26,548,000	6,035,931	32,583,931	315,540	32,899,471
2013	22,150,000	1,605,000	1,997,000	25,752,000	4,933,357	30,685,357	169,226	30,854,583
2014	20,457,000	1,550,000	1,693,000	23,700,000	3,868,825	27,568,825	22,912	27,591,737
2015	18,123,000	2,469,000	1,000,000	21,592,000	2,945,743	24,537,743	22,912	24,560,655
2016	15,456,000	2,050,000	710,000	18,216,000	2,241,746	20,457,746	22,912	20,480,658
2017	13,870,000	2,050,000	731,000	16,651,000	1,559,724	18,210,724	22,912	18,233,636
2018	8,780,000	1,550,000	273,000	10,603,000	1,098,766	11,701,766	22,912	11,724,678
2019	6,520,000	1,453,000	258,000	8,231,000	774,757	9,005,757	22,912	9,028,669
2020	4,154,000	1,000,000		5,154,000	515,411	5,669,411	22,912	5,692,323
2021	2,575,000	1,000,000		3,575,000	354,668	3,929,668	22,912	3,952,580
2022	2,734,000	1,096,000		3,830,000	205,974	4,035,974	11,456	4,047,430
2023	1,350,000			1,350,000	100,584	1,450,584		1,450,584
2024	1,330,000			1,330,000	44,375	1,374,375		1,374,375
2025	385,000			385,000	8,181	393,181		393,181
	<u>\$172,992,000</u>	<u>\$20,368,000</u>	<u>\$12,701,000</u>	<u>\$206,061,000</u>	<u>\$36,029,716</u>	<u>\$242,090,716</u>	<u>\$1,152,828</u>	<u>\$243,243,544</u>

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## **Appendix B**

# **Financial Statements and Independent Auditors' Report**

COUNTY OF MORRIS  
APPENDIX B  
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FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 AND  
INDEPENDENT AUDITORS' REPORT

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Mount Arlington Corporate Center  
200 Valley Road Suite 300  
Mount Arlington, New Jersey 07856  
Phone: 973-328-1825  
Fax: 973-328-0507

Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860  
Phone: 973-383-6699  
Fax: 973-383-6555

### Independent Auditors' Report

The Honorable Director and Members  
Of the Board of Chosen Freeholders  
County of Morris  
Morristown, New Jersey

We have audited the financial statements of the various funds of the County of Morris (the "County") as of December 31, 2009, 2008 and 2007, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

Except as discussed in the fourth paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 that our audits provide a reasonable basis for our opinions.

As described in Note A, these financial statements have been prepared in conformity with accounting principles prescribed by the Division that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Our audits of the financial statements did not include the general fixed assets account group (stated at \$184,042,342, \$183,730,294 and \$175,024,833, respectively) for 2009, 2008 and 2007. This account group was not audited since there was not sufficient evidential matter to support the historical value of general fixed assets.

In our opinion, because the County prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County as of December 31, 2009, 2008 and 2007 and the results of its operations for the years then ended.

However, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the general fixed assets account group been audited, the financial statements referred to above, present fairly, in all material respects, the financial position of the various funds of the County of Morris at December 31, 2009, 2008, and 2007 and the results of operations and changes in fund balance, where applicable, of such funds thereof for the years then ended, in conformity with accounting principles prescribed by the Division, as described in Note A.

Mount Arlington, New Jersey  
June 10, 2010

NISIVOCIA & COMPANY LLP

COUNTY OF MORRIS  
COMPARATIVE BALANCE SHEET  
CURRENT FUND

	<u>2009</u>	<u>December 31, 2008</u>	<u>2007</u>
<u>ASSETS</u>			
General Fund:			
Cash and Cash Equivalents	\$ 74,814,245	\$ 67,231,655	\$ 70,721,578
Investments		6,500,000	3,000,000
Added and Omitted Taxes Receivable	500,793	608,360	741,036
Interfunds Receivable	97,561	484,251	1,700,000
Other Receivables	683,247	1,153,174	260,925
Revolving Fund - Prosecutor	35,000	35,000	35,000
Total General Fund	<u>76,130,846</u>	<u>76,012,440</u>	<u>76,458,539</u>
Grant Fund:			
Cash and Cash Equivalents	1,835,831	3,702,781	996,271
Federal and State Grants Receivable	25,061,652	13,076,398	13,653,094
Total Grant Fund	<u>26,897,483</u>	<u>16,779,179</u>	<u>14,649,365</u>
<u>TOTAL ASSETS</u>	<u>\$ 103,028,329</u>	<u>\$ 92,791,619</u>	<u>\$ 91,107,904</u>

LIABILITIES, RESERVES AND  
FUND BALANCE

General Fund:			
Appropriation Reserves (Unencumbered)	\$ 18,288,263	\$ 18,498,485	\$ 14,329,843
Encumbrances Payable and Other Liabilities	16,631,299	14,961,928	14,340,278
Reserve for Receivables	1,316,601	2,280,785	2,736,961
Reserve for Trunked Fees	136,508	58,908	22,708
Fund Balance	39,758,175	40,212,334	45,028,749
Total General Fund	<u>76,130,846</u>	<u>76,012,440</u>	<u>76,458,539</u>
Grant Fund:			
Interfunds Payable	97,561	484,251	1,700,000
Encumbrances Payable	7,950,745	3,891,943	4,354,958
Appropriated Reserves	18,831,900	12,402,085	7,867,568
Unappropriated Reserves	17,277	900	726,839
Total Grant Fund	<u>26,897,483</u>	<u>16,779,179</u>	<u>14,649,365</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 103,028,329</u>	<u>\$ 92,791,619</u>	<u>\$ 91,107,904</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



COUNTY OF MORRIS  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
CURRENT FUND

	For the Years Ended December 31,		
	2009	2008	2007
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 20,000,000	\$ 24,050,000	\$ 22,350,000
Miscellaneous Revenue Anticipated	104,838,471	91,412,915	89,827,726
Receipts from Current Taxes	201,365,440	193,480,382	186,075,742
Nonbudget Revenue	6,119,320	8,824,622	9,991,838
Other Credits to Income	10,685,940	10,899,809	12,757,502
Total Income	<u>343,009,171</u>	<u>328,667,728</u>	<u>321,002,808</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operations	267,085,814	253,437,115	243,547,879
Capital Improvements	900,000	1,200,000	1,400,000
Debt Service	36,505,889	37,792,080	37,842,642
Deferred Charges/Statutory Expenditures	18,844,058	16,519,688	12,511,250
Other Debits to Income	127,569	485,260	1,706,000
Total Expenditures	<u>323,463,330</u>	<u>309,434,143</u>	<u>297,007,771</u>
Statutory Excess to Fund Balance	19,545,841	19,233,585	23,995,037
Balance January 1	<u>40,212,334</u>	<u>45,028,749</u>	<u>43,383,712</u>
	59,758,175	64,262,334	67,378,749
Decreased by:			
Utilized as Anticipated Revenue	<u>20,000,000</u>	<u>24,050,000</u>	<u>22,350,000</u>
Balance December 31	<u>\$ 39,758,175</u>	<u>\$ 40,212,334</u>	<u>\$ 45,028,749</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

COUNTY OF MORRIS  
COMPARATIVE STATEMENT OF REVENUE  
CURRENT FUND

	For the Years Ended December 31,					
	2009		2008		2007	
	Budget After Modification	Realized	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated	\$ 20,000,000	\$ 20,000,000	\$ 24,050,000	\$ 24,050,000	\$ 22,350,000	\$ 22,350,000
Miscellaneous Revenue Anticipated:						
Local Revenue	16,959,693	15,847,277	19,632,000	18,238,327	20,059,000	21,785,581
State Aid	47,905,787	51,188,548	45,515,102	46,713,321	43,577,709	44,490,509
Public and Private Revenue Offset with Appropriations	29,281,849	29,595,126	19,909,289	21,087,718	16,849,151	17,681,629
Other Special Items	7,966,998	8,207,520	6,362,125	5,373,549	6,439,238	5,870,007
Subtotal Miscellaneous Revenue Anticipated	102,114,327	104,838,471	91,418,516	91,412,915	86,925,098	89,827,726
Amount to be Raised by Taxes for Support of County Budget:						
Local Tax for County Purposes	201,365,440	201,365,440	193,480,382	193,480,382	186,075,742	186,075,742
Total Budget Revenue	323,479,767	326,203,911	308,948,898	308,943,297	295,350,840	298,253,468
Nonbudget Revenue		6,119,320		8,824,622		9,991,838
Grand Total	<u>\$ 323,479,767</u>	<u>\$ 332,323,231</u>	<u>\$ 308,948,898</u>	<u>\$ 317,767,919</u>	<u>\$ 295,350,840</u>	<u>\$ 308,245,306</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

COUNTY OF MORRIS  
COMPARATIVE STATEMENT OF EXPENDITURES  
CURRENT FUND

For the Years Ended December 31,

	2009			2008			2007		
	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved
Operations:									
General Government	\$ 20,697,789	\$ 18,389,101	\$ 2,308,688	\$ 21,763,652	\$ 20,075,147	\$ 1,688,505	\$ 20,230,623	\$ 18,834,520	\$ 1,396,103
Code Enforcement	957,940	855,943	101,997	905,925	790,486	115,439	873,365	778,737	94,628
Insurance	32,871,000	28,729,517	4,141,483	30,360,000	27,497,111	2,862,889	28,471,910	26,878,808	1,593,102
Public Safety	48,068,872	44,028,946	4,039,926	47,261,465	42,906,510	4,354,955	45,355,357	42,235,669	3,119,688
Public Works	18,993,240	16,944,578	2,048,662	19,016,010	17,311,672	1,704,338	18,978,200	17,805,529	1,172,671
Health and Welfare	66,639,966	59,690,938	6,949,028	63,415,841	60,653,799	2,762,042	62,839,248	59,558,946	3,280,302
Parks and Recreation	13,675,000	13,675,000		14,142,664	14,142,664		13,925,087	13,925,087	
Educational	23,944,323	23,548,359	395,964	25,297,693	24,603,635	694,058	25,388,548	24,918,947	469,601
Unclassified	6,555,000	4,561,536	1,993,464	5,910,000	5,443,020	466,980	5,370,000	5,056,536	313,464
Public and Private Programs Offset by Revenue	34,662,684	32,696,651	1,966,033	25,343,865	24,649,618	694,247	22,144,599	21,962,434	133,108
Contingent	20,000		20,000	20,000		20,000	20,000		20,000
Subtotal Operations	267,085,814	243,120,569	23,965,245	253,437,115	238,073,662	15,363,453	243,596,937	231,955,213	11,592,667
Capital Improvements	900,000	900,000		1,200,000	1,200,000		1,400,000	1,400,000	
County Debt Service	36,649,895	36,505,889		37,792,095	37,792,080		37,842,653	37,842,642	
Deferred Charges and Statutory Expenditures	18,844,058	17,925,064	918,994	16,519,688	13,384,656	3,135,032	12,511,250	9,774,074	2,737,176
	<u>\$ 323,479,767</u>	<u>\$ 298,451,522</u>	<u>\$ 24,884,239</u>	<u>\$ 308,948,898</u>	<u>\$ 290,450,398</u>	<u>\$ 18,498,485</u>	<u>\$ 295,350,840</u>	<u>\$ 280,971,929</u>	<u>\$ 14,329,843</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

COUNTY OF MORRIS  
COMPARATIVE BALANCE SHEET  
TRUST FUNDS

	December 31,		
	2009	2008	2007
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 86,647,722	\$ 99,859,452	\$ 49,864,340
Investments	39,225,000	42,450,000	75,980,000
Grants Receivable	7,351,701	5,278,104	5,369,400
Due from General Capital Fund			1,500,000
Added and Omitted Taxes Receivable	89,299	138,941	185,510
<u>TOTAL ASSETS</u>	<u>\$ 133,313,722</u>	<u>\$ 147,726,497</u>	<u>\$ 132,899,250</u>
<u>LIABILITIES AND RESERVES</u>			
Cash Reserves for Various Purposes	\$ 124,783,680	\$ 139,074,411	\$ 122,898,654
Due to Local Government Units	1,088,114	3,344,320	4,601,123
Other Liabilities	7,441,928	5,307,766	5,399,473
<u>TOTAL LIABILITIES AND RESERVES</u>	<u>\$ 133,313,722</u>	<u>\$ 147,726,497</u>	<u>\$ 132,899,250</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

COUNTY OF MORRIS  
COMPARATIVE BALANCE SHEET  
CAPITAL FUND

	December 31,		
	2009	2008	2007
<u>ASSETS</u>			
General Capital:			
Cash and Cash Equivalents	\$ 28,677,807	\$ 13,640,146	\$ 6,632,161
Investments	1,500,000	1,000,000	11,000,000
Deferred Charges to Future Taxation	248,078,758	254,076,543	258,637,787
State Aid Receivable	7,170,290	12,501,602	11,620,660
Due to Morris County MUA			110,990
Total General Capital	<u>285,426,855</u>	<u>281,218,291</u>	<u>288,001,598</u>
Park Capital:			
Cash and Cash Equivalents	2,504,969	811,375	1,490,904
Investments		1,450,000	300,000
Deferred Charges to Future Taxation	17,793,602	18,767,103	19,684,889
Other Accounts Receivable		3,975,706	3,975,706
Total Park Capital	<u>20,298,571</u>	<u>25,004,184</u>	<u>25,451,499</u>
<u>TOTAL ASSETS</u>	<u>\$ 305,725,426</u>	<u>\$ 306,222,475</u>	<u>\$ 313,453,097</u>

LIABILITIES, RESERVES AND  
FUND BALANCE

General Capital:			
Bonds and Notes Payable	\$ 207,055,000	\$ 206,842,000	\$ 209,442,000
Improvement Authorizations	70,405,912	65,576,057	68,590,250
Contracts Payable and Other Liabilities	14,866	14,866	14,866
Cash Reserves for Various Purposes	2,939,107	3,219,065	3,449,330
Due to Trust Fund			1,500,000
Various Reserves	102,312	240,564	409,171
Fund Balance	4,909,658	5,325,739	4,595,981
Total General Capital	<u>285,426,855</u>	<u>281,218,291</u>	<u>288,001,598</u>
Park Capital:			
Bonds, Notes and Loans Payable	15,397,724	16,668,225	17,645,011
Improvement Authorizations	4,051,790	3,441,616	2,925,965
Reserve for Receivables		3,975,706	3,975,706
Fund Balance	849,057	918,637	904,817
Total Park Capital	<u>20,298,571</u>	<u>25,004,184</u>	<u>25,451,499</u>
<u>TOTAL LIABILITIES, RESERVES AND</u> <u>FUND BALANCE</u>	<u>\$ 305,725,426</u>	<u>\$ 306,222,475</u>	<u>\$ 313,453,097</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

COUNTY OF MORRIS  
COMPARATIVE STATEMENT OF GENERAL CAPITAL FUND BALANCE  
CAPITAL FUND

	For the Years Ended December 31,		
	2009	2008	2007
Balance January 1	\$ 5,325,739	\$ 4,595,981	\$ 3,830,961
Increased by:			
Premium on Sale of Bonds and Notes	497	99,000	905
Reimbursement of Funds:			
County/Municipality Share of Cost	97,918	74,822	
State Share of Cost		291,237	
Agreed-Upon Share of Cost - Other than County Entities	51,913	101,794	196,455
State Share of Cost - 911/Cops		172,190	
Cancellation of Improvement Authorizations	151,673	41	72,516
Repayment - MUA Water Loan		110,990	
Repayment - MUA Capital Loan	300,000	158,510	400,000
Repayment - MUA - Other	154,717	88,312	88,312
Morris County Insurance Fund:			
Flood Proceeds		663,284	500,000
Other Miscellaneous Items	19,219	661	1,912
	<u>775,937</u>	<u>1,760,841</u>	<u>1,260,100</u>
Decreased by:			
Appropriations to Finance:			
Improvement Authorizations	1,092,885	1,031,000	470,500
Anticipated as Revenue in Current Fund Budget	99,000		23,875
Other Miscellaneous Items	133	83	705
	<u>1,192,018</u>	<u>1,031,083</u>	<u>495,080</u>
Balance December 31	<u>\$ 4,909,658</u>	<u>\$ 5,325,739</u>	<u>\$ 4,595,981</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

COUNTY OF MORRIS  
COMPARATIVE STATEMENT OF PARK CAPITAL FUND BALANCE  
CAPITAL FUND

	For the Years Ended December 31,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance January 1	<u>\$ 918,637</u>	<u>\$ 904,817</u>	<u>\$ 904,817</u>
Increased by:			
Other Miscellaneous Items	<u>5,420</u>	<u>13,820</u>	
	<u>5,420</u>	<u>13,820</u>	
Decreased by:			
Appropriations to Finance:			
Current Year Improvement Authorizations	<u>75,000</u>		
	<u>75,000</u>		
Balance December 31	<u><u>\$ 849,057</u></u>	<u><u>\$ 918,637</u></u>	<u><u>\$ 904,817</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

COUNTY OF MORRIS  
COMPARATIVE BALANCE SHEET  
GENERAL FIXED ASSETS ACCOUNT GROUP  
 (UNAUDITED)

	December 31,		
	2009	2008	2007
<u>ASSETS</u>			
Buildings and Building Improvements	\$ 131,482,704	\$ 131,482,704	\$ 123,535,621
Building Contents	6,663,913	6,724,011	7,073,631
Machinery and Equipment	24,430,362	24,356,403	22,956,460
Transportation Equipment	21,465,363	21,167,176	21,459,121
<u>TOTAL ASSETS</u>	<u>\$ 184,042,342</u>	<u>\$ 183,730,294</u>	<u>\$ 175,024,833</u>
<u>RESERVES</u>			
Investment in General Fixed Assets	\$ 184,042,342	\$ 183,730,294	\$ 175,024,833
<u>TOTAL RESERVES</u>	<u>\$ 184,042,342</u>	<u>\$ 183,730,294</u>	<u>\$ 175,024,833</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. **Reporting Entity**

Except as noted below, the financial statements of the County of Morris include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the County of Morris, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the County of Morris do not include the operations of the County College, County Municipal Utilities Authority, Morris County Improvement Authority, Mosquito Commission, Housing Authority, Park Commission, the Morris County School of Technology, the Office of Temporary Assistance, the Office of the Morris County Clerk, Sheriff, Surrogate and Morris View, inasmuch as their activities are administered by separate boards or are maintained separately.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

Financial statements for each of the component units may be obtained from the entity's administrative offices.

County College of Morris  
Route 10 and Center Grove Road  
Randolph, NJ 07869

Morris County Municipal Utilities Authority  
300 Mendham Road  
Morris Township, NJ 07960

Morris County Mosquito Commission  
Highview Avenue  
Cedar Knolls, NJ 07927

Morris County Housing Authority  
Morris Mews, 99 Ketch Road  
Morris Township, NJ 07960

Morris County Park Commission  
Frelinghuysen Arboretum  
East Hanover Avenue  
Whippany, NJ 07981

Morris County School of Technology  
400 East Main Street  
Denville, NJ 07834

Morris County Department of Human Services  
Office of Temporary Assistance  
340 West Hanover Avenue  
Morris Township, NJ 07961-7603

Office of the Morris County Clerk  
Administration and Records Building  
PO Box 315  
Morristown, NJ 07963-0315

Office of the Morris County Sheriff  
Administration and Records Building  
PO Box 900  
Morristown, NJ 07963-0900

Office of the Morris County Surrogate  
Administration and Records Building  
PO Box 900  
Morristown, NJ 07963-0900

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

1. **Reporting Entity** (Cont'd)

Morris View Nursing Home  
Administration and Records Building  
PO Box 900  
Morristown, NJ 07963-0900

Morris County Improvement Authority  
Administration and Records Building  
PO Box 900  
Morristown, NJ 07963-0900

2. ***Description of Funds***

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund types to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

The accounting policies of the County of Morris conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). 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 accounts for its financial transactions through the following separate funds and account groups which differ from the fund structure required by accounting principles generally accepted in the United States of America.

*Current Fund* -- resources and expenditures for governmental operations of a general nature, including federal and state grants for operations.

*Trust Fund* -- receipts, custodianship and disbursement of monies in accordance with the purpose for which each reserve was created.

*Capital Fund* -- receipt and disbursement of funds for the acquisition of general and park capital facilities, other than those acquired in their respective current funds.

*General Fixed Assets Account Group (Unaudited)*- historical cost or estimated historical cost of general fixed assets acquired by the County.

3. ***Basis of Accounting***

The accounting principles and practices prescribed for counties by the Division differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units (GAAP). The more significant differences are as follows:

*Property Taxes and Other Revenues* -- property taxes and other revenues are recognized on a cash basis. Receivables for added and omitted property taxes, interfunds, grants, charges for services provided, and the County's share of collections from constitutional offices are susceptible to accrual and are recorded with offsetting reserves on the balance sheet of the County's Current Fund. Grant revenue is realized in the Capital Funds when improvements are authorized. GAAP requires such revenue to be recognized in the accounting period when it becomes susceptible to accrual, reduced by an allowance for doubtful accounts.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**3. Basis of Accounting (Cont'd)**

*Expenditures* -- unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures in the Current Fund 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 would be recognized when due. Expenditures, if any, in excess of appropriations, appropriation reserves, or ordinances, become deferred charges which must be raised by future taxes.

*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 are not established under GAAP.

*Compensated Absences* -- expenditures relating to obligations for unused vested accumulated vacation and sick 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 Current Fund and the remaining obligations be recorded as a long-term obligation.

*Encumbrances* -- contractual orders, at December 31, are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.

*Insurance Trust Funds* -- payments to insurance trust funds for the County's various self-insurance programs are charged to current budget appropriations in the year the appropriation is included in the County budget rather than when the liability is incurred as required by GAAP.

*Interfunds* -- advances from the Current Fund are reported as interfund receivables with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve. Interfund receivables in the other funds are not offset by reserves.

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

*Deferred Charges to Future Taxation* -- the Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means the debt has been authorized but not permanently financed. A county can eliminate an unfunded deferred charge by raising it in the budget, or collecting a grant. The unfunded deferred charge may also be funded by selling bonds, by loans or by capital leases.

*Management Estimates* -- The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**3. Basis of Accounting (Cont'd)**

*Cash and Cash Equivalents* -- Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

*Investments* -- Investments are stated at cost or amortized cost, which approximates market.

*Grants Receivable* -- Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

*Allowance for Uncollectible Accounts* -- No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

*Inventories of Supplies* -- The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

*General Fixed Assets Account Group (Unaudited)* - general fixed assets are recorded at cost or estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. The total value recorded for general fixed assets is offset by a "Reserve for General Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund and General Capital Fund. The values recorded in the General Fixed Asset Account Group and the Current Fund and the General Capital Fund may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructure. Capital assets are reviewed for impairment.

The cash basis of accounting is followed in the trust and capital funds.

Had the County's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; federal and state grants and assistance would be recognized when earned, not when awarded and inventories would not be reflected as expenditures at the time of purchase.

*Budget/Budgetary Control* -- Annual appropriated budgets are usually prepared in the first quarter for the Current operating and Open Space Trust Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the County during the year.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

4. **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 presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP.

**B. CASH AND INVESTMENTS**

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The County classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the County in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the County ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The County limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Deposits:

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 by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories 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; and
- 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.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**B. CASH AND INVESTMENTS (Cont'd)**

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2009, cash and investments of the County consisted of deposits in savings accounts, demand deposits and certificates of deposit. During 2009, the County's investments consisted of certificates of deposit. The carrying amount of the County's cash and investments was \$235,205,573 at December 31, 2009.

The total of the bank balances of the County's cash and investments on deposit at December 31, 2009 was \$239,407,334. Investments consisted of certificates of deposit of \$40,725,000.

As of December 31, 2008, cash and investments of the County consisted of deposits in savings accounts, demand deposits and certificates of deposit. During 2008, the County's investments consisted of certificates of deposit. The carrying amount of the County's cash and investments was \$236,645,409 at December 31, 2008.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**B. CASH AND INVESTMENTS (Cont'd)**

The total of the bank balances of the County's cash and investments on deposit at December 31, 2008 was \$239,875,793. Investments consisted of certificates of deposit of \$51,400,000.

As of December 31, 2007, cash and investments of the County consisted of deposits in savings accounts, demand deposits and certificates of deposit. During 2007, the County's investments consisted of certificates of deposit. The carrying amount of the County's cash and investments was \$219,985,254 at December 31, 2007.

The total of the bank balances of the County's cash and investments on deposit at December 31, 2007 was \$227,761,368. Investments consisted of certificates of deposit of \$90,280,000.

**C. FUND BALANCE APPROPRIATED**

\$20,000,000 of the \$39,758,171.64 fund balance of the Current Fund at December 31, 2009 has been appropriated as an item of revenue in the adopted 2010 County budget.

**D. MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY**

The Morris County Municipal Utilities Authority (the "MCMUA") was formed in 1958 to protect the County water supply and to prevent further diversion to areas outside the County. The County has from time to time issued debt on behalf of the MCMUA with an agreement to repay the County. On December 31, 2009 there were no funds due to the County from the MCMUA.

**E. COUNTY DEBT**

The Local Bond Law governs the issuance of bonds to finance general County capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the County are general obligation bonds. The County's full faith and credit and taxing power has been pledged to the payment of the general obligation debt principal and interest.

The Local Bond Law also provides for the issuance of bond anticipation notes by the County to temporarily finance capital projects.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

**E. COUNTY DEBT (Cont'd)**

County debt is summarized as follows:

	December 31,		
	2009	2008	2007
Issued:			
County Improvement Authority Debt			
Debt Guaranteed by the County	\$ 162,507,000	\$ 133,647,000	\$ 116,107,000
General (Including County College and Vocational School):			
Bonds and Notes	207,055,000	206,842,000	209,442,000
Park Commission:			
Bonds, Notes and Loans	15,397,725	16,668,225	17,645,011
Total Issued	<u>384,959,725</u>	<u>357,157,225</u>	<u>343,194,011</u>
Authorized but not Issued:			
General:			
Bonds and Notes	41,023,758	47,234,543	49,195,786
Park Commission:			
Bonds and Notes	2,395,878	2,098,878	2,039,878
Total Authorized but not Issued	<u>43,419,636</u>	<u>49,333,421</u>	<u>51,235,664</u>
Less:			
Capital Projects for County College (N.J.S.A. 18A:64A-22.1 to N.J.S.A. 18A:64A-22.8)	10,840,821	11,918,161	13,272,567
Bonds Authorized by Another Public Body to be Guaranteed by the County	<u>162,507,000</u>	<u>133,647,000</u>	<u>116,107,000</u>
	<u>\$ 255,031,540</u>	<u>\$ 260,925,485</u>	<u>\$ 265,050,108</u>

The County statutory net debt at December 31, 2009 was .250%. This percentage, which is calculated in accordance with the required method for the Annual Debt Statement purposes, is based on the following:

	Gross Debt	Deductions	Net Debt
General Debt	<u>\$ 428,379,361</u>	<u>\$ 173,347,821</u>	<u>\$ 255,031,540</u>

Based on the equalized valuation basis per N.J.S.A. 40A:202, of \$102,114,254,771, the County's remaining borrowing power under N.J.S.A. 40A:2-6 as of December 31, 2009, is as follows:

2% of Equalized Valuation of Real Property	\$ 2,042,285,095
Net Debt	<u>255,031,540</u>
Remaining Borrowing Power	<u>\$ 1,787,253,555</u>



**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**E. COUNTY DEBT (Cont'd)**

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer/County Treasurer.

Summary of County Debt Outstanding - Current Year

	Balance 12/31/08	Additions	Retirements	Balance 12/31/09
Serial Bonds:				
General Capital Fund	\$ 191,092,000	\$ 57,179,000	\$ 41,216,000	\$ 207,055,000
Park Capital Fund	15,145,000	3,654,000	4,638,000	14,161,000
Bond Anticipation Notes:				
General Capital Fund:	15,750,000		15,750,000	
Loans Payable:				
Park Capital Fund				
Green Trust Loans	1,523,225		286,501	1,236,724
Total	<u>\$ 223,510,225</u>	<u>\$ 60,833,000</u>	<u>\$ 61,890,501</u>	<u>\$ 222,452,724</u>

Summary of County Debt Outstanding - Prior Year

	Balance 12/31/07	Additions	Retirements	Balance 12/31/08
Serial Bonds:				
General Capital Fund	\$ 209,442,000	\$ 7,194,000	\$ 25,544,000	\$ 191,092,000
Park Capital Fund	15,781,000	2,198,000	2,834,000	15,145,000
Bond Anticipation Notes:				
General Capital Fund:		15,750,000		15,750,000
Loans Payable:				
Park Capital Fund:				
Green Trust Loans	1,864,011		340,786	1,523,225
Total	<u>\$ 227,087,011</u>	<u>\$ 25,142,000</u>	<u>\$ 28,718,786</u>	<u>\$ 223,510,225</u>

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**E. COUNTY DEBT (Cont'd)**

**GUARANTEED DEBT – MORRIS COUNTY IMPROVEMENT AUTHORITY**

The Morris County Improvement Authority (the “Authority”) is a public body politic, corporate, organized, and existing under the County Improvement Authorities Law, constituting Chapter 183 of the *Pamphlet* Laws of 160, as Amended and Supplemented, N.J.S.A. 40:37A-1, et seq., and was created by virtue of an ordinance of the County of Morris, New Jersey (the “County”), adopted April 10, 2002. The County fully, unconditionally and irrevocably guarantees the debt issued by the Morris County Improvement Authority. The following are debt issued or authorized by the Authority:

Guaranteed Loan Revenue Bonds for the pooled Early Retirement Incentive (“ERI”) unfunded liability project, of which the County’s share of the ERI liability was \$5,540,000. The County adopted a guaranty ordinance on December 11, 2002, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County.

On July 15, 2003, the Morris County Improvement Authority issued \$20,870,000 of County of Morris Guaranteed Pooled Program Bonds. The County adopted a guaranty ordinance on June 11, 2003, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County.

On March 18, 2004, the Morris County Improvement Authority issued \$43,092,000 of County of Morris Guaranteed School District Revenue Bonds. The County adopted a guaranty ordinance on February 11, 2004, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County.

On March 18, 2004, the Morris County Improvement Authority issued \$4,940,000 of County of Morris Guaranteed School District Revenue Bonds. The County adopted a guaranty ordinance on February 11, 2004, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County.

On August 4, 2004, the Morris County Improvement Authority established a Capital Lease Program, whereby the repayment of the lease is secured by a full unconditional irrevocable guarantee by the County up to a maximum of \$10,000,000. On June 12, 2006 this amount was increased to \$20,000,000 and it was increased an additional \$10,000,000 on June 27, 2007. Through December 31, 2008, \$22,656,056.77 of leases payable were issued under this program.

On May 26, 2005, the Morris County Improvement Authority issued \$19,085,000 of County of Morris Guaranteed Authority Pooled Program Bonds. The County adopted a guaranty ordinance on April 13, 2005, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County.

On February 25, 2009, the Morris County Improvement Authority issued \$20,930,000 of 2009 County of Morris Guaranteed Pooled Program Bonds. The County adopted a guaranty ordinance on December 10, 2008, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County.

On May 27, 2009, the Morris County Improvement Authority authorized approximately \$30,000,000 of 2009 County of Morris Guaranteed Renewable Energy Program Bonds. The County adopted a guaranty ordinance on June 8, 2009, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County. On February 18, 2010 the Morris County Improvement Authority issued \$21,600,000 of 2009 County of Morris Guaranteed Renewable Energy Program Bonds.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

**E. COUNTY DEBT (Cont'd)**

On September 16, 2009, the Morris County Improvement Authority issued \$4,285,000 of 2009 County of Morris Guaranteed Loan Program Bonds. The County adopted a guaranty ordinance on June 8, 2009, whereby the payment of principal and interest on the entire bond issuance is secured by a full unconditional irrevocable guarantee by the County.

As a result of these guarantees, the County is contingently liable should the local governmental units fail to meet their obligations to the Morris County Improvement Authority. In certain situations, in which the local government unit is a school district, the State of New Jersey may also be contingently liable for a portion of the debt. In these situations, the County's guaranty would be in a subordinate position behind the school district and the State of New Jersey. The balance of the guaranty ordinances at December 31, 2009 was \$162,507,000.

**ANALYSIS OF BONDED DEBT ISSUED AND OUTSTANDING AT DECEMBER 31, 2009**

**General Capital Fund**

**General Improvement Serial Bonds**

<u>Final Maturity</u>	<u>Rate</u>	
3/15/2010	3.750%	\$ 1,700,000
9/1/2010	4.000%	1,885,000
9/15/2010	4.750%	2,200,000
5/13/2013	5.125%	4,126,000
3/15/2015	3.000-5.000%	15,914,000
5/1/2015	2.400-3.125%	8,388,000
2/1/2016	3.000-3.750%	9,979,000
4/1/2016	3.250-4.250%	9,482,000
10/1/2016	4.270-5.030%	5,950,000
10/1/2016	3.625%	15,466,000
2/1/2018	4.400-5.750%	3,640,000
8/15/2019	4.000-4.250%	7,450,000
4/15/2020	2.500-3.750%	6,869,000
4/15/2022	1.500-4.000%	29,769,000
3/15/2024	4.000-5.000%	27,944,000
2/1/2025	3.600-5.000%	34,575,000
		<u>\$ 185,337,000</u>

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**E. COUNTY DEBT (Cont'd)**

**ANALYSIS OF BONDED DEBT ISSUED AND OUTSTANDING AT DECEMBER 31, 2009**

**County College Bonds (\*)**

<u>Final Maturity</u>	<u>Rate</u>	
4/1/2011	3.250-3.500%	\$ 1,300,000
5/1/2013	2.400-2.875%	1,050,000
3/15/2015	3.750-4.000%	2,419,000
8/15/2019	4.000-4.250%	5,453,000
4/15/2022	1.500-4.000%	11,496,000
		<u>\$ 21,718,000</u>
Total General Capital Fund Bonds Outstanding		<u><u>\$ 207,055,000</u></u>

\* - Includes County College Bonds (Ch. 12)

**Park Capital Fund**

**Park Serial Bonds**

<u>Final Maturity</u>	<u>Rate</u>	
2/1/2010	3.000%	\$ 300,000
3/15/2010	3.750%	200,000
4/1/2010	3.250%	70,000
9/1/2010	4.000%	205,000
9/15/2010	4.750%	400,000
10/1/2011	3.625%	657,000
5/13/2013	5.125%	1,185,000
2/1/2014	5.000%	1,830,000
3/15/2015	4.667-5.000%	1,516,000
3/15/2015	3.000-5.000%	1,796,000
5/1/2015	2.400-3.125%	320,000
8/15/2017	4.000-4.125%	1,751,000
4/15/2018	2.500-3.500%	2,073,000
4/15/2019	1.500-3.125%	1,858,000
		<u><u>\$ 14,161,000</u></u>

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

**E. COUNTY DEBT (Cont'd)**

Principal and interest payable during the next five years and each five year interval thereafter on bonds outstanding are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010	\$ 27,498,000	\$ 8,564,650	\$ 36,062,650
2011	26,801,000	7,103,659	33,904,659
2012	26,548,000	6,035,931	32,583,931
2013	25,752,000	4,933,357	30,685,357
2014	23,700,000	3,868,825	27,568,825
2015-2019	75,293,000	8,620,736	83,913,736
2020-2024	15,239,000	1,221,012	16,460,012
2025	385,000	8,181	393,181
	<u>\$ 221,216,000</u>	<u>\$ 40,356,351</u>	<u>\$ 261,572,351</u>

**BOND ANTICIPATION NOTES**

Under the Local Bond Law, the County may issue bond anticipation notes to temporarily finance capital projects. The notes are full faith and credit obligations of the County. Bond anticipation notes must be paid-off within ten years and five months or retired by the issuance of bonds. There were no Bond Anticipation Notes outstanding as of December 31, 2009.

**F. GREEN ACRES TRUST PROGRAM**

On January 16, 1985, the County became the first local unit in the State to be approved for the Green Acres Trust Program. The program was developed by the New Jersey Department of Environmental Protection to provide low interest loans to local governments for the acquisition, preservation and improvement of land for recreation.

Through December 31, 2009, the County has borrowed funds under three separate projects. The loan balance for each of the three projects as of the end of the year is as follows:

Pyramid Mountain Park	\$ 800,083
Patriots Path/Schooley's Mountain	252,297
Turkey Mountain/Pyramid Mountain	<u>184,345</u>
	<u>\$ 1,236,725</u>

Payments of principal and interest on the loans are required to be made once the funds earmarked for a specific project have been completely drawn down. Payments are to commence nine months after the final drawdown date and are to continue on a semi-annual basis over a period of 10 to 20 years. Interest, on the loans, is at the rate of 2% annually on the outstanding balance. The County has appropriated \$315,545 in its adopted 2010 budget to fund principal and interest payments for the above projects.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

**G. PENSION PLANS**

County employees are enrolled in one of three cost sharing multiple-employer public employee retirement systems: the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS) of New Jersey or the Defined Contribution Retirement Program (DCRP). The State of New Jersey sponsors and administers these plans which cover substantially all County employees. As a general rule, all full-time employees are eligible to join one of the public employees' retirement systems.

Enrolled PERS members vest after 8 to 10 years of service, while enrolled PFRS members vest with a minimum of 10 years of service. Vesting is immediate upon enrollment for members of the DCRP.

The County's contributions to the plans amounted to \$ 11,914,058, \$10,163,344, and \$6,064,591 for 2009, 2008 and 2007, respectively. The amount reported for the County's contributions includes the employer's share of pension for certain component units of the County as the New Jersey Division of Pension and Benefits does not provide the annual pension cost (APC) for component units. For PFRS and PERS, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are based on percentages of 5.5% for PERS and DCRP and 8.5% for PFRS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all three Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds and trust. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 are as follows:

20% for payments due in State fiscal year 2005  
 Not more than 40% for payments due in State fiscal year 2006  
 Not more than 60% for payments due in State fiscal year 2007  
 Not more than 80% for payments due in State fiscal year 2008

Three-Year Trend for PERS			
Year Funding December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 6,230,027	100.00%	\$ 6,230,027
2008	5,964,923	80.00%	4,771,938
2007	4,457,552	60.00%	2,674,531

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**G. PENSION PLANS (Cont'd)**

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PFRS for local employers for State fiscal years 2004-2007. The local employer PFRS normal and accrued liability contributions required for State fiscal years 2004-2007 are as follows:

20% for payments due in State fiscal year 2004  
 Not more than 40% for payments due in State fiscal year 2005  
 Not more than 60% for payments due in State fiscal year 2006  
 Not more than 80% for payments due in State fiscal year 2007

Year Funding December 31,	Three-Year Trend for PFRS		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 5,684,031	100.00%	\$ 5,684,031
2008	5,397,688	100.00%	5,397,688
2007	4,237,574	80.00%	3,390,059

Chapter 42, P.L. 2002 permitted local government units to issue refunding bonds to retire unfunded accrued liability resulting from early retirement benefits under PERS and PFRS effective July 12, 2002. The County issued \$5,540,000 and \$9,950,000 of refunding pension bonds in 2003 and 2004, respectively.

**H. ACCRUED SICK AND VACATION BENEFITS**

The County permits employees to accumulate sick days, which may be taken as required or paid upon retirement. All vacation leave should be used in the year earned, but an employee may accumulate one year's vacation entitlement. Written approval by the Department/Division Director is needed to allow an employee more than one year's vacation leave to be used in a 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 a pro-rata amount of the current year's unused vacation time earned by the employee for the calendar year.

**Sick Time** - All accumulated sick time will be paid based on a percentage and maximum payment specified in the applicable union contract. Employees not represented by a union, will be paid 50% of accumulated sick time, not to exceed \$12,000.

**Compensatory Time** - Any time owed to the employee, shall be paid in wages or with time off. In some instances, compensatory time is permitted to be carried over to a subsequent year with approval of the respective Department/Division Director.

The County of Morris has computed the amount of the contingent liability for the unused or accrued vacation and sick time as of December 31, 2009. The County estimates that such liability would be approximately \$10,572,250.

Benefits paid in any future year will be charged to that year's budget. The 2009 County Budget did not include an appropriation for accrued benefits; however, accrued benefits paid in 2009 approximated \$600,000.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

**I. ENCUMBRANCES AND ACCOUNTS PAYABLE**

Encumbrances existed in the following funds as of December 31:

	December 31,		
	2009	2008	2007
Trust Fund - Reserved for Dedicated Funds	\$ 19,153,567	\$ 33,522,355	\$ 40,637,478
General Capital Fund - Improvement Authorizations	15,957,656	16,496,824	16,247,602
Park Capital Fund - Improvement Authorizations	593,958	72,114	466,783

Accounts payable in the Current Fund of \$4,087,401 represents salary and wage payments and related employers' social security due after December 31, 2009 which were for services performed prior to year end.

**J. RISK MANAGEMENT**

The County of Morris manages its risks through a combination of insurance pool membership and self-insurance.

The County of Morris is a member of the Morris County Insurance Fund. The Fund provides its members with Liability, Property, and Automobile Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self administered group of governmental entities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum.

As a member of the Fund, the County could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the Insurance Commissioners. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The December 31, 2009 audit was not filed as of the date of this report. Summarized, selected financial information for the years ended December 31, 2008, 2007 and 2006 for the Fund is as follows:

	2008	2007	2006
Total Assets	\$ 6,816,997	\$ 8,570,664	\$8,413,238
Net Assets/(Deficit)	\$ (773,443)	\$ (798,399)	\$2,644,215
Total Operating Revenue	\$ 2,791,500	\$ 2,726,955	\$2,600,850
Total Operating Expenses	\$ 3,068,191	\$ 6,456,465	\$3,693,064
Non Operating Revenue	\$ 301,647	\$ 286,896	\$ 336,121
Increase/(Decrease) in Net Assets	\$ 24,956	\$ (3,442,614)	\$ (756,093)
Net Assets Distribution to Participating Members	\$ -0-	\$ -0-	\$ -0-



**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**J. RISK MANAGEMENT (Cont'd)**

Financial statements for the Fund are available at the offices of the Morris County Treasurer:

County of Morris  
Administration & Records Building  
4th Floor, CN 900  
Morristown, NJ 07963

Health Benefits Insurance

The County currently maintains medical and prescription health care insurance with Horizon Blue Cross Blue Shield of New Jersey. The County advances funds to Horizon to pay medical and prescription claims for County employees. In 2006, insurance premiums amounting to approximately \$14,666,692 along with the interest income were available to cover approximately \$14,679,622 of incurred claims and administration costs. The balance at December 31, 2006, of \$282,283, is on deposit as temporary investments with Horizon as a premium stabilization reserve account. In addition, the County had \$428,154 as advance deposits for cash flow purposes with Horizon at December 31, 2006. The County has \$3,129,982 in encumbrances payable on its Current Fund balance sheet at December 31, 2006, which together with advance deposits, approximates the liability for incurred but not reported claims. For the year ended December 31, 2006, there was a total of \$578,592 written-off to the specific stop loss pool for two individuals who exceeded the \$150,000 attachment point.

Worker's Compensation Insurance

The County is currently self-insured for workers' compensation risks. The County's worker's compensation claim activity is reported in the Trust Funds of the County. The County has not recorded specific case reserves nor has it recorded a reserve for incurred but not reported claims ("IBNR"). The County's actuary has estimated loss reserves at a 90% confidence level, discounted at 4.5. The County also has purchased excess workers' compensation coverage with a self insured retention of \$500,000. Because the cash basis of accounting is generally followed for Trust Funds, the County has not recorded these estimated liabilities. The following is a summary of the Worker's Compensation Insurance for the current and previous two years:

	2009	2008	2007
Paid Claims	\$ 1,254,849	\$ 1,490,424	\$ 1,421,098
Loss Reserves	5,748,438	4,772,133	4,672,693
Self Insured Retention	500,000	500,000	500,000

New Jersey Unemployment Compensation Insurance

The County has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the County is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The County is billed quarterly for amounts due to the State.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**J. RISK MANAGEMENT (Cont'd)**

The following is a summary of County and employee contributions, interest earned and reimbursements to the State for benefits paid and the ending balance of the County's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>County Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2007	\$ -0-	\$ 267,751	\$ 55,921	\$ 627,907	\$ 1,284,259
2008	-0-	270,574	61,565	491,049	1,125,349
2009	-0-	392,373	11,636	766,742	762,616

**K. POST RETIREMENT BENEFITS**

The County provides post-retirement benefits, as follows, to County employees who meet the following criteria:

1. The County of Morris hereby agrees to pay the entire cost of health care premiums for all employees and their eligible dependents who retire in good standing, on a disability pension from a New Jersey administered retirement system;
2. The County of Morris hereby agrees to pay the entire cost of health care premiums for all employees and their eligible dependents who retire in good standing, with 25 years or more of service credit in a New Jersey state or locally administered retirement system, and with at least 15 years of service with the County of Morris at the time of retirement.
3. The County of Morris hereby agrees to pay the entire cost of health care premiums for all employees and their eligible dependents who retire in good standing at age sixty-two (62 or older) with least fifteen (15) years of service with the County of Morris.

A surviving spouse is eligible for coverage if the retiree meets the eligibility criteria requirements detailed above for all employees hired prior to January 1, 2007. Employees hired after January 1, 2007 will received health benefits for themselves only at retirement if the retiree meets the eligibility requirements detailed above.

For retirees over 65, the plan coverage under the County is secondary to Medicare. The County reimburses 100% of its eligible retirees' Medicare Part B premiums.

Funding Policy

The County is not required to nor does it contribute the annual required contribution (ARC) per N.J.S.A. 40A:4-1 et. seq. There is currently no provision under State statute for the County to accrue funds, create a trust or issue debt to finance their other post employment benefit ("OPEB") liability.

As per their agreement with Horizon Blue Cross Blue Shield of NJ, the County of Morris advances funds to this health care provider to pay medical and prescription claims and administrative costs for County employees.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

**K. POST RETIREMENT BENEFITS (Cont'd)**

Currently, there are no contribution requirements of plan members.

The County's portion of post-retirement benefits is funded on a pay-as-you-go basis from the Current Fund operating budget. During 2008 and 2007, the County had approximately 828 and 776 employees who met eligibility requirements and recognized expenses of approximately \$8,783,952 and \$7,301,853, respectively.

Annual OPEB Cost per Actuarial Valuation

For 2009, the County's annual OPEB cost (expense) was \$42,651,600, while the ARC was \$42,445,300. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the preceding two years are as follows:

Year	Actuarial Estimated OPEB Payments	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligations
2007	\$ 7,862,600	\$ 43,179,500	18.21%	\$ 35,316,900
2008	8,877,700	45,769,100	19.40%	36,891,400
2009	9,383,300	42,651,600	22.00%	33,268,300

Funding Status and Funding Progress

The funded status of the plan as of January 1, 2009, 2008 and 2007 was as follows:

	2009	2008	2007
Actuarial Accrued Liability (AAL)	\$ 548,115,200	\$ 568,813,100	\$ 531,957,400
Actuarial Value of Plan Assets	-0-	-0-	-0-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 548,115,200</u>	<u>\$ 568,813,100</u>	<u>\$ 531,957,400</u>
Funded Ratio (Actuarial Value of Plan Assets (AAL))	0.00%	0.00%	0.00%
Covered Payroll (Active Plan Members as of January 1, 2007)	\$ 87,380,800	\$ 88,178,700	\$ 88,178,700
UAAL as a Percentage of Covered Payroll as of January 1, 2007	627.27%	645.07%	603.27%

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

**K. POST RETIREMENT BENEFITS (Cont'd)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include economic assumptions; benefit assumptions and demographic assumptions. Economic assumptions include the discount rate and health care cost trend rates. Benefit assumptions encompass the initial per capita costs rates for medical coverage. Finally, demographic assumptions include probabilities concerning retirement, mortality, termination without being eligible for benefits; disability; participation rates and coverage levels. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the 2007, 2008 and 2009 actuarial valuation, the projected unit credit cost method was used. Under this method, the present value of benefits is allocated uniformly over an employee's expected working lifetime. The actuarial assumptions included a 3.5% investment rate of return. An initial annual medical cost trend of 11% was utilized as the initial rate which decreases to a 5.0% long-term rate for medical benefits after 12 years. For prescription drug benefits, an initial trend rate of 12% was utilized which decreases to a 5.0% long-term rate after fourteen years. For Medicare Part B reimbursements, the initial trend rate for three years is 6.5% which decreases to 5% for a long-term rate.

**L. VALUATION OF REAL PROPERTY, NET VALUATION TAXABLE, COUNTY TAX RATE BASE AND COUNTY TAX CALENDAR**

Year	State Equalized Valuation of Real Property (1)	Assessed Valuation of Real Property	County Tax Base		
			Net Valuation Taxable of Real and Personal Property	Equalized Valuation of Real and Personal Property	Tax Rate per \$1,000
2005	\$ 87,878,245,688	\$ 62,027,632,792	\$ 62,177,814,928	\$ 79,054,301,765	2.18
2006	97,102,388,574	70,984,491,271	71,122,467,295	88,856,872,329	2.01
2007	101,516,706,133	71,944,871,498	72,078,275,433	98,075,628,273	1.91
2008	103,049,558,897	76,700,603,539	76,843,562,901	102,596,960,196	1.90
2009	101,776,449,284	78,951,350,733	79,098,518,942	103,669,450,016	1.95

(1) - October 1, State Division of Taxation Equalized Valuation as Utilized for Debt Statements, including Assessed Valuation of Class II Railroad Property.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

**L. VALUATION OF REAL PROPERTY, NET VALUATION TAXABLE, COUNTY TAX RATE BASE AND COUNTY TAX CALENDAR (Cont'd)**

County Tax Calendar

County taxes are billed approximately two months prior to the respective due dates to the municipalities in the County. The first three quarterly billings are based on an estimate of the current year's levy based on the prior year's taxes. These three quarterly billings are due February 15<sup>th</sup>, May 15<sup>th</sup> and August 15<sup>th</sup>. The fourth quarter's billing reflects an adjustment to the current year's actual levy and is due November 15<sup>th</sup>.

**M. RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2009, 2008 and 2007, the County of Morris provided financial support for current operations to the following component units:

	December 31,		
	2009	2008	2007
Morris County School of Technology	\$ 6,248,095	\$ 6,248,095	\$ 6,229,443
County College of Morris	12,175,898	12,554,802	12,809,787
Morris County Park Commission	13,675,000	14,142,664	13,925,087
	<u>\$ 32,098,993</u>	<u>\$ 32,945,561</u>	<u>\$ 32,964,317</u>

**N. CONTINGENT LIABILITIES**

The County is involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The County is vigorously contesting these lawsuits and believes the ultimate resolution will not have a material adverse effect on their financial position.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the County as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time. The County is currently working on resolving a \$3,960,643 questioned cost for a COPS grant from prior years. The County expects to resolve this matter for an amount significantly less than the questioned cost.

**O. INTERFUND RECEIVABLES AND PAYABLES**

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 97,561	
Grant Fund		\$ 97,561
	<u>\$ 97,561</u>	<u>\$ 97,561</u>

The interfund receivable in the Current Fund and the interfund payable in the Grant Fund is due to a normal timing difference between the disbursement and receipt of grant funds as a number of the grants received by the County are on a reimbursement basis. The most significant interfund activity during the year relates to interest earned in the General Capital Fund and paid to the Current Fund.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

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**P. OPEN SPACE TRUST FUND**

On December 22, 1992, the Morris County Open Space and Farmland Preservation Trust Fund was created. Collection of funds for the Trust Fund commenced on July 1, 1993 with a tax equal to one-half cent per \$100 of total county equalized real property valuation. The County Freeholders review the tax rate annually and may set the tax anywhere from \$.00 to \$.05. The levies for 2009 and 2008 were set at 3.0 and 4.0 cents, respectively.

The Trust Fund is allocated into the following six areas:

20% to the Morris County Park Commission

5% to the Morris County Municipal Utility Authority

25% to the Morris County Agriculture Development Board for farmland preservation projects.

25% to municipal and/or qualified charitable conservancy for open space preservation projects.

20% to discretionary projects within any of the above categories. To date, these funds have been earmarked for open space grants to municipalities and non-profit organizations.

5% to ancillary county costs associated with the preservation of open space, farmland and historic resources, to purchase lands for wetland creation, restoration, or enhancement and to preserve historic resources.

In 2009, the Morris County Preservation Trust approved projects to seventeen municipalities and/or non-profit organizations totaling \$14,140,298. Additionally, the Morris County Historic Preservation Trust Fund approved projects to thirty non-profit organizations totaling \$2,086,924.

The Morris County Agriculture Development Board has approved projects preserving 6,916 acres of farmland since the inception of the Morris County Farmland Preservation Program in 1987.

As of December 31, 2009, the balance in the Reserve for Open Space Trust Fund was approximately \$101.47 million of which approximately \$18.95 million has been encumbered for approved open space trust fund projects.

In 2008, the Morris County Preservation Trust approved projects to twenty-one municipalities and/or non-profit organizations totaling \$23,093,836. Additionally, the Morris County Historic Preservation Trust Fund approved projects to twenty-five non-profit organizations totaling \$2,098,232.

The Morris County Agriculture Development Board has approved projects preserving 6,906 acres of farmland since the inception of the Morris County Farmland Preservation Program in 1987.

As of December 31, 2008, the balance in the Reserve for Open Space Trust Fund is approximately \$114.77 million of which approximately \$33.35 million had been encumbered for approved open space trust fund projects.

**COUNTY OF MORRIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 (Continued)**

**Q. ECONOMIC DEPENDENCY**

The County receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the County's programs and activities.

**R. DEFERRED COMPENSATION**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is administered by Great-West, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

**S. FIXED ASSETS - UNAUDITED**

	Balance December 31, 2006	Additions	Adjustments/ Deletions	Balance December 31, 2007
Building and Building Improvements	\$ 123,535,621			\$ 123,535,621
Building Contents	6,975,609	\$ 580,866	\$ 482,844	7,073,631
Machinery and Equipment	21,650,631	3,504,274	2,198,445	22,956,460
Transportation Equipment	20,874,326	1,291,659	706,864	21,459,121
	<u>\$ 173,036,187</u>	<u>\$ 5,376,799</u>	<u>\$ 3,388,153</u>	<u>\$ 175,024,833</u>

	Balance December 31, 2007	Additions	Adjustments/ Deletions	Balance December 31, 2008
Building and Building Improvements	\$ 123,535,621	\$ 8,747,083	\$ 800,000	\$ 131,482,704
Building Contents	7,073,631	49,447	399,067	6,724,011
Machinery and Equipment	22,956,460	1,786,595	386,652	24,356,403
Transportation Equipment	21,459,121	1,478,232	1,770,177	21,167,176
	<u>\$ 175,024,833</u>	<u>\$ 12,061,357</u>	<u>\$ 3,355,896</u>	<u>\$ 183,730,294</u>

	Balance December 31, 2008	Additions	Adjustments/ Deletions	Balance December 31, 2009
Building and Building Improvements	\$ 131,482,704			\$ 131,482,704
Building Contents	6,724,011	12,719	72,817	6,663,913
Machinery and Equipment	24,356,403	697,810	623,851	24,430,362
Transportation Equipment	21,167,176	1,785,650	1,487,463	21,465,363
	<u>\$ 183,730,294</u>	<u>\$ 2,496,179</u>	<u>\$ 2,184,131</u>	<u>\$ 184,042,342</u>

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**Appendix C**

**Form of Legal Opinion of Drinker Biddle & Reath LLP**

**\$17,274,000 General Obligation Bonds**

[Date of Closing]

The Board of Chosen Freeholders of  
the County of Morris, New Jersey

Dear Board Members:

We have examined certified copies of a record of proceedings of the Board of Chosen Freeholders (the "Board") of Morris County, New Jersey (the "County") and such other proofs, documents and instruments submitted to us which we deemed pertinent relative to the issuance and sale by the County of its \$\_\_\_\_\_ aggregate principal amount of General Obligation Bonds of 2010 (the "Bonds").

Each of the Bonds is dated the date hereof, bears interest at the interest rates set forth on the inside cover of the Official Statement relating to the Bonds and matures on February 15 of each year and in the principal amounts set forth below:

<b>Year</b>	<b>Principal Amount</b>	<b>Year</b>	<b>Principal Amount</b>
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The Bonds are subject to redemption prior to their stated date of maturity as set forth in the Official Statement.

The Bonds are issuable only in fully registered form without interest coupons and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, an automated depository for securities and clearinghouse for securities transactions. Purchases of the Bonds will be made in book-entry-only form (without certificates) in the denomination of \$5,000 or integral multiples thereof, except as to those Bonds of which a certain portion, as appropriate, if not divisible by \$5,000, shall be in the denomination of \$1,000 or any integral multiples thereof.

The Bonds are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the Revised Statutes of New Jersey (the "Local Bond Law"), a combining resolution of the Board adopted on June 23, 2010, 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 \_\_\_\_\_, 2010. The Bonds are of various denominations and are numbered consecutively upwards.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Local Bond Law and other applicable statutes, and that the Bonds are valid and legally binding obligations of the County, all the

taxable property within which is subject to the levy of *ad valorem* taxes for the ultimate payment of the principal of and interest on said Bonds without limitation as to rate or amount.

We are further of the opinion that based upon existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations and interest on the Bonds is not included in "adjusted current earnings" in the calculation of alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code on certain corporations.

We are further of the opinion that 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.

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 Bonds in order for interest on the Bonds to be excluded from gross income for federal income tax purposes under Section 103 of the Code. The County has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or permit any action to be taken which would cause the interest on the Bonds to lose the exclusion from gross income for federal income tax purposes under Section 103 of the Code or cause interest on the Bonds to be either an item of tax preference under Section 57 of the Code or included in "adjusted current earnings" for purposes of the alternative minimum tax imposed under 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 Bonds from gross income for federal income tax purposes and with respect to interest on the Bonds not constituting an item of tax preference or an item to be included in "adjusted current earnings."

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 Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined an executed Bond. In our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

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**Appendix D**

**Form of Continuing Disclosure Certificate**

**\$17,274,000 General Obligation Bonds**

## DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is made as of \_\_\_\_\_, 2010 by the County of Morris, New Jersey, a political subdivision duly organized under the laws of the State of New Jersey (the "Issuer").

### WITNESSETH:

WHEREAS, the Issuer is issuing its General Obligation Bonds, dated the date hereof, in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds") on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to bond ordinances adopted by the Issuer and a resolution adopted by the Issuer on June 23, 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 July \_\_, 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 material event notices to various information repositories on a continual basis pursuant to Rule 15c2-12; and

WHEREAS, on \_\_\_\_\_, 2010, the Issuer accepted the bid of \_\_\_\_\_, as the underwriter for the Bonds (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	SEC
Certificate	Participating Underwriter
Issuer	Notice of Sale
Rule 15c2-12	Securities 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.

“Bondholders” or “Holder” or any similar term means the registered holders and beneficial owners of the Bonds.

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

“Continuing Disclosure Information” means (i) the Annual Report; (ii) any Disclosure Event Notice; and (iii) any notice of an event required to be filed with the Repositories pursuant to Section 2.1(e) hereof.

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

“Disclosure Event Notice” means the notice to each National Repository or the MSRB, and to the State Repository, if any in the form required by Subsection 2.4(a) hereof.

“Disclosure Representative” means the County Treasurer 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 with the Issuer a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access System (“EMMA”), an internet-based filing system created and maintained by the MSRB in accordance with the SEC Release, pursuant to which issuers of tax-exempt bonds, including the Bonds, and other filers on behalf of such issuers shall upload Continuing Disclosure Information to assist underwriters in

complying with Rule 15c2-12 and to provide the general public with access to such Continuing Disclosure Information.

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

“Financial Statements” means the audited financial statements of the Issuer for each Fiscal Year and are of the type included in Appendix B to the Final Official Statement.

“Fiscal Year” means the fiscal year of the Issuer as determined by the Issuer from time to time. 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.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States of America, consistently applied, as modified by governmental accounting standards and mandated State statutory principles applicable to the Issuer as may be in effect from time to time.

“GAAS” means generally accepted auditing standards as in effect from time to time in the United States of America, consistently applied, as modified by governmental accounting standards and mandated State statutory principles applicable to the Issuer as may be in effect from time to time.

“MSRB” means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date of this Certificate is:

1818 N Street, NW, Suite 800  
Washington, DC 20036-2491

“National Repository” means the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the SEC as a repository for purposes of Rule 15c2-12.

“Operating Data” means the financial and statistical information of the Issuer of the type included in the Final Official Statement under the headings “COUNTY BOND ORDINANCES AND INDEBTEDNESS”, and in Appendices A and B attached to the Final Official Statement, a copy of which is attached hereto as Exhibit A.

“Repository” or “Repositories” means each National Repository and each State Repository.

“SEC Release” shall mean Release No. 34-59062, of the SEC, dated December 5, 2008.

“State” means the State of New Jersey.



“State Repository” means any public or private repository or entity designated by the State as a state information repository for purposes of Rule 15c2-12. As of the date of this Certificate, there is no State Repository.

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 define 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 180 days after the conclusion of each Fiscal Year, commencing with the Fiscal Year of the Issuer ending December 31, 2010, an Annual Report to each Repository;

(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 not submitted as part of the Annual Report, then when and if available, to each Repository, audited financial statements for the Issuer; provided, however, that unaudited Financial Statements for the Issuer shall be submitted as part of the Annual Report to each Repository if audited Financial Statements are not then available;

(d) In a timely manner, to each National Repository or to the MSRB, and to the appropriate State Repository, if any, notice of any of the following events with respect to the Bonds (each, a “Disclosure Event”), if material:

(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 each National Repository or the MSRB, and to the State Repository, if any, notice of a failure by the Issuer to provide the Annual Report within the period described in subsections 2.1(a) hereof.

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

(a) Financial Statements shall be prepared according to the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and Government Auditing standards issued by the Comptroller General of the United States.

(b) Financial Statements prepared annually shall be audited by Nisivoccia & Co. or another independent certified public accountant 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 each of the Repositories 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.

#### Section 2.4 Responsibilities and Duties of the Issuer or 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 each National Repository or the MSRB, and with the State Repository, if any (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:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) 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 and listing all the Repositories to which it was provided.

#### Section 2.5 Responsibilities, Duties, Immunities and Liabilities of the Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying 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

### REMEDIES

#### Section 3.1 Remedies.

(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 any 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 for 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 the 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 3.1(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 Underwriter 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 any 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 to update such information or include it in any future Annual Report or any future Disclosure Event Notice.

Section 4.3 Submission of Information to MSRB. Any Continuing Disclosure Information filed with the MSRB in accordance with this Certificate shall be in electronic format

as shall be prescribed by the MSRB or such other format as Rule 15c2-12 may require or permit, and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by Rule 15c2-12.

Section 4.4 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, Administration and Records Building, Court Street, Morristown, New Jersey 07963-0900, Attention: County Treasurer.

Section 4.5 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 4.6 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, counsel nationally recognized as expert in federal securities law and acceptable to the Issuer determines that such amendment or modification 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 each of the Repositories 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 and the Rule.

Section 4.7 Amendments Required by Rule 15c2-12. The Issuer recognizes that the provisions of this Certificate are intended to enable the Participating Underwriter 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 and acceptable to the Issuer to the effect that such amendments 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 4.8 Governing Law. This Certificate shall be governed exclusively by and construed in accordance with the applicable laws of the State of New Jersey and the United States of America.

Section 4.9 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 and in either event only after the Issuer delivers, or causes the Dissemination Agent to deliver, to each of the Repositories 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 4.10 Binding Effect. This Certificate shall inure to the benefit of and shall be binding upon the Issuer and its successors and assigns.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, THE COUNTY OF MORRIS, NEW JERSEY has caused this Certificate to be executed in its name and its corporate seal to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

[SEAL]

ATTEST:

THE COUNTY OF MORRIS,  
NEW JERSEY

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Diane M. Ketchum  
Clerk of the Board of Chosen  
Freeholders

By: \_\_\_\_\_  
Glenn Roe  
Chief Financial Officer

EXHIBIT A

FINAL OFFICIAL STATEMENT EXCERPT