

New Issue - Book-Entry-Only**Ratings: Standard & Poor's:**
(see "Credit Rating" herein)

In the opinion of Gibbons P.C., Bond Counsel to the Authority, assuming continuing compliance by the Authority with certain tax covenants described herein, under existing law, interest on the Series 2010 Bonds is excluded from the gross income of the owners of the Series 2010 Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except for interest on any Series 2010 Bonds for any period during which it is held by a "substantial user" of the facilities financed with the proceeds of such Series 2010 Bonds or a "related person" of such "substantial user," as such quoted terms are defined under Section 147(a) of the Code, and interest on the Series 2010 Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Under existing law, interest on the Series 2010 Bonds and net gains from the sale of the Series 2010 Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act. In the case of corporate holders of the Series 2010 Bonds, pursuant to the American Recovery and Reinvestment Act of 2009, interest on the Series 2010 Bonds is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. See "TAX MATTERS" herein.

\$5,540,000

The Somerset County Improvement Authority
(Somerset County, New Jersey)

County Guaranteed Governmental Loan Revenue Bonds, Series 2010
(Somerville Project) (Tax-Exempt Recovery Zone Facility Bonds)

Dated: Date of Delivery**Due: June 15, as shown below**

The County Guaranteed Governmental Loan Revenue Bonds, Series 2010 (Somerville Project) (Tax-Exempt Recovery Zone Facility Bonds) (the "Series 2010 Bonds") will be issued by The Somerset County Improvement Authority (the "Authority") as fully registered bonds and, when issued, will be registered in the name of Cede & Co. ("Cede"), as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and clearing house transactions, which will act as securities depository for the Series 2010 Bonds. Individual purchases will be made in book-entry form (without certificates) in the principal amount of \$5,000 or any integral multiple thereof.

The principal of the Series 2010 Bonds is payable on June 15 in the years shown below, and interest on the Series 2010 Bonds is payable semiannually on June 15 and December 15 in each year, commencing June 15, 2011, to the registered owners thereof at their respective addresses as they appear on the registration books of TD Bank, National Association, Cherry Hill, New Jersey, trustee, bond registrar and paying agent, until the Authority's obligations with respect to payment of the principal of the Series 2010 Bonds shall be discharged. Provided DTC or its nominee Cede is the registered owner of the Series 2010 Bonds, payments of the principal, redemption premium, if any, and interest on the Series 2010 Bonds will be made directly to DTC or its nominee, which is obligated to remit such principal, redemption premium and interest to DTC Participants, as defined herein. DTC Participants and Indirect Participants, as defined herein, will be responsible for remitting such payments to the beneficial owners of the Series 2010 Bonds. See, "DESCRIPTION OF THE SERIES 2010 BONDS - The DTC Book-Entry-Only System", herein.

The Series 2010 Bonds are subject to redemption prior to maturity as set forth herein.

The Series 2010 Bonds are being issued pursuant to the 2010 County Guaranteed Governmental Loan Revenue Bond Resolution (Somerville Project) of the Authority adopted on November 23, 2010 (the "Resolution"), and in accordance with the County Improvement Authorities Law, constituting Chapter 183 of The Pamphlet Laws of 1960 of the State of New Jersey, as amended and supplemented (the "Act"). The Series 2010 Bonds are being issued to provide funds to make a loan to a certain municipality (the "Borrower") in the County of Somerset, New Jersey (the "County") to (i) provide a capital grant to Saker Shoprites, Inc. to finance a portion of the cost of the construction of a supermarket located in the West Main Street Redevelopment Area of the Borrower, (ii) pay capitalized interest on the Series 2010 Bonds, and (iii) pay certain of the costs of issuance of the Series 2010 Bonds, and the Borrower Bonds, as hereinafter defined.

The Series 2010 Bonds will be payable from and are secured by payments made on a general obligation bond of the Borrower (the "Borrower Bond"). The Borrower Bond will be sold to the Authority pursuant to a Bond Purchase Agreement entered into between the Authority and the Borrower. The Borrower Bond shall be a direct and general obligation of the Borrower. In the opinion of bond counsel to the Borrower, the Borrower Bond is a valid and legally binding obligation of the Borrower and, unless paid from other sources, is payable from ad valorem taxes levied upon all the taxable property within the jurisdiction of the Borrower, without limitation as to rate or amount. (See "SECURITY FOR THE SERIES 2010 BONDS" herein).

As additional security for the Series 2010 Bonds, payment of the principal of and interest on the Series 2010 Bonds is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on November 9, 2010 by the County (the "County Guaranty"). The County Guaranty shall remain in effect until the Series 2010 Bonds have been paid in full.

THE AUTHORITY HAS NO POWER TO LEVY OR COLLECT TAXES. THE SERIES 2010 BONDS ARE NEITHER A DEBT NOR LIABILITY OF THE STATE OF NEW JERSEY, THE COUNTY (EXCEPT TO THE EXTENT OF THE COUNTY GUARANTY), THE BORROWER OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF NEW JERSEY OTHER THAN THE AUTHORITY.

MATURITY SCHEDULE, INTEREST RATES AND YIELDS/PRICES

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2012	\$240,000			2022	\$405,000		
2013	255,000			2023	420,000		
2014	270,000			2024	440,000		
2015	285,000			2025	375,000		
2016	335,000			2026	130,000		
2017	345,000			2027	135,000		
2018	355,000			2028	145,000		
2019	365,000			2029	150,000		
2020	380,000			2030	120,000		
2021	390,000						

This cover page includes certain information for reference only and is not a summary of matters set forth herein. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2010 Bonds are offered for delivery when, as and if issued by the Authority, subject to the approval of legality by Gibbons P.C., Newark, New Jersey, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by its General Counsel, Thomas C. Miller, Somerville, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as financial advisor to the Borough of Somerville in connection with the Series 2010 Bonds. It is expected that the Series 2010 Bonds will be available for delivery to DTC on or about December 30, 2010 in New York, New York or such other place as agreed to by the Authority.

Dated: December __, 2010

This is a Preliminary Official Statement "deemed final" within the meaning of and with the exception of certain information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission, and is otherwise subject to change in accordance with applicable law. The Authority will deliver a final Official Statement in compliance with Rule 15c2-12. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

THE SOMERSET COUNTY IMPROVEMENT AUTHORITY

COMMISSIONERS AND PROFESSIONALS

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Michael J. Amorosa

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Somerville, New Jersey

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Suplee, Clooney and Company

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FREEHOLDERS

Jack M. Ciattarelli, Director
Robert Zaborowski, Deputy Director
Peter S. Palmer
Patrick Scaglione
Patricia L. Walsh

COUNTY ADMINISTRATOR

Richard E. Williams

CHIEF FINANCIAL OFFICER

COUNTY TREASURER

Brian Newman

DEPUTY CLERK OF THE BOARD

Kathryn Quick

COUNTY COUNSEL

Thomas C. Miller, Esq.

COUNTY AUDITOR

Suplee, Clooney and Company
Westfield, New Jersey

No broker, dealer, salesman or other person has been authorized by the Authority or by the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Series 2010 Bonds made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2010 Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information which is set forth herein has been provided by the Authority and by other sources which are believed to be reliable by the Authority, but such information provided by such other sources is not guaranteed as to accuracy or completeness by the Authority, and is not intended to be and is not to be construed as a representation by the Authority. Certain financial, economic and demographic information concerning the County is contained in Appendices A and B to this Official Statement. Such information has been furnished by the County. Certain financial, economic and demographic information concerning the Borrower is contained in Appendices C and D to this Official Statement. Such information has been furnished by the Borrower. The Authority has not confirmed the accuracy or completeness of information relating to the County and the Borrower, and the Authority disclaims any responsibility for the accuracy or completeness thereof.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the County or the Borrower since the date hereof or any earlier date as of which any information contained herein is given. This Official Statement is submitted in connection with the sale of the Series 2010 Bonds referred to herein and may not be used, in whole or in part, for any other purpose.

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OFFICIAL STATEMENT
of
THE SOMERSET COUNTY IMPROVEMENT AUTHORITY
Relating to its
\$5,540,000
County Guaranteed Governmental Loan Revenue Bonds, Series 2010
(Somerville Project) (Tax-Exempt Recovery Zone Facility Bonds)

INTRODUCTION

This Official Statement, which includes the cover page and the Appendices attached hereto, is furnished by The Somerset County Improvement Authority (the "Authority"), a public body corporate and politic of the State of New Jersey, to provide certain information relating to the Borough of Somerville (the "Borrower") located within the County of Somerset, New Jersey ("Somerset County"), as described under "THE LOANS" herein, and the \$5,540,000 principal amount of the County Guaranteed Governmental Loan Revenue Bonds, Series 2010 (Somerville Project) (Tax-Exempt Recovery Zone Facility Bonds) (the "Series 2010 Bonds") to be issued by the Authority. The Series 2010 Bonds are to be issued pursuant to the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1960 of the State of New Jersey, as amended and supplemented (the "Act"), and the 2010 County Guaranteed Governmental Loan Revenue Bond Resolution (Somerville Project) adopted by the Authority on November 16, 2010 (the "Resolution").

The Series 2010 Bonds constitute special and limited obligations of the Authority and are secured only by those revenues of the Authority which are derived by the Authority from the loan repayments (the "Loan Repayments") made by the Borrower pursuant to the Borrower Bond (as hereinafter defined) purchased by the Authority pursuant to the Borrower Purchase Agreement as herein described. The Loan Repayments made pursuant to the Borrower Bond are pledged by the Authority for the payment of the principal of, redemption premium, if any, and interest on the Series 2010 Bonds. In the opinion of bond counsel to the Borrower, the Borrower Bond is a valid and legally binding general obligation of the Borrower, and, unless paid from other sources, is payable from ad valorem taxes levied upon all taxable property within the jurisdiction of such Borrower, without limitation as to rate or amount. See, "SECURITY FOR THE SERIES 2010 BONDS - Obligation of the Borrower," herein.

As additional security for the Series 2010 Bonds, payment of the principal of and interest on the Series 2010 Bonds is fully, unconditionally and irrevocably guaranteed by the County pursuant to a guaranty ordinance adopted on November 9, 2010 by the County (the "County Guaranty"). The County Guaranty shall remain in effect until the Series 2010 Bonds have been paid in full.

In accordance with the Local Authorities Fiscal Control Law, constituting Chapter 313 of the Pamphlet Laws of 1983 of the State of New Jersey, the Local Finance Board, Division of Local Government Services of the Department of Community Affairs of the State of New Jersey (the "Local Finance Board"), has reviewed the issuance of the Series 2010 Bonds, and the financing of the improvements as described herein, and, by resolution dated November 10, 2010, made favorable findings and recommendations with regard thereto. TD Bank, National Association, Cherry Hill, New Jersey (the "Trustee", "Paying Agent", and "Registrar") has been appointed to serve as trustee, paying agent and registrar for the Series 2010 Bonds.

Copies of the Resolution, Borrower Purchase Agreement, County Guaranty and County Guaranty Agreement (as defined herein), are on file in the offices of the Authority in Somerville, New Jersey and at the principal corporate trust office of the Trustee in Cherry Hill, New Jersey, and reference is made to such documents for the provisions relating to, among other things, the terms of and the security for the Series 2010 Bonds, the custody and application of the proceeds of the Series 2010 Bonds, the rights and remedies of the holders of the Series 2010 Bonds, and the rights, duties and obligations of the Authority, the Borrower and the Trustee.

This Official Statement contains brief descriptions of the Series 2010 Bonds, the Resolution, the Borrower Purchase Agreement, the County Guaranty, the County Guaranty Agreement and the Authority. A brief description and financial statements of the County are attached to this Official Statement as Appendices A and B, respectively. A brief description of the Borrower and financial statements of the Borrower are attached to this Official Statement as Appendices C and D, respectively. The description of the County and the financial statements of the County have been furnished by the County and the description of the Borrower and the financial statements of the Borrower have been furnished by the Borrower, and the Authority has not confirmed the accuracy or completeness of information relating to the County or the Borrower, and the Authority disclaims any responsibility for the accuracy or completeness thereof. Capitalized words and terms which are used herein which are not ordinarily capitalized and which are not otherwise defined herein shall have the meanings which are assigned to such words and terms in the Resolution. The summaries of and references to all documents, statutes, reports and other instruments which are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to such document, statute, report or instrument.

THE LOAN

The Series 2010 Bonds are being issued to provide funds to make a loan to the Borrower (the "Borrower Loan"). The Borrower will apply the proceeds of the Borrower Loan to (i) provide a capital grant to Saker Shoprites, Inc. to finance a portion of the cost of the construction of a supermarket located in the West Main Street Redevelopment Area of the Borrower, (ii) pay capitalized interest on the Series 2010 Bonds, and (iii) pay certain of the costs of issuance of the Series 2010 Bonds, and the Borrower Bonds, as hereinafter described. The Borrower Loan will be made pursuant to a bond purchase agreement entered into by and between the Authority and the Borrower (the "Borrower Purchase Agreement").

Pursuant to the Borrower Purchase Agreement, and in accordance with applicable law, the Borrower will issue and sell its general obligation bond (the "Borrower Bond"), to the

Authority in the principal amounts shown below. The Borrower Bond will be purchased by the Authority and the Loan Repayments will be pledged by the Authority to secure the Series 2010 Bonds. See, "SUMMARY OF THE BORROWER BOND AND BORROWER PURCHASE AGREEMENT" herein.

<u>Borrower</u>	<u>Borrower Bond Amount</u>
Borough of Somerville	\$5,540,000

THE PROJECT

The project consists of the reconstruction of a building situated on property located in the West Main Street Redevelopment Area in the Borough of Somerville, New Jersey, for a "World Class ShopRite" supermarket by Saker ShopRites, Inc., comprised of a total of 70,089 square feet of ground floor space. The total estimated cost of the project is approximately \$21,000,000. The Borrower will provide a capital grant to Saker ShopRites, Inc. in the amount of \$5,000,000 to finance a portion of the construction of the project and Saker ShopRites, Inc. will finance the balance of the project cost. The construction and future operation of the supermarket is projected to create more than 116 construction jobs and 155 permanent jobs.

ESTIMATED SOURCES AND USES OF SERIES 2010 BOND PROCEEDS

Sources of Funds

Principal Amount of Series 2010 Bonds

Net Original Issue Premium

Total Sources of Funds

Uses of Funds

Deposit to Loan Fund ⁽¹⁾

Capitalized Interest

Costs of Issuance ⁽²⁾

Total Uses of Funds

⁽¹⁾ Represents the purchase price of the Borrower Bond less certain costs incurred by the Authority in connection with the issuance and delivery of the Series 2010 Bonds which have been netted against the purchase price.

⁽²⁾ Such costs include the underwriting fee, legal, printing, financial advisory and fiduciary expenses incurred in connection with the issuance of the Series 2010 Bonds.

DESCRIPTION OF THE SERIES 2010 BONDS

General

The Series 2010 Bonds are to be issued in the aggregate principal amount of \$5,540,000. The Series 2010 Bonds shall be dated and bear interest from the date of delivery, payable

semiannually on June 15 and December 15 of each year, commencing June 15, 2011, at the rates per annum and mature as set forth on the front cover page of this Official Statement.

The Series 2010 Bonds will be issued as fully registered book-entry bonds, and registered in the name of Cede & Co. ("Cede"), as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2010 Bonds under its book-entry-only system (the "DTC Book-Entry-Only System"). An individual purchaser may purchase a Series 2010 Bond in book-entry form (without certificates) in denominations of \$5,000, or any integral multiple thereof. Provided DTC, or its nominee Cede, is the registered owner of the Series 2010 Bonds, the principal, redemption premium, if any, of, and interest on, the Series 2010 Bonds will be paid to DTC or Cede, as its nominee. See, "The DTC Book-Entry-Only System," herein. In the event the Series 2010 Bonds are no longer subject to the DTC Book-Entry-Only System, the principal and redemption premiums, if any, on the Series 2010 Bonds will be payable upon surrender of the respective Series 2010 Bonds at a designated corporate trust office of the Paying Agent. Interest on the Series 2010 Bonds will then be paid by check or bank draft mailed by the Paying Agent to the registered owner thereof as of the June 1 and December 1 preceding any interest payment date at their addresses on file with the Registrar.

The DTC Book-Entry Only System

DTC will act as securities depository for the Series 2010 Bonds. The Series 2010 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 Series 2010 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 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 Series 2010 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 the Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 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 Series 2010 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 Series 2010 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.

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 Series 2010 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, tenders, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 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 the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2010 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 Authority or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or 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.

DTC may discontinue providing its services as securities depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the Authority or Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2010 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2010 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Redemption of Series 2010 Bonds

Optional Redemption. The Series 2010 Bonds maturing on or before June 15, 2020 shall not be subject to redemption prior to their respective maturity dates. The Series 2010 Bonds maturing on or after June 15, 2021 shall be subject to redemption prior to their respective maturity dates, on or after June 15, 2020 at the option of the Authority, upon notice as herein described, either in whole or in part by lot within a single maturity from maturities selected by the Authority, on any date, at a redemption price equal to 100% of the principal amount thereof (the "Redemption Price") and accrued interest thereon to the date of redemption.

Notice of Redemption

When the Series 2010 Bonds have been selected for redemption pursuant to any provision of the Resolution, the Trustee shall give written notice of the redemption of such Series 2010 Bonds in the name of the Authority, which notice shall set forth: (i) the date fixed for redemption, (ii) the Redemption Price to be paid, (iii) that such Series 2010 Bonds will be

redeemed at a designated office of the Paying Agent, (iv) if less than all of such Series 2010 Bonds shall be called for redemption, the distinctive numbers and letters, if any, of such Series 2010 Bonds to be redeemed, and (v) in the case of Series 2010 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Such notice shall further state that on the redemption date there shall become due and payable the Redemption Price of all Series 2010 Bonds to be redeemed, together with interest accrued thereon to the redemption date, and that, from and after such date, interest thereon shall cease to accrue. If any Series 2010 Bond is to be redeemed in part only, the notice of redemption that relates to such Series 2010 Bond shall state also that on or after the redemption date, upon surrender of such Series 2010 Bond, the Holder thereof shall be entitled to a new Series 2010 Bond or Series 2010 Bonds, bearing interest at the same rate and in aggregate principal amount equal to the unredeemed portion of such Series 2010 Bond.

The notice required to be given by the Trustee shall be sent by registered mail to the registered Holders of the Series 2010 Bonds to be redeemed, at their addresses as they appear on the Bond registration books of the Authority, not less than thirty (30) nor more than forty-five (45) days prior to the redemption date. However, so long as DTC (or any successor thereto) acts as Securities Depository for the Series 2010 Bonds, notices of redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Series 2010 Bonds. The failure to give notice of the redemption of any Series 2010 Bond or portion thereof to the beneficial owners of such Series 2010 Bonds shall not affect the validity of the proceedings for the redemption of any Series 2010 Bonds for which notice of redemption has been given in accordance with the provisions of the Resolution.

Additional Bonds

The Authority may not issue additional bonds under the Resolution.

SECURITY FOR THE SERIES 2010 BONDS

General

The Series 2010 Bonds constitute direct and special obligations of the Authority. The Series 2010 Bonds are solely secured by the pledge of the Pledged Property, as that term is defined in the Resolution, which includes the Borrower Bond, Revenues and the Funds other than the Rebate Fund, including Investment Securities held in any such Fund, which are established, created and held by the Trustee under the Resolution, together with all proceeds and revenues of any of the foregoing and all of the Authority's right, title and interest in and to the foregoing, and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price, if any, of, and interest on the Series 2010 Bonds in accordance with the terms and provisions of the Resolution. See, "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION," herein.

THE AUTHORITY HAS NO POWER TO LEVY OR COLLECT TAXES. THE SERIES 2010 BONDS ARE NEITHER A DEBT NOR A LIABILITY OF THE STATE OF NEW JERSEY, THE COUNTY (EXCEPT TO THE EXTENT OF THE COUNTY

GUARANTY), THE BORROWER, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF NEW JERSEY OR THE COUNTY, EXCEPT THE AUTHORITY.

The provisions of the Series 2010 Bonds and the Resolution are deemed to be and do constitute contracts by and among the Authority, the Trustee and the registered owners, from time to time, of the Series 2010 Bonds and the security interest which is granted and the pledge which is made in the Resolution and the covenants and agreements which are set forth in the Resolution to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the registered owners of any and all Series 2010 Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Series 2010 Bonds over any other thereof, except as expressly provided in or pursuant to the terms of the Resolution.

Borrower Purchase Agreement

The Authority has entered into a Borrower Purchase Agreement to secure the Borrower Loan. Pursuant to the Borrower Purchase Agreement, the Authority will purchase the Borrower Bond in the principal amount equal to the Borrower Loan. The Borrower will be required to make the Loan Repayments to the Authority pursuant to its Borrower Bond. The aggregate of the Loan Repayments made by the Borrower will be sufficient to enable the Authority to pay the principal or Redemption Price, if any, of, and interest on the Series 2010 Bonds. See, "SUMMARY OF CERTAIN PROVISIONS OF THE BORROWER BOND AND BORROWER PURCHASE AGREEMENT", herein.

Obligation of the Borrower

The obligation of the Borrower to repay its Borrower Loan is a direct and general obligation of the Borrower payable from its general revenues. In the opinion of bond counsel to the Borrower, the Borrower Bond is a valid and legally binding general obligation of the Borrower and, unless paid from other sources, is payable from ad valorem taxes levied upon all the taxable property within the jurisdiction of such Borrower, without limitation as to rate or amount.

For general information on the Borrower, see Appendices C and D to this Official Statement.

The County Guaranty

At the time of issuance and delivery of the Series 2010 Bonds, the County, pursuant to an ordinance adopted by the County on November 9, 2010 in accordance with the Act, will guaranty the payment when due of the principal of and interest on the Series 2010 Bonds. The County's obligations under the County Guaranty to make the punctual payment of the principal of and interest on the Series 2010 Bonds as the same shall become due and payable shall be unconditional and irrevocable, and shall remain effective until all Series 2010 Bonds shall have been paid in full in accordance with their terms notwithstanding the occurrence of any other event. Under the Act, the County shall be obligated to pay the principal of and interest on each Series 2010 Bond in the same manner and to the same extent as if the County had issued general

obligation bonds under the Local Bond Law. The County's obligation to make payments under the County Guaranty is a direct and general obligation of the County, payable, unless paid from some other source, from the levy of *ad valorem* taxes upon all the taxable property within the jurisdiction of the County, without limitation as to rate or amount.

The County Guaranty Agreement

In order to establish the terms and conditions pursuant to which the County will make payments which are required to be made under the terms of the County Guaranty, the Authority and the County will enter into the County Guaranty Agreement on or before the initial delivery date of the Series 2010 Bonds.

Among other things, the County Guaranty Agreement provides that if on the fifteenth day of the preceding month in which the Authority is obligated to pay the principal of or interest on the Series 2010 Bonds, there are insufficient funds in the Debt Service Fund to provide for the payment of the principal of or interest on any Series 2010 Bond when due under the Resolution, the Authority shall immediately notify the County of such deficiency and the County shall be obligated to pay such deficiency to the Trustee one business day prior to the applicable interest payment date or maturity date.

When notice has been provided, as described above, the County shall immediately take all necessary actions to pay such principal of and interest on the Series 2010 Bonds. Such actions shall include the adoption of an emergency appropriation or an emergency temporary appropriation and the funding of such appropriation in accordance with the requirements of the Local Budget Law, the levy of *ad valorem* taxes upon all the taxable property within the County, without limitation as to rate or amount, or any other actions that are legally permitted to be taken to meet the requirements of the County Guaranty.

THE AUTHORITY

The Authority is a public body corporate and politic organized and existing under the Act and created pursuant to a resolution of the Board of Chosen Freeholders of the County adopted October 21, 2001. The Authority has, among other powers, the authority to extend credit or make loans to any governmental unit for the planning, design, acquisition, construction, equipping and furnishing of public facilities, the payments with respect to which will be sufficient to pay the principal of and interest on the bonds issued for that purpose by the Authority.

From time to time the Authority has financed projects from the proceeds of bonds issued on behalf of various entities. The bonds issued to finance such projects are special obligations of the Authority, payable solely out of revenues derived from such entities. Because such other bonds are special obligations of the Authority payable solely out of revenues derived from such entities, defaults in the payments by such other entities do not have any effect on the Series 2010 Bonds.

The names and date of expiration of the terms of the members of the Authority are as follows:

<u>MEMBER</u>	<u>EXPIRATION OF CURRENT TERM</u>
Richard E. Williams	February 1, 2011
Michael J. Amorosa	February 1, 2015
John Kitchen	February 1, 2014
Brett A. Radi	February 1, 2012

There is one vacancy on the Authority's Board.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT OF NEW JERSEY MUNICIPALITIES AND COUNTIES

MUNICIPALITIES AND COUNTIES

The following is a summary of certain provisions of New Jersey law relating to the protection of general obligation debt of New Jersey municipalities and counties. In the opinion of bond counsel to each of the Borrower, each respective Borrower Bond (which is pledged to the Holders of the Series 2010 Bonds) constitutes a general obligation of the applicable Borrower.

This summary does not purport to be a full and complete statement of all of the provisions referred to herein, and the cited statutes should be read in full for a complete understanding of all of said provisions.

Local Bond Law

The 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 improvements and appropriations. The Local Bond Law requires 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 Borrower are general ("full faith and credit") obligations.

Debt Limits

Debt Limits. The net authorized debt of all local units which are municipalities in the State of New Jersey is generally limited by statute to an amount equal to 3.5% of its equalized valuation basis. The equalized valuation basis of the local unit is set by statute as the average for the last three years of the sum of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as annually determined by the State Department of the Treasury, Division of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Exceptions To Debt Limits - Extensions Of Credit. The debt limit of a local unit may be exceeded with the approval of the Local Finance Board, and as permitted by other statutory

exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Local Unit 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 a Local Unit to meet its obligations or to provide essential services, and the Local Finance Board makes other statutory determinations, approval is granted.

School Debt. In the State of New Jersey, in a Type II school district without a Board of School Estimate, school debt authorized by the board of education must be approved by the registered voters of that school district. When the amount authorized exceeds the school district's limit, the district may use the municipality's share of available borrowing capacity upon approval of the proposed debt by the State Commissioner of Education and the Local Finance Board, and subsequently by the registered voters of the district. School debt of a Type I school district is authorized by a Board of School Estimate and the governing body of a local unit.

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 (the "Division"). 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 Local 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.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review focusing on anticipated revenues serves to protect the solvency of all local units. The budgets of local units must be in balance; i.e., total anticipated revenues must equal total appropriations.

If in any year a Local Unit's expenditures exceed (or are less than) its realized revenues for that year, then such deficit (excess) must be raised (accounted for) in the succeeding year's budget.

Real Estate Taxes. The same general principal that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The Local Budget Law (N.J.S.A. 40A:4-29) provides that the maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the Local Unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year.

The Local Budget Law (N.J.S.A. 40A:4-41) also provides with regard to current taxes that receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of such preceding fiscal year.

This provision requires that an additional amount (the "Reserve For Uncollected Taxes") be added to the tax levy required to balance the budget so that when the percentage collected of

the prior year's tax levy is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget. The Reserve For Uncollected Taxes is calculated to be the levy required to balance a local unit's budget multiplied by the prior year's percentage of uncollected taxes (or a lesser percentage).

Miscellaneous Revenues. The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenue 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 amount with an offsetting appropriation.

CAP Limitations. Chapter 68 of the Pamphlet Laws of 1976 (N.J.S.A. 40A:4-45.1 et seq.), as amended and supplemented by P.L. 1983, c. 49, P.L. 1990, c.89, and by P.L. 2004, c.74 (the "CAP Law"), imposes restrictions which limit the allowable increase in municipal appropriations over the previous year's appropriations to the lesser of 102.5% or the increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services as published by the United States Department of Commerce (the "Cost-of-Living Adjustment"). If the Cost-of-Living Adjustment is less than or equal to 2.5% an increase equal to 3.5% will be permitted by adoption of an ordinance. If the Cost-of Living Adjustment is greater than 2.5%, an increase in any amount above 2.5% will be permitted upon passage of a referendum. This limitation is subject to the following exceptions among others: (i) all debt service payments (the obligation of each Borrower to repay its Borrower Loan comes within this exception); (ii) the amount of revenue generated by the increase in valuations within the municipality based solely on applying the preceding year's municipal tax rate to the apportionment valuation of new construction or improvements within the municipality and such increase shall be levied in direct proportion to said valuation; (iii) capital expenditures funded by any source; (iv) an increase involving certain defined categories of emergency appropriations as approved by the Director in certain cases; (v) amounts required to be paid pursuant to any contract between the municipality and any political subdivision or public body in connection with the provision and/or financing of projects for certain public purposes such as water, sewer, parking, senior citizens' housing or any similar purpose; or (vi) that portion of the municipal tax levy which represents funding to participate in any Federal or State aid program and amounts received or to be received from Federal, State or other funds in reimbursement for local expenditures.

Additionally, the Legislature of the State of New Jersey has previously enacted P.L. 2007, c. 62 (the "Property Tax Act") effective April 3, 2007, which imposed 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 Property Tax Act has now been amended by the provisions of P.L. 2010, c. 44 effective June 13, 2010 (the "Amendment") and applicable to the next budget year following enactment. The Amendment reduces the tax levy cap to 2% from 4%, limits exclusions only to capital expenditures, including debt service, certain increases in

pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare cost increases in excess of 2% and extraordinary costs directly related to a declared emergency. Waivers from the Division of Local Government Services or the Local Finance Board are no longer available under the Amendment.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met.

Deferral of Current Expenses. A local unit may make emergency appropriations after the adoption of a budget and the determination of the tax rate, but only to meet unforeseen pressing needs to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance. With limited exceptions set forth below, such appropriations must be included in full in the following year's budget. If such emergency appropriations exceed 3% of the adopted operating budget, consent of the Director is required (N.J.S.A. 40A:4-46, -47, -49). 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 (N.J.S.A. 40A:4-55, -55.3).

Under the CAP Law, emergency resolutions aggregating less than 3% of the previous year's final current operating appropriations may be raised in that portion of the budget outside its limitations if approved by at least two-thirds of the members of the governing body and the Director. Emergency resolutions that aggregate more than 3% of the previous year's final current operating appropriations must be raised within its limitations. Emergency resolutions for debt service, capital improvements, the County's share of Federal or State grants and other statutorily permitted items are outside its limitation.

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. Subaccounts (line items) within an appropriation are not subject to the same year-end transfer restriction; however, they are subject to internal review and approval.

Capital Budget. In accordance with the Local Budget Law, each local unit must adopt and annually revise a capital program budget. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the Local Unit may contemplate over a period of up to six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body of a local unit setting forth the items and the method of financing or from the annual operating budget if the items were detailed.

Operation of Utilities. Municipal public utilities are supported, in addition to the general taxing power upon real property, by the revenues generated by the respective operations of the utilities.

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be

balanced and to fully provide for debt service. The regulations regarding anticipation of revenue and deferral of charges apply equally to the budgets of the utilities.

Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the current or operating budget.

Local Fiscal Affairs Law (N.J.S.A. 40A:5-1, et seq.). This law regulates the nonbudgetary financial activities of local governments. The chief financial officer of a local unit must file annually with the Director a verified statement of the financial condition of the local unit. The statements of the Borrower are on file with each respective Clerk.

An independent examination of a local unit's financial statements must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division's "Requirements of Audit," includes recommendations for improvement of a local unit's financial procedures and must be filed with the Clerk within six months after the close of its fiscal year and, within five days thereafter, a certified duplicate copy must be filed in the office of the Director (N.J.S.A. 40A:5-6). The filing date of an audit may be extended by the Director upon a showing of good cause. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion (N.J.S.A. 40A:5-7).

SUMMARY OF CERTAIN PROVISIONS OF THE BORROWER BOND AND BORROWER PURCHASE AGREEMENT

The following is a summary of certain provisions of the Borrower Bond and the Borrower Purchase Agreement. This summary does not purport to be comprehensive or definitive and is qualified by reference to all of the terms and the provisions of the Borrower Bond and the Borrower Purchase Agreement to which reference is hereby made. Capitalized words and phrases that are not defined herein or conventionally capitalized have the meanings given such words or phrases in the Borrower Bond and the Borrower Purchase Agreement.

Obligation of the Borrower

In the opinion of bond counsel to the Borrower (i) the proceedings taken by each Borrower to authorize and issue its Borrower Bond under the Local Bond Law of the State, or other similar law, the Details Resolution of the Borrower and all other proceedings taken to authorize the Borrower Bond (collectively, the "Local Proceedings") have been validly authorized, executed and delivered and are in full force and effect, (ii) the Borrower Bond is a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms and the terms of the Local Proceedings, and, unless paid from other sources, is payable from ad valorem taxes levied upon all the taxable property located within the Borrower to the extent necessary to make the required payments on its Borrower Bond, and (iii) interest on the Borrower Bond is excluded from gross income for federal income tax purposes and interest on the Borrower Bond is not includable as gross income under the New Jersey Gross Income Tax Act.

Events of Default of the Borrower

The Borrower has entered into a Bond Purchase Agreement with the Authority, and the Authority will purchase the Borrower Bond pursuant thereto. The following are Events of Default under the Borrower Bond: (i) failure by the Borrower to make payments of principal of or interest on the Borrower Bonds when due, and (ii) the occurrence of an Event of Default by the Authority under the Resolution caused by an action of the Borrower.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The Resolution contains various covenants and security provisions relating to the Series 2010 Bonds (which are referred to as "Bonds" under this heading), certain of which are summarized below. The following summary does not purport to be a full and complete statement of the provisions of the Resolution, and the Resolution should be read in full for a complete understanding of all the provisions thereof.

Capitalized terms which are used herein shall have the same meanings which are assigned to such terms in the Resolution.

Resolution to Constitute Contract

The Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the Bonds; and the security interest granted and the pledge and assignment made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, all except as expressly provided in or permitted by the Resolution.

The Pledge Effected by the Resolution

The Bonds are direct and special obligations of the Authority payable solely from the Pledged Property, meaning the Borrower Bond and the Revenues and Funds other than the Rebate Fund, including Investment Securities held in any such Fund under the Resolution, together with all proceeds and revenues of the foregoing and all of the Authority's right, title and interest in and to the foregoing, and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds. All of the Pledged Property is pledged and assigned as security for the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

Nothing contained in the Resolution shall be deemed a limitation upon the authority of the Authority to issue bonds, notes or other obligations under the Act secured by other income and funds other than the Pledged Property, including, without limitation, bonds, notes or other obligations secured by Federal or State grants.

Establishment of Funds and Accounts

The following Funds are established under the Resolution:

- (1) Loan Fund, to be held by the Trustee,
- (2) Revenue Fund, to be held by the Trustee,
- (3) Debt Service Fund, to be held by the Trustee, and
- (4) Rebate Fund, to be held by the Authority.

Loan Fund

There shall be paid into the Loan Fund the amounts required to be so paid by the provisions of the Resolution or any Supplemental Resolution. The Trustee shall apply moneys in the Loan Fund, at the written direction of the Authority, to the making of the Loan to the Borrower in accordance with Article XIII of the Resolution.

Revenue Fund

All Revenues shall be promptly deposited by the Trustee upon receipt thereof into the Revenue Fund. On or prior to the fifteenth (15th) day before each Interest Payment Date, the Trustee shall transfer to the Debt Service Fund the amount, if any, required so that the balance in said Fund shall equal the sum of the amounts of the Debt Service Requirement on all Bonds for the next respective succeeding Interest Payment Date.

Debt Service Fund

On each Interest Payment Date and each redemption date, the Trustee shall withdraw from the Debt Service Fund an amount equal to the interest due on the Bonds on such Interest Payment Date or redemption date, which moneys shall be applied by the Paying Agent to the payment of such interest. On the maturity or Sinking Fund Installment due date of any Bonds, the Trustee shall make available to the Paying Agent from moneys in the Debt Service Fund an amount equal to the principal or Redemption Price of the Bonds due on such date, which moneys shall be applied by the Paying Agent to the payment of such principal or Redemption Price. On each redemption date, other than a Sinking Fund Installment due date, the Trustee shall make available to the Paying Agent from moneys in the Debt Service Fund an amount equal to the Redemption Price of the Bonds to be redeemed on such redemption date, which moneys shall be applied by the Paying Agent to the payment of such Redemption Price.

Rebate Fund

Moneys on deposit in the Rebate Fund, including earnings on or gain realized on any moneys or investments therein, shall be held by the Authority in trust and applied as provided by instructions to the Authority contained in the tax certificate delivered pursuant to the Resolution.

Redemption

In the case of any redemption of Bonds at the election or direction of the Authority, the Authority shall give written notice to the Trustee of its election or direction to so redeem, of the redemption date, and of the principal amounts of the Bonds of each maturity to be redeemed (which maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution). Such notice shall be given at least fifty (50) days prior to the redemption date or such shorter period as shall be agreed to in writing by the Trustee. Notice of redemption shall be given to Bondholders as provided in the Resolution; provided, however, that such notice of redemption, other than any redemption required by the terms of the Resolution or of any redemption of Bonds with proceeds of bonds, notes or other obligations of the Authority issued on behalf of a Borrower for purposes of refunding all or a portion of the Bonds, shall not be given unless prior to giving such notice there shall be paid by the Authority to the Paying Agent on or prior to the giving of such redemption notice an amount in cash which, in addition to other moneys, if any, available therefor held by the Paying Agent, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed. The Authority shall promptly notify the Trustee in writing of all such payments by the Authority to the Paying Agent.

Selection of Bonds to be Redeemed

If less than all of the Bonds of like maturity shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee in its sole discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof, and that, in selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bonds by the minimum denomination in which Bonds are authorized to be Outstanding after the redemption date.

Payment of Redeemed Bonds

On the date designated for redemption, notice having been given in the manner and under the conditions provided for in the Resolution, the Bonds or portions of Bonds called for redemption shall become and be due and payable at the Redemption Price provided for redemption of such Bonds or such portions thereof on such date and, if moneys for the payment of the Redemption Price and the accrued interest to the redemption date are held in a separate account by the Trustee in trust for the Holders of such Bonds, interest on such Bonds or such portions thereof so called for redemption shall cease to accrue, such Bonds or such portions thereof shall cease to be entitled to any benefit or security under the Resolution and the Holders of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the Redemption Price thereof and the accrued interest thereon to the redemption date and, to the extent provided in the Resolution, to receive Bonds for any unredeemed portions of Bonds. If moneys for the payment of the Redemption Price and the accrued interest to the redemption date are not so held by the Trustee, such Bonds or portions thereof shall continue to

bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Depositories

All moneys held by the Trustee and the Authority under the provisions of the Resolution shall constitute trust funds and the Trustee and the Authority may deposit such moneys with one or more Depositories in trust for said parties. All moneys deposited under the provisions of the Resolution with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Resolution, and each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

Investment of Certain Funds

Moneys held in the Debt Service Fund, the Loan Fund and the Revenue Fund may be invested and reinvested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund . In making any investment in any Investment Securities with moneys in any Fund established under the Resolution, the Authority may instruct in writing the Trustee or any Depository to combine such moneys with moneys in any other Fund, but solely for purposes of making such investment in such Investment Securities.

Power to Issue Bonds and Pledge Pledged Property

The Authority is duly authorized under all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be subjected to the lien of the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Resolution, the Pledged Property so pledged is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of the equal rank with the pledge and assignment created by the Resolution, and all action on the part of the Authority to that end has been and will be duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally binding obligations of the Authority. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

Tax Covenant

The Authority covenants to maintain the exclusion from gross income for Federal income tax purposes of interest on the Bonds. In furtherance of the covenant contained in the preceding sentence, the Authority will, among other things, comply with the Tax Certificate. Notwithstanding any other provision of the Resolution to the contrary, so long as necessary in order to maintain the exclusion from gross income for Federal income tax purposes of interest on the Bonds, the covenants contained in the Resolution shall survive the payment or discharge thereof upon defeasance of such Bonds pursuant to the Resolution.

Events of Default

The following events shall constitute an Event of Default under the Resolution:

- (i) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;
- (ii) if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Fund Installment shall become due and payable;
- (iii) if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and such default shall continue for a period of sixty (60) days after written notice thereof to the Authority by the Trustee or to the Authority and the Trustee by the Holders of not less than ten percent (10%) in principal amount of the Bonds Outstanding;
- (iv) if the Authority shall commence a voluntary case or similar proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall make any general assignment for the benefit of creditors, or shall make a written declaration or admission to the effect that it is unable to meet its debt as such debts mature, or shall authorize to take any action in furtherance of any of the foregoing; or
- (v) if a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Authority in an involuntary case or similar proceeding under any applicable bankruptcy, insolvency or other similar law, or a decree or order appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Authority or a decree or order for the dissolution, liquidation or winding up of the Authority and its affairs or a decree or order finding or determining that the Authority is unable to meet its debts as such debts mature, and any such decree or order shall remain unstayed and in effect for a period of 60 consecutive days.

Enforcement of County Guaranty

The Trustee shall promptly enforce, and seek payment pursuant to, the County Guaranty upon the failure of the County to make timely payments under the County Guaranty.

Supplemental Resolutions Effective Upon Filing With the Trustee

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the Authority may be adopted, which, upon the filing with the

Trustee of a copy thereof certified by an Authorized Authority Representative, shall be fully effective in accordance with its terms:

(1) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the Authority in the Resolution, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) To authorize, in compliance with all applicable law, Bonds to be issued in the form of Bonds issued and held in book-entry form on the books of the Authority, any Fiduciary or custodian appointed for that purpose by the Authority and, in connection therewith, make such additional changes to the Resolution, not adverse to the rights of the Holders of the Bonds, as are necessary or appropriate to accomplish or recognize such book-entry form Bonds, substitute for any such Fiduciary or custodian, provide for in, and amend any provisions in, the Resolution relating to the giving of notice, and specify and determine the matters and things relative to the issuance of such book-entry form Bonds as are appropriate or necessary;

(5) To confirm, as further assurance, any pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, the Resolution of the Pledged Property and to pledge any additional revenues, moneys, securities or other agreements; and

(6) To modify any of the provisions of the Resolution in any other respect whatever, provided that (i) such modification shall become effective prior to the authentication and delivery of the first Bond authorized to be issued pursuant to the Resolution, such Supplemental Resolution shall be specifically referred to in the text to all Bonds authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof.

Supplemental Resolutions Effective Upon Consent of Trustee

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Authority Representative, and (ii) the filing with the Trustee and the Authority of instruments in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or

(2) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect.

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution with the written consent, given as provided in the Resolution, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption (including Sinking Fund Installments) or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. The Trustee may in its discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds.

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Resolution and the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution except that no notice to Bondholders shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders.

Defeasance

If, subject to the provisions set forth in the next succeeding sentence, the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and in the Resolution, then the pledge of the Pledged Property, any Revenues, and other moneys and securities pledged under the Resolution and all covenants, agreements and other obligations of the Authority to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Outstanding Bonds of a

particular maturity or particular Bonds within a maturity, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the Authority to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Loan Defaults

The Trustee shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, the Borrower Bonds, including the prompt payment of all Loan Repayments.

Payment or Prepayment of Borrower Bond

Upon the payment of all sums due and to become due pursuant to the Borrower Purchase Agreement and on the Borrower Bond or the prepayment of the Borrower Bond in full by the Borrower, the Trustee (after 123 days have elapsed during which no act of Bankruptcy shall have occurred with respect to the Borrower) shall cancel the Borrower Bond on behalf of the Authority and deliver them to the Borrower and shall take any other reasonable action required of the Authority or the Trustee and shall execute in its own name or in the Authority's name all relevant documents in connection with such actions and the Trustee is hereby appointed the Authority's agent and attorney-in-fact for purposes of taking any act, including the execution and delivery of any document, required by the Resolution, all at the expense of the Borrower.

PLEDGE OF THE STATE NOT TO LIMIT POWER OF AUTHORITY OR RIGHTS OF BONDHOLDERS

The Act sets forth the pledge and agreement of the State of New Jersey that it will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with holders of obligations of the Authority or in any way impair the rights and remedies of such Holders, until such obligations, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

LEGALITY FOR INVESTMENT

The Act provides that (1) the State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof; (2) all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, which banks, trust companies, and other such institutions are organized and existing under the laws of the State of New Jersey; and (3) all executors, administrators, guardians, trustees and other fiduciaries acting under the laws of the State of New Jersey, may legally invest any sinking funds, monies or other funds belonging to them or within their control in obligations of

authorities created pursuant to the Act and such obligations will be authorized security for any and all public deposits.

LITIGATION

The Authority

There is no litigation pending or threatened involving the Authority that would materially impair the financial stability of the Authority or affect the issuance, sale or delivery of the Series 2010 Bonds or the valid execution of the Borrower Purchase Agreement or the performance thereunder by the Authority or the purchase of the Borrower Bond by the Authority.

The Borrower

There is no litigation pending or threatened involving the Borrower that would materially impair the financial stability of the Borrower or affect the execution of the Borrower Purchase Agreement by the Borrower or the Borrower's performance, both financial and otherwise, thereunder or the issuance of its Borrower Bond.

The County

There is no litigation pending or threatened involving the County which would, if successful, result in a material adverse change in the financial condition or results of operations of the County or adversely affect the enforceability of the County Guaranty.

TAX MATTERS

Exclusion of Interest on the Series 2010 Bonds from Gross Income for Federal Income Tax Purposes.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met on a continuing basis subsequent to the issuance of the Series 2010 Bonds in order to assure that interest on the Series 2010 Bonds will be excluded from gross income for Federal income tax purposes under Section 103 of the Code. Failure of the Authority to comply with such requirements may cause interest on the Series 2010 Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of the issuance of the Series 2010 Bonds. The Authority has covenanted to comply with the provisions of the Code applicable to the Series 2010 Bonds and has covenanted not to take any action or permit any action that would cause the interest on the Series 2010 Bonds to be included in gross income under Section 103 of the Code or cause interest on the Series 2010 Bonds to be treated as an item of tax preference under Section 57 of the Code.

Assuming the Authority observes its covenants with respect to compliance with the Code, Gibbons P.C., Bond Counsel to the Authority, is of the opinion that, under existing law, interest on the Series 2010 Bonds is excluded from the gross income of the owners of the Series 2010 Bonds for Federal income tax purposes pursuant to Section 103 of the Code, except for interest on any Series 2010 Bonds for any period during which it is held by a "substantial user" of the facilities financed with the proceeds of such Series 2010 Bonds or a "related person" of such

“substantial user,” as such quoted terms are defined under Section 147(a) of the Code, and interest on the Series 2010 Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

Additional Federal Income Tax Consequences.

In the case of corporate holders of the Series 2010 Bonds, pursuant to the American Reinvestment Recovery Act of 2009, interest on Series 2010 Bonds is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax.

Prospective purchasers of the Series 2010 Bonds should be aware that ownership of, accrual of or receipt of interest on or disposition of tax-exempt obligations, such as the Series 2010 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 Series 2010 Bonds from gross income pursuant to Section 103 of the Code and interest on the Series 2010 Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Series 2010 Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Series 2010 Bonds.

State Taxation.

Bond Counsel is of the opinion that, under existing law, interest on the Series 2010 Bonds and net gains from the sale of the Series 2010 Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance, sale and delivery of the Series 2010 Bonds are subject to the approval of Gibbons P.C., Newark, New Jersey, Bond Counsel to the Authority, whose approving legal opinion will be delivered with the Series 2010 Bonds, substantially in the form annexed hereto as Appendix F. All legal matters incident to the authorization, sale and delivery of the Borrower Bond will be passed upon for the Borrower by its bond counsel. Certain legal matters will be passed upon for the Authority by its General Counsel, Thomas C. Miller, Esq., Somerville, New Jersey and for the Borrower by its counsel.

CREDIT RATING

Standard & Poor's Rating Services (a division of The McGraw-Hill Companies, Inc.) (“Standard & Poor's”), has assigned the Series 2010 Bonds the rating of _____. Such rating reflects only the view of such organization, and an explanation of the significance of such rating may be obtained only from Standard & Poor's. There is no assurance that such rating will be

retained for any given period of time or that such rating will not be revised downward entirely by such rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2010 Bonds.

SECONDARY MARKET DISCLOSURE

In order to comply with the requirements of Rule 15c2-12 ("Rule 15c2-12") adopted by the Securities and Exchange Commission, the County will execute a certificate pursuant to which it will undertake certain obligations, and the Authority and the Borrower will enter into the agreements, as described below.

County Obligation to Provide Continuing Disclosure.

On the date of delivery of the Series 2010 Bonds, the County will execute a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") containing certain annual financial information and event notices to various information repositories (the "Continuing Disclosure Requirements") for the benefits of the beneficial holders of the Series 2010 Bonds, pursuant to which the County will agree to comply on a continuing basis with the Continuing Disclosure Requirements of Rule 15c2-12. Specifically, the County will covenant in the Continuing Disclosure Certificate to provide certain financial information and operating data relating to the County by not later than September 1 of each year, commencing with the first Fiscal Year of the County after January 1, 2010 (which is currently scheduled to end on December 31, 2010) (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The financial information and operating data to be provided in each Annual Report generally will be similar to the statistical information specified in the Continuing Disclosure Certificate set forth in Appendix E hereto.

The Annual Report will be filed by the County with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of material events will be filed by the County with the MSRB.

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

A default under the Continuing Disclosure Certificate shall not be deemed a default under the Series 2010 Bonds, and the sole remedy under the Continuing Disclosure Certificate in the event of any failure or refusal by the County to comply with the Continuing Disclosure Certificate shall be as set forth above

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

Borrower Obligation to Provide Continuing Disclosure.

Pursuant to the provisions of a Continuing Disclosure Agreement dated as of December 1, 2010 (the "Borrower Disclosure Agreement") between the Borrower and the Trustee, the Borrower undertakes for the benefit of the Bondholders to provide or cause to be provided either directly (with a copy to the Trustee) or through the Trustee (a) to the MSRB, no later than 240 days after the end of each fiscal year, commencing, except as provided in the next succeeding paragraph, with the first fiscal year after December 31, 2010, the Borrower Annual Information (described in the next succeeding paragraph) relating to such fiscal year; and (b) to the MSRB, in a timely manner, notice of a failure to provide any Borrower Annual Information in accordance with the provisions of clause (a).

The required Borrower Annual Information shall consist of information pertaining to the finances and operating data of the Borrower substantially of the type set forth in Appendix C to this Official Statement.

The Borrower's annual financial statements for each fiscal year shall be audited in accordance with GAAS as in effect from time to time. The Borrower shall prepare its financial statements on a basis of accounting prescribed by the Division of Local Government Services in the Department of Community Affairs of the State of New Jersey pursuant to Chapter 5 of Title 40A of the New Jersey Statutes as in effect from time to time. Such financial statements shall be audited by a registered municipal accountant of the State of New Jersey or as otherwise may be permitted by then applicable law of the State of New Jersey.

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

Without the consent of any Bondholders, the Borrower and the Trustee at any time and from time to time may enter into any amendments or modifications to the Borrower Disclosure Agreement for any of the purposes described in the Borrower Disclosure Agreement.

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

Authority Obligation to Provide Continuing Disclosure.

Pursuant to the provisions of a Continuing Disclosure Agreement, dated as of December 1, 2010 (the “Authority Disclosure Agreement”), between the Authority and the Trustee, the Authority agrees to provide or cause to be provided to the Trustee, in a timely manner not in excess of nine business days following the Notice Event (hereinafter defined), notice of any of the following events (each, a “Notice Event”) with respect to the Series 2010 Bonds:

- (i) principal and interest delinquencies;
- (ii) non-payment related defaults, if material;
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Series 2010 Bonds, or other material events affecting the tax status of the Series 2010 Bonds;
- (vii) modifications to rights of Bondholders; if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Series 2010 Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Trustee shall provide notice of each such Notice Event to the MSRB within one business day after receipt by the Trustee of such notice from the Authority.

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

Without the consent of any Bondholders, the Authority and the Trustee at any time and from time to time may enter into any amendments or modifications to the Authority Disclosure Agreement for any of the purposes described in the Authority Disclosure Agreement.

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

APPENDICES

Appendix A to this Official Statement consists of general information concerning the County which has been provided by the County from public documents of the County and from other public or official documents or publications which are referred to therein. The Authority has not confirmed the accuracy or completeness of said information, and the Authority disclaims any responsibility for the accuracy and completeness thereof.

Appendix B to this Official Statement consists of certain financial information concerning the County. The Authority has not confirmed the accuracy or completeness of said information, and the Authority disclaims any responsibility for the accuracy and completeness thereof.

Appendix C to this Official Statement consists of general information concerning the Borrower which has been provided by the Borrower from public documents of such Borrower and from other public or official documents or publications which are referred to therein. The Authority has not confirmed the accuracy or completeness of said information, and the Authority disclaims any responsibility for the accuracy and completeness thereof.

Appendix D to this Official Statement consists of certain financial information concerning the Borrower. The Authority has not confirmed the accuracy or completeness of said information, and the Authority disclaims any responsibility for the accuracy and completeness thereof.

Appendix E to this Official Statement consists of the forms of Continuing Disclosure Agreements.

Appendix F to this Official Statement consists of the form of approving legal opinion of Gibbons P.C., Bond Counsel to the Authority. Copies of such opinion will be available at the time of delivery of the Series 2010 Bonds.

Appendix G to this Official Statement consists of the Notice of Sale.

MISCELLANEOUS

The references herein to the Act, the Resolution, the County Guaranty, the County Guaranty Agreement, the Borrower Purchase Agreement, the County Disclosure Agreement, the Borrower Disclosure Agreement, and the Authority Disclosure Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the Act, the Resolution, the County Guaranty, the County Guaranty Agreement, the Borrower Purchase Agreement, the County Disclosure Agreement, the Borrower Disclosure Agreement, and the Authority Disclosure Agreement for full and complete statements of such provisions. These documents may be inspected at the principal corporate trust office of the Trustee.

Any statement which are contained in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. All estimates and assumptions herein have been made on the best information available and are believed to be reliable but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of the Series 2010 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

THE SOMERSET COUNTY IMPROVEMENT
AUTHORITY

BY: _____

RICHARD E. WILLIAMS
CHAIRMAN

Dated: December __, 2010

APPENDIX A

Certain Information Concerning the County

COUNTY INDEBTEDNESS AND DEBT LIMITS

Debt Limits

The County debt is limited by the Local Bond Law to an amount equal to two (2%) percent of its equalized valuation basis. The equalized valuation basis of the County is set by statute as the average value of all taxable real property within its boundaries as annually determined by the New Jersey State Board of Taxation for each of the three (3) most recent years. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Exceptions to Debt Limits -- Extensions of Credit

The debt limit of the County may be exceeded only with the approval of the Local Finance Board, a state regulatory agency. If all or any part of a proposed debt authorization would exceed its debt limit, the County must apply to the Board for an extension of credit. The Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations. If the Board determines, pursuant to statute and regulation, that a proposed debt authorization would materially impair the ability of the County to meet its obligations or to provide essential services, approval is denied.

Debt Statements

The County must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services. The Supplemental Debt Statement, as this report is known, must be submitted to the Division of Local Government Services before final passage of any debt authorizations. Before January 31 of each year the County must file an Annual Debt Statement with the Division. This Report is made under oath and states the authorized, issued and unissued debt of the County as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the County's authorizations are well within its debt limits, the Division is able to enforce state regulations of the amounts and purposes of local borrowing.

Purposes of County Debt

The following table shows the purposes for which all direct general obligation bonded indebtedness for the payment of the principal and interest on which the County has pledged its full faith and credit was contracted as of December 31, 2009.

COUNTY OF SOMERSET

BONDED INDEBTEDNESS DECEMBER 31, 2009

<u>Purpose</u>	<u>Amount</u>
General County Purposes.....	\$ 89,818,640
Community (County) College.....	19,223,000
Vocational Schools	0
County Parks.....	0
Open Space/Farmland Preservation	65,102,360
	<u>\$174,144,000</u>

Debt History and Bonded Debt Ratios

The following table shows certain ratios relating to the County's gross and net direct general obligation bonded indebtedness as of December 31, and the principal of all bonds outstanding at the end of each of the last five (5) years.

COUNTY OF SOMERSET
HISTORY OF BONDED DEBT RATIOS

<u>Calendar Year</u>	<u>Equalized Valuation</u>	<u>Gross Bonded Debt December 31,</u>	<u>Percentage Gross Bonded Debt to Full Value</u>	<u>Net Bonded Debt December 31,</u>	<u>Percentage Net Debt to full Value</u>
2005.....	\$49,612,529,431	\$150,875,224	0.30%	\$140,383,224	0.28%
2006.....	54,957,146,301	151,515,478	0.27	139,615,478	0.25
2007.....	59,243,391,564	122,608,858	0.20	112,178,858	0.18
2008.....	62,005,698,547	134,450,000	0.21	126,251,900	0.20
2009.....	62,891,780,182	174,144,000	0.27	117,463,640	0.18

Debt History

The table below shows the principal of all direct general obligation bonded indebtedness and bond anticipation note indebtedness for the last five (5) fiscal years. The County has pledged its full faith and credit for the payment of principal and interest on these obligations. In addition, the table shows the amount of general obligation bonds and bond anticipation notes authorized but not issued and comparative ratios of indebtedness.

COUNTY OF SOMERSET
SCHEDULE OF COMPARATIVE DEBT

	<u>As of December 31,</u>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Bonds and Notes					
Issued and Outstanding					
Bonds.....	\$ 174,144,000	\$ 134,450,000	\$ 122,608,851	\$ 151,515,479	\$ 150,875,224
Green Trust Loan.....	2,813,522	3,039,869	3,479,272	3,261,756	3,692,501
Notes	--	--	--	--	--
Total Issued	\$ 176,957,522	\$ 137,489,869	\$ 126,088,123	\$ 154,777,235	\$ 154,567,725
Bonds and Notes Authorized					
but not Issued.....	18,432,000	41,222,000	50,987,000	39,387,000	45,737,000
Total Issued and Authorized					
but not Issued.....	\$ 195,389,522	\$ 179,711,869	\$ 177,075,123	\$ 194,164,235	\$ 200,304,725
Average Equalized					
Valuations of Real					
Property(1)	\$62,891,780,182	\$62,005,698,547	\$59,243,391,564	\$54,957,146,301	\$49,612,529,431
Ratio of Total Bonds and					
Notes Issued and Author-					
ized but not Issued to					
Equalized Evaluation.....	0.31%	0.29%	0.29%	0.35%	0.40%
Population(2)	*324,563	324,563	323,552	324,186	319,900
Debt Per Capita.....	\$602.00	\$553.70	\$547.28	\$598.92	\$626.14

(1) Annual Debt Statement

(2) Somerset County Planning Board Estimates. U.S. Bureau of Census.

* 2009 population figure is not yet available, therefore, the 2008 figure was used for 2009.

Default

There is no record of past or present default in the payment of principal or interest on any bonds or notes issued by the County.

COUNTY OF SOMERSET STATUTORY DEBT AS OF DECEMBER 31, 2009 (Audited)

Gross Debt:		
Issued and Outstanding		
Bonds.....	\$ 174,144,000	
Green Trust Loan.....	2,813,522	
Bonds Guaranteed by County.....	<u>64,968,719</u>	
		\$ 241,926,241
Authorized But Not Issued:		
Bonds and Notes.....		<u>18,432,000</u>
Total Gross Debt		\$ 260,358,241
Statutory Deductions		<u>142,894,601</u>
Net Debt		<u>\$ 117,463,640</u>
Equalized Valuation of Real Property:		
Year 2007	\$ 62,312,380,099	
Year 2008	\$ 63,346,535,892	
Year 2009	<u>\$ 63,016,424,556</u>	
Average Equalized Valuation.....	\$ 62,891,780,182	
Net Debt as a Percentage of Average Equalized Valuations .....		.18%
Gross Debt per Capita -- 2000 Population.....		\$ 875
Net Debt per Capita -- 2000 Population.....		\$ 395
Gross Debt as a Percentage of 2009 Equalized Valuations .....		.41%
Net Debt as a Percentage of 2009 Equalized Valuations.....		.19%
Borrowing Power:		
2% of Average Equalized Valuation	\$ 1,257,835,604	
Net Debt	<u>117,463,640</u>	
Remaining Borrowing Power		<u>\$ 1,140,371,964</u>

Bonded Debt Service Requirements

The following table shows the debt service requirements of bonds of the County outstanding.

COUNTY OF SOMERSET BONDED DEBT SERVICE REQUIREMENTS

(Including State Share 2000B, 2001B, 2005D, 2006C, 2008C and 2009D College Bonds (1))

Year	Existing Debt			Principal		Interest	
	Principal	Interest	Total	Adjustment this Issue	Total	Adjustment this Issue	Total
2010	\$19,817,000.00	\$5,655,331.49	\$25,472,331.49	\$ -	-	\$ -	-
2011	18,279,000.00	5,252,494.27	23,531,494.27	-	-	-	-
2012	16,745,000.00	4,660,326.31	21,405,326.31	-	-	-	-
2013	16,680,000.00	4,088,813.77	20,768,813.77	-	-	-	-
2014	14,690,000.00	3,529,701.27	18,219,701.27	-	-	-	-
2015	14,675,000.00	3,035,613.77	17,710,613.77	-	-	-	-
2016	11,345,000.00	2,540,126.27	13,885,126.27	-	-	-	-
2017	9,647,000.00	2,176,688.77	11,823,688.77	-	-	-	-
2018	8,230,000.00	1,877,535.00	10,107,535.00	-	-	-	-
2019	7,268,000.00	1,586,885.00	8,854,885.00	-	-	-	-
2020	6,300,000.00	1,333,720.00	7,633,720.00	-	-	-	-
2021	6,300,000.00	1,116,345.00	7,416,345.00	-	-	-	-
2022	6,300,000.00	894,720.00	7,194,720.00	-	-	-	-
2023	6,268,000.00	672,470.00	6,940,470.00	-	-	-	-
2024	3,600,000.00	443,750.00	4,043,750.00	-	-	-	-
2025	2,000,000.00	314,000.00	2,314,000.00	-	-	-	-
2026	1,500,000.00	240,000.00	1,740,000.00	-	-	-	-
2027	1,500,000.00	180,000.00	1,680,000.00	-	-	-	-
2028	1,500,000.00	120,000.00	1,620,000.00	-	-	-	-
2029	1,500,000.00	60,000.00	1,560,000.00	-	-	-	-
	<u>\$174,144,000.00</u>	<u>\$39,778,520.92</u>	<u>\$213,922,520.92</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Excluding State Share of 2000B, 2001B, 2005D, 2006C, 2008C and 2009D College Bonds (1))

2010	\$13,491,985.00	\$3,227,742.67	\$16,719,727.67	\$ -	-	\$ -	-
2011	12,038,435.00	2,857,881.71	14,896,316.71	-	-	-	-
2012	10,897,785.00	2,458,731.59	13,356,516.59	-	-	-	-
2013	10,856,685.00	2,089,010.56	12,945,695.56	-	-	-	-
2014	8,897,500.00	1,725,812.51	10,623,312.51	-	-	-	-
2015	8,897,500.00	1,421,390.01	10,318,890.01	-	-	-	-
2016	6,337,500.00	1,116,967.51	7,454,467.51	-	-	-	-
2017	4,974,500.00	914,255.01	5,888,755.01	-	-	-	-
2018	3,587,500.00	759,457.50	4,346,957.50	-	-	-	-
2019	3,474,250.00	637,470.00	4,111,720.00	-	-	-	-
2020	3,300,000.00	519,750.00	3,819,750.00	-	-	-	-
2021	3,300,000.00	408,000.00	3,708,000.00	-	-	-	-
2022	3,300,000.00	292,000.00	3,592,000.00	-	-	-	-
2023	3,300,000.00	176,000.00	3,476,000.00	-	-	-	-
2024	1,600,000.00	56,000.00	1,656,000.00	-	-	-	-
2025	0.00	0.00	0.00	-	-	-	-
2026	0.00	0.00	0.00	-	-	-	-
2027	0.00	0.00	0.00	-	-	-	-
2028	0.00	0.00	0.00	-	-	-	-
2029	0.00	0.00	0.00	-	-	-	-
	<u>\$98,253,640.00</u>	<u>\$18,660,469.07</u>	<u>\$116,914,109.07</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) The State share constitutes a deduction from the gross debt of the County and is not considered in determining the County's net debt for debt incurring purposes. See N.J. Stat. Ann. Section 18A:64A-22.4.

Other County Obligations

The Somerset County Improvement Authority (the "Authority") issued \$9,420,000 of its County Guaranteed Capital Equipment and Improvement Revenue Bonds, Series 2003A (the "Series 2003A Bonds") the proceeds of which financed the acquisition of equipment and/or improvements for certain municipalities in the County. The Series 2003A Bonds are secured by a pledge of lease or loan payments made by said municipalities pursuant to the terms of certain agreements between the Authority and said municipalities. Payment of principal and interest on the Series 2003A Bonds are a general obligation of the municipalities with respect to their respective payments. In addition, payment of principal and interest on the Series 2003A Bonds is secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$5,015,000 of the Series 2003A Bonds were outstanding.

The Authority issued \$2,260,000 of its County Guaranteed Capital Equipment Lease Revenue Bonds, Series 2004A (the "Series 2004A Bonds") the proceeds of which financed the acquisition of equipment for certain municipalities in the County. The Series 2004A Bonds are secured by a pledge of lease payments made by said municipalities pursuant to the terms of certain agreements between the Authority and said municipalities. Payment of principal and interest on the Series 2004A Bonds are a general obligation of the municipalities with respect to their respective payments. In addition, payment of principal and interest on the Series 2004A Bonds is secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$418,542.86 of the Series 2004A Bonds were outstanding.

The Authority issued \$3,281,000 of its County Guaranteed Capital Equipment Lease Revenue Bonds, Series 2005A (the "Series 2005A Bonds") the proceeds of which financed the acquisition of equipment for certain municipalities in the County. The Series 2005A Bonds are secured by a pledge of lease payments made by said municipalities pursuant to the terms of certain agreements between the Authority and said municipalities. Payment of principal and interest on the Series 2005A Bonds are a general obligation of the municipalities with respect to their respective payments. In addition, payment of principal and interest on the Series 2005A Bonds is secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$606,000 of the Series 2005A Bonds were outstanding.

The Authority issued \$10,000,000 of its County Guaranteed Lease Revenue Bonds (Somerset County Educational Services Commission Project), Series 2006 (the "2006A Bonds"), the proceeds of which financed the acquisition and renovation of a school facility in Bridgewater, New Jersey to be owned by the Somerset County Educational Services Commission (the "Commission"). The Series 2006A Bonds are secured by a pledge of lease payments made by the Commission, which payments are subject to annual appropriation by the Commission. In addition, payment of principal and interest on the Series 2006A Bonds is secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$8,620,000 of the Series 2006A Bonds were outstanding.

The Authority issued \$3,830,000 of its County Guaranteed Governmental Loan Revenue Bonds, Series 2006B (the "Series 2006B Bonds"), the proceeds of which financed various improvements for the Borough of Somerville, New Jersey (the "Borough"). The Series 2006B Bonds are secured by a pledge of loan payments made by the Borough pursuant to the terms of a certain agreement between the Authority and the Borough. Payment of principal and interest on the Series 2006B Bonds are a general obligation of the Borough with respect to its payments. In addition, payment of principal and interest on the Series 2006B Bonds is secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$3,180,000 of the Series 2006B Bonds were outstanding.

The Authority issued \$10,700,000 of its County Guaranteed Lease Revenue Bonds (Bridgewater, Hillsborough and Bernards Property Acquisition Projects), Series 2009 (the "2009A Bonds"), the proceeds of which financed the acquisition of property in the Townships of Bridgewater, Hillsborough and Bernards, New Jersey, which will be leased by the Authority to the County. The Series 2009A Bonds are secured by a pledge of lease payments made by the County, which payments are subject to annual appropriation by the County. In addition, payment of principal and interest on the Series 2009A Bonds is secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$10,165,000 of the Series 2009A Bonds were outstanding.

The Authority issued \$7,000,000 of its County Guaranteed Governmental Loan Revenue Bonds, Series 2009B and 2009C (the "Series 2009B and 2009C Bonds"), the proceeds of which financed various improvements for the Borough of Somerville, New Jersey (the "Borough"). The Series 2009B and 2009C Bonds are secured by a pledge of loan payments made by the Borough pursuant to the terms of a certain agreement between the Authority and the Borough. Payment of principal and interest on the Series 2009B and 2009CBonds are a general obligation of the Borough with respect to its payments. In addition, payment of principal and interest on the Series 2009B and 2009C Bonds is secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$6,725,000 of the Series 2009B and 2009C Bonds were outstanding.

The Authority issued \$1,000,000 of its County Guaranteed Revenue Bonds (Energy Audit Program, Series 2009) (the "2009D Bonds") the proceeds of which financed an energy audit on behalf of various municipalities and school

districts within Somerset County. The 2009D Bonds are secured by a pledge of payments made by the County pursuant to the terms of an agreement between the Authority and the County. Payment of the principal and interest on the 2009D Bonds are secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$250,000 of the 2009D Bonds were outstanding.

The Authority issued \$22,500,000 of its County Guaranteed Governmental Loan Revenue Bonds, Series 2010 (Bridgewater Project) (the "Series 2010A Bonds"), the proceeds of which financed various improvements for the Township of Bridgewater, New Jersey (the "Township"). The Series 2010A Bonds are secured by a pledge of loan payments made by the Township pursuant to the terms of a certain agreement between the Authority and the Township. Payment of principal and interest on the Series 2010A Bonds are a general obligation of the Township with respect to its payments. In addition, payment of principal and interest on the Series 2010A bonds is secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$22,400,000 of the Series 2010A Bonds were outstanding.

The Authority issued \$4,340,000 of its County Guaranteed Project Notes (Somerset County Board of Social Services Project, Series 2008) (the "2008A Notes") the proceeds of which refinanced the acquisition of property located at 73 East High Street and the renovation of the building thereon in the municipality of Somerville. The 2008A Notes are secured by all amounts, securities and funds on deposit in certain accounts held under the project note resolution and all proceeds derived from the issuance and/or sale by the authority of additional indebtedness. Payment of the principal and interest on the 2008A Notes are secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$4,340,000 of the 2008A Notes were outstanding.

The Authority issued \$4,000,000 of its County Guaranteed Project Notes (Bridgewater Property Acquisition Project, Series 2008) (the "2008B Notes"), the proceeds of which financed the acquisition of land and buildings located thereon and the demolition of said buildings in the Township of Bridgewater. The 2008B Notes are secured by all amounts, securities and funds on deposit in certain accounts held under the project note resolution and all proceeds derived from the issuance and/or sale by the Authority of additional indebtedness. Payment of the principal and interest on the 2008B Notes are secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$4,000,000 of the Series 2008B Notes were outstanding.

The Authority issued \$7,000,000 of its County Guaranteed Project Notes (Millstone Rezem Property Acquisition Project, Series 2009) (the "2009A Notes") the proceeds of which financed the acquisition of property located in the municipality of Millstone. The 2009A Notes are secured by all amounts, securities and funds on deposit in certain accounts held under the project note resolution and all proceeds derived from the issuance and/or sale of the authority of additional indebtedness. Payment of the principal and interest on the 2009A Notes are secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$7,000,000 of the 2009A Notes were outstanding.

The Authority issued \$17,000,000 of its County Guaranteed Project Notes (Hillsborough GSA/Belle Mead Supply Depot Property Acquisition Project, Series 2009) (the "2009B Notes") the proceeds of which financed the acquisition of property located in the Township of Hillsborough. The 2009B Notes are secured by all amounts, securities and funds on deposit in certain accounts held under the project note resolution and all proceeds derived from the issuance and/or sale by the authority of additional indebtedness. Payment of the principal and interest on the 2009B Notes are secured by an unconditional and irrevocable guaranty by the County. As of October 1, 2010, \$17,000,000 of the 2009B Notes were outstanding.

Market Protection

The Authority anticipates issuing \$15,000,000 of its County Guaranteed Project Notes (Skillman Village Property Acquisition) (the "Series 2010A Notes"), the proceeds of which will finance the acquisition of certain real property in the Township of Montgomery, commonly known as Skillman Village consisting of approximately 256 acres in and for the County to be used for open space as a County park. The 2010A Notes will be secured by all amounts, securities and funds on deposit in certain accounts held under the project note resolution and all proceeds derived from the issuance and/or sale by the Authority of additional indebtedness. Payment of the principal and interest on the 2010A Notes will be secured by an unconditional and irrevocable guaranty by the County.

The Authority anticipates issuing \$6,000,000 of its County Guaranteed Governmental Loan Revenue Bonds (Somerville Project) (the "2010B Bonds"), the proceeds of which will finance the making of a loan to the Borough of Somerville, New Jersey (the "Borough") for the Borough providing a capital grant to Saker Shoprites, Inc. to finance a portion of the cost of the construction of a supermarket located in the West Main Street Redevelopment Area in the Borough. The Series 2010B Bonds will be secured by a pledge of loan payments made by the Borough pursuant to the terms of a certain agreement between the Authority and the Borough. Payment of principal and interest on the Series

2010B Bonds will be a general obligation of the Borough with respect to its payments. In addition, payment of principal and interest on the Series 2010B Bonds will be secured by an unconditional and irrevocable guaranty by the County.

Except as noted above, Somerset County anticipates no further financing in 2010.

CAPITAL IMPROVEMENT PROGRAM

This section is included with the Annual Budget pursuant to N.J.A.C. 5:30-4. It does not in itself confer any authorization to raise or expend funds. Rather, it is a document used as part of the local unit's planning and management program. Specific authorization to expend funds for purposes described in this section must be granted elsewhere, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of this budget, by an ordinance taking the money from the Capital Improvement Fund, or other lawful means.

NARRATIVE FOR CAPITAL IMPROVEMENT PROGRAM

N.J.S.A. 40A:4-43 et.seq requires counties to include a capital budget for the current year and a six-year capital plan for the current year plus five additional years. These are planning documents only and no obligation on the part of the County takes place until an ordinance or other appropriation is made by the Board of Chosen Freeholders. Justification for each project contained in the Capital Improvement Program will be presented to the Board and the public before ordinances are introduced or appropriations made. The figures presented for each program area represent a proportionate amount of the funding anticipated to be available for each year in accordance with the year 2009 six-year capital funding plan. However, all capital budgets are determined in the year in which the County budget is made and all figures presented here are subject to change.

COUNTY OF SOMERSET

CAPITAL BUDGET

2010

<u>Project Title</u>	<u>Local Unit Somerset County</u>				
	<u>Estimated Total Cost</u>	<u>Capital Improvement Fund</u>	<u>Capital Surplus</u>	<u>Grants in Aid and Other Funds</u>	<u>Debt Authorized</u>
Public Works.....	\$12,705,713	\$ --	\$ --	\$ --	\$12,705,713
Public Safety	510,417	510,417	--	--	--
Vocational Technical School	909,435	909,435	--	--	--
Park Commission	2,932,418	2,932,418	--	--	--
Finance & Administration	1,414,137	956,652	--	--	457,485
Green Brook Flood Control	700,000	--	--	--	700,000
Raritan Valley Community College ..	1,736,722	600,000	--	--	1,136,722
Human Services	200,956	200,956	--	--	--
Energy Efficiencies	237,818	237,818	--	--	--
Constitutional.....	<u>247,331</u>	<u>247,331</u>	<u>--</u>	<u>--</u>	<u>--</u>
TOTALS - ALL PROJECTS	<u>\$21,594,948</u>	<u>\$ 6,595,028</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$14,999,920</u>

COUNTY OF SOMERSET
6-YEAR CAPITAL PROGRAM 2010-2015
ANTICIPATED PROJECT SCHEDULE AND FUNDING REQUIREMENTS

<u>Project Title</u>	<u>Estimated Total Cost</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public Works.....	\$ 92,280,352	\$12,705,713	\$14,316,048	\$14,692,860	\$15,527,808	\$17,319,999	\$17,717,923
Public Safety.....	3,673,453	510,417	571,730	586,077	617,868	686,105	701,255
Vocational Technical School.....	6,545,165	909,435	1,018,679	1,044,242	1,100,884	1,222,465	1,249,460
Park Commission.....	21,104,490	2,932,418	3,284,669	3,367,095	3,549,735	3,941,766	4,028,808
Finance & Administration.....	10,177,487	1,414,137	1,584,008	1,623,757	1,711,834	1,900,888	1,942,863
Green Brook Flood Control.....	4,200,015	700,000	700,001	700,002	700,003	700,004	700,005
Raritan Valley Comm. College.....	12,499,118	1,736,722	1,945,343	1,994,159	2,102,328	2,334,508	2,386,059
Human Services.....	1,446,275	200,956	225,096	230,744	243,261	270,126	276,091
Energy Efficiencies.....	1,711,568	237,818	266,386	273,070	287,882	319,676	326,735
Constitutional.....	1,780,031	247,331	277,041	283,993	299,398	332,463	339,805
TOTAL - ALL PROJECTS.....	\$155,417,953	\$21,594,948	\$24,189,000	\$24,796,000	\$26,141,000	\$29,028,000	\$29,669,005

COUNTY OF SOMERSET
6-YEAR CAPITAL PROGRAM 2010-2015
SUMMARY OF ANTICIPATED FUNDING SOURCES AND AMOUNTS

<u>Project Title</u>	<u>Budget Appropriations</u>				
	<u>Estimated Total Cost</u>	<u>Capital Improvement Fund</u>	<u>Capital Surplus</u>	<u>Grants in Aid and Other Funds</u>	<u>Debt Authorized</u>
Public Works.....	\$ 92,280,362	\$ 29,529,716	\$ --	\$ --	\$ 12,500,000
Public Safety.....	3,673,453	3,673,453	--	--	--
Vocational Technical School.....	6,545,165	5,497,938	--	--	1,000,000
Park Commission.....	21,104,490	21,104,490	--	--	--
Finance & Administration.....	10,177,487	10,177,487	--	--	85,000
Green Brook Flood Control.....	4,200,000	4,200,000	--	--	700,000
Raritan Valley Community College.....	12,499,118	10,624,251	--	--	715,000
Human Services.....	1,446,275	1,446,275	--	--	1,000,000
Energy Efficiencies.....	1,711,568	1,711,568	--	--	--
CIF Reserve.....	--	--	--	--	--
Constitutional.....	1,780,031	1,780,031	--	--	--
TOTALS - ALL PROJECTS.....	\$155,417,948	\$ 89,745,208	\$ --	\$ --	\$ 16,000,000

Underlying Indebtedness of Municipalities Within Somerset County

The estimated gross outstanding indebtedness of Municipalities within the County is described below and on the following pages. The figures are shown for each of the last five (5) fiscal years and are as of December 31, except for the Township of Franklin, whose fiscal year ends as of June 30. The tables are included for informational purposes only. No actual or contingent liability for the indebtedness exists on the part of the County.

MUNICIPALITIES IN SOMERSET COUNTY SCHEDULE OF GROSS DEBT

	2009	2008	2007	2006	2005
Township of Bedminster					
Municipal Government.....	\$ 8,408,835	\$ 8,502,957	\$ 7,445,862	\$ 8,564,565	\$ 12,614,545
Sewer Utility.....					1,275,000
School Districts.....	7,025,000	7,950,000	8,835,000	9,660,000	10,500,000
Total Gross Debt Township of Bedminster.....	<u>\$ 15,433,835</u>	<u>\$ 16,452,957</u>	<u>\$ 16,280,862</u>	<u>\$ 18,224,565</u>	<u>\$ 24,389,545</u>
Township of Bernards					
Municipal Government.....	\$ 23,120,000	\$ 27,710,000	\$ 17,440,000	\$ 12,050,000	\$ 16,045,000
School Districts.....	86,345,000	88,215,000	92,740,000	94,897,000	86,173,000
Total Gross Debt Township of Bernards.....	<u>\$ 109,465,000</u>	<u>\$ 115,925,000</u>	<u>\$ 110,180,000</u>	<u>\$ 106,947,000</u>	<u>\$ 102,218,000</u>
Borough of Bernardsville					
Municipal Government.....	\$ 8,344,725	\$ 8,961,079	\$ 9,778,517	\$ 9,420,909	\$ 9,421,011
Sewer Utility.....	475,000	500,000	525,000	525,000	540,000
School Districts.....	26,752,158	27,813,297	28,856,077	29,534,534	29,569,839
Total Gross Debt Borough of Bernardsville.....	<u>\$ 35,571,883</u>	<u>\$ 37,274,376</u>	<u>\$ 39,159,594</u>	<u>\$ 39,480,443</u>	<u>\$ 39,530,850</u>
Borough of Bound Brook					
Municipal Government.....	\$ 17,849,383	\$ 14,412,371	\$ 13,567,124	\$ 13,930,643	\$ 13,758,108
School Districts.....	2,310,000	2,520,000	2,710,000	2,845,000	3,010,000
Total Gross Debt Borough of Bound Brook.....	<u>\$ 20,159,383</u>	<u>\$ 16,932,371</u>	<u>\$ 16,277,124</u>	<u>\$ 16,775,643</u>	<u>\$ 16,768,108</u>
Township of Branchburg					
Municipal Government.....	\$ 23,531,166	\$ 24,966,166	\$ 26,968,377	\$ 24,807,597	\$ 19,433,250
Sewer Utility.....	2,617,800	2,837,800	2,857,800	1,577,800	597,800
School Districts.....	31,850,000	32,805,000	33,355,000	33,880,000	30,618,000
Total Gross Debt Township of Branchburg.....	<u>\$ 57,998,966</u>	<u>\$ 60,608,966</u>	<u>\$ 63,181,177</u>	<u>\$ 60,265,397</u>	<u>\$ 50,649,050</u>
Township of Bridgewater					
Municipal Government.....	\$ 63,882,304	\$ 64,672,659	\$ 67,381,433	\$ 44,964,717	\$ 39,956,090
Utilities.....	2,470,656	1,321,656	1,461,656	1,571,656	1,626,656
School Districts.....	52,780,792	55,034,140	57,817,582	60,919,043	63,310,831
Total Gross Debt Township of Bridgewater.....	<u>\$ 119,133,752</u>	<u>\$ 121,028,455</u>	<u>\$ 126,660,671</u>	<u>\$ 107,455,416</u>	<u>\$ 104,893,577</u>
Borough of Far Hills					
Municipal Government.....	\$	\$	\$	\$	\$ 15,115
School Districts.....	5,070,394	5,102,547	5,237,175	5,495,356	5,701,029
Total Gross Debt Borough of Far Hills.....	<u>\$ 5,070,394</u>	<u>\$ 5,102,547</u>	<u>\$ 5,237,175</u>	<u>\$ 5,495,356</u>	<u>\$ 5,716,144</u>
Township of Franklin					
Municipal Government.....	\$ 62,884,712	\$ 64,701,688	\$ 69,954,052	\$ 55,693,832	\$ 53,089,698
Water Utility.....	16,422,762	17,225,429	13,780,728	13,029,716	12,216,009
School Districts.....	53,765,000	53,765,000	57,499,000	60,159,000	62,512,000
Total Gross Debt Township of Franklin.....	<u>\$ 133,072,474</u>	<u>\$ 135,692,117</u>	<u>\$ 141,233,780</u>	<u>\$ 128,882,548</u>	<u>\$ 127,817,707</u>

**MUNICIPALITIES IN SOMERSET COUNTY
SCHEDULE OF GROSS DEBT—CONTINUED**

	2009	2008	2007	2006	2005
Township of Greenbrook					
Municipal Government.....	\$ 1,999,479	\$ 2,614,479	\$ 2,929,479	\$ 2,489,479	\$ 2,964,479
Sewer Utility.....	451,492	857,129	974,095	1,044,095	1,169,095
School Districts.....	20,299,000	20,969,000	21,609,000	22,224,000	23,054,000
Total Gross Debt Township of Greenbrook.....	<u>\$ 22,749,971</u>	<u>\$ 24,440,608</u>	<u>\$ 25,512,573</u>	<u>\$ 25,757,573</u>	<u>\$ 27,187,573</u>
Township of Hillsborough					
Municipal Government.....	\$ 22,827,078	\$ 19,956,624	\$ 16,442,297	\$ 16,323,679	\$ 17,808,933
School Districts.....	32,210,000	35,275,000	38,420,000	41,870,000	46,830,000
Total Gross Debt Township of Hillsborough.....	<u>\$ 55,037,078</u>	<u>\$ 55,231,624</u>	<u>\$ 54,862,297</u>	<u>\$ 58,193,679</u>	<u>\$ 64,638,933</u>
Borough of Manville					
Municipal Government.....	\$ 10,776,251	\$ 1,404,000	\$ 12,152,045	\$ 11,239,859	\$ 11,996,554
School Districts.....	1,249,000	10,942,240	1,559,000	1,709,000	1,854,000
Total Gross Debt Borough of Manville.....	<u>\$ 12,025,251</u>	<u>\$ 12,346,240</u>	<u>\$ 13,711,045</u>	<u>\$ 12,948,859</u>	<u>\$ 13,850,554</u>
Borough of Millstone					
Municipal Government.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Gross Debt Borough of Millstone.....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Township of Montgomery					
Municipal Government.....	\$ 55,971,812	\$ 61,243,415	\$ 64,364,949	\$ 63,627,254	\$ 57,418,026
Sewer Utility.....	40,750,000	5,750,000	5,750,000	5,750,000	5,750,000
School Districts.....	83,556,191	71,850,000	74,040,000	75,178,000	77,558,000
Total Gross Debt Township of Montgomery.....	<u>\$ 180,278,003</u>	<u>\$ 138,843,415</u>	<u>\$ 144,154,949</u>	<u>\$ 144,555,254</u>	<u>\$ 140,726,026</u>
Borough of North Plainfield					
Municipal Government.....	\$ 13,779,347	\$ 11,855,697	\$ 12,635,697	\$ 12,052,097	\$ 11,545,277
Utilities.....	2,044,810	2,062,865	2,195,362	2,109,034	2,519,970
School Districts.....	8,163,642	16,140,000	16,825,000	17,760,000	18,117,000
Total Gross Debt Borough of North Plainfield.....	<u>\$ 23,987,799</u>	<u>\$ 30,058,562</u>	<u>\$ 31,656,059</u>	<u>\$ 31,921,131</u>	<u>\$ 32,182,247</u>
Borough of Peapack-Gladstone					
Municipal Government.....	\$ 5,640,336	\$ 6,797,945	\$ 7,151,151	\$ 8,874,799	\$ 11,557,201
Water and Sewer Utilities.....	1,400,000	1,685,000	1,965,000	2,293,225	2,574,000
School Districts.....	8,949,447	9,476,797	10,070,389	10,428,752	10,717,132
Total Gross Debt Borough of Peapack-Gladstone.....	<u>\$ 15,989,783</u>	<u>\$ 17,959,742</u>	<u>\$ 19,186,539</u>	<u>\$ 21,596,776</u>	<u>\$ 24,848,333</u>
Borough of Raritan					
Municipal Government.....	\$ 4,027,363	\$ 3,909,921	\$ 3,914,723	\$ 4,032,029	\$ 3,999,498
School Districts.....	6,934,712	7,295,860	7,372,418	7,525,957	7,819,760
Total Gross Debt Borough of Raritan.....	<u>\$ 10,962,075</u>	<u>\$ 11,205,781</u>	<u>\$ 11,287,141</u>	<u>\$ 11,557,986</u>	<u>\$ 11,819,258</u>
Borough of Rocky Hill					
Municipal Government.....	\$ 952,315	\$ 1,060,891	\$ 1,169,688	\$ 873,720	\$ 919,368
Water and Sewer Utilities.....	24,168	24,168	24,168	47,500	92,500
Total Gross Debt Borough of Rocky Hill.....	<u>\$ 976,483</u>	<u>\$ 1,085,059</u>	<u>\$ 1,193,856</u>	<u>\$ 921,220</u>	<u>\$ 1,011,868</u>
Borough of Somerville					
Municipal Government.....	\$ 19,204,751	\$ 18,870,326	\$ 19,011,190	\$ 18,748,454	\$ 18,639,704
Sewer Utilities.....	679,528	709,528	718,528	1,118,470	1,193,470
School Districts.....	29,542,000	29,557,000	30,612,000	31,622,000	31,097,000
Total Gross Debt Borough of Somerville.....	<u>\$ 49,426,279</u>	<u>\$ 49,136,854</u>	<u>\$ 50,341,717</u>	<u>\$ 51,488,924</u>	<u>\$ 50,930,174</u>

**MUNICIPALITIES IN SOMERSET COUNTY
SCHEDULE OF GROSS DEBT—CONTINUED**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Borough of South Bound Brook					
Municipal Government.....	\$ 2,998,507	\$ 3,128,507	\$ 3,043,507	\$ 3,912,000	\$ 3,280,707
School Districts.....	<u>3,297,000</u>	<u>3,512,000</u>	<u>3,717,000</u>	<u>3,247,507</u>	<u>4,097,000</u>
Total Gross Debt Borough of South Bound Brook.....	<u><u>\$ 6,295,507</u></u>	<u><u>\$ 6,640,507</u></u>	<u><u>\$ 6,760,507</u></u>	<u><u>\$ 7,159,507</u></u>	<u><u>\$ 7,377,707</u></u>
Township of Warren					
Municipal Government.....	\$ 15,415,247	\$ 16,108,746	\$ 17,313,276	\$ 11,800,012	\$ 11,990,745
School Districts.....	<u>24,343,373</u>	<u>26,115,316</u>	<u>32,709,588</u>	<u>33,491,010</u>	<u>32,613,645</u>
Total Gross Debt Township of Warren.....	<u><u>\$ 39,758,620</u></u>	<u><u>\$ 42,224,062</u></u>	<u><u>\$ 50,022,864</u></u>	<u><u>\$ 45,291,022</u></u>	<u><u>\$ 44,604,390</u></u>
Borough of Watchung					
Municipal Government.....	\$ 27,862,113	\$ 28,663,481	\$ 28,522,151	\$ 27,346,254	\$ 26,008,484
School Districts.....	<u>19,016,267</u>	<u>20,483,604</u>	<u>23,498,362</u>	<u>25,212,322</u>	<u>25,433,832</u>
Total Gross Debt Borough of Watchung.....	<u><u>\$ 46,878,380</u></u>	<u><u>\$ 49,147,085</u></u>	<u><u>\$ 52,020,513</u></u>	<u><u>\$ 52,558,576</u></u>	<u><u>\$ 51,442,316</u></u>

AUTHORITY DEBT*

	Total Outstanding Debt <u>December 31, 2009</u>
Middlesex County Utilities Authority	\$257,322,416
Participants (Costs Distributed on Basis of Usage)	
Borough of Bound Brook	
Borough of South Bound Brook	
Township of Franklin Sewerage Authority	
 The Somerset Raritan Valley Sewerage Authority.....	 \$ 33,868,589
Participants and Customers (Costs Distributed on Basis of Usage)	
Borough of Somerville	
Borough of Raritan	
Township of Bridgewater	
Township of Branchburg	
Township of Warren	
Hillsborough Municipal Utilities Authority	
 Hillsborough Municipal Utilities Authority	 \$ 3,674,035
Township of Warren Sewerage Authority	\$ 13,417,000
Township of Franklin Sewerage Authority	\$ 20,665,277

* No actual or contingent liability for the indebtedness exists on the part of the County.

MUNICIPALITIES IN SOMERSET COUNTY
DEBT SERVICE RATIOS BASED ON 2009 ANNUAL DEBT STATEMENTS

	Debt School		Municipal Debt		School and		Equalized	% Statutory
	Purposes		Self	Other	Municipal	Municipal		
	Local	Regional	Liquidating Utilities		Total Gross Debt	Statutory Net Debt	Valuation Basis	Net Debt Municipal
Bedminster	\$ 7,025,000	\$ 0	\$ 0	\$ 8,408,835	\$ 15,433,835	\$ 8,074,327	\$ 2,738,999,874	0.29%
Bernards	86,345,000	0	0	23,120,000	109,465,000	19,680,463	7,209,863,560	0.27%
Bernardsville	26,752,158	0	475,000	8,344,725	35,571,883	8,344,725	2,622,133,864	0.32%
Bound Brook	2,310,000	0	0	17,849,383	20,159,383	17,679,383	958,218,174	1.85%
Branchburg	31,850,000	0	2,617,800	23,531,166	57,998,966	10,316,666	3,204,280,773	0.32%
Bridgewater	0	52,780,792	2,470,656	63,882,304	119,133,752	63,492,563	9,798,657,002	0.65%
Far Hills	5,070,394	0	0	0	5,070,394	0	496,978,690	0.00%
Franklin	53,765,000	0	16,422,762	62,884,712	133,072,474	37,181,325	8,922,077,166	0.42%
Greenbrook	20,299,000	0	451,492	1,999,479	22,749,971	1,939,243	1,556,983,250	0.12%
Hillsborough	32,210,000	0	0	22,827,078	55,037,078	15,195,577	6,150,967,399	0.25%
Manville	1,249,000	0	0	10,776,251	12,025,251	10,776,251	1,154,021,570	0.93%
Millstone	0	0	0	0	0	0	55,159,841	0.00%
Montgomery	83,556,191	0	40,750,000	55,971,812	180,278,003	54,422,233	4,939,483,878	1.10%
North Plainfield	8,163,642	0	2,044,810	13,779,347	23,987,799	15,824,157	1,898,648,514	0.83%
Peapack-Gladstone	8,949,447	0	1,400,000	5,640,336	15,989,783	5,640,336	877,187,142	0.64%
Raritan	0	6,934,712	0	4,027,363	10,962,075	4,027,363	1,314,755,095	0.31%
Rocky Hill	0	0	24,168	952,315	976,483	772,164	136,126,733	0.57%
Somerville	29,542,000	0	679,528	19,204,751	49,426,279	19,387,015	1,414,630,650	1.37%
South Bound Brook	3,297,000	0	0	2,998,507	6,295,507	2,998,507	361,567,847	0.83%
Warren	5,460,000	18,883,373	0	15,415,247	39,758,620	15,090,247	4,789,832,637	0.32%
Watchung	11,638,000	7,378,267	0	27,862,113	46,878,380	27,862,113	1,871,522,980	1.49%
Total	\$ 417,481,832	\$ 85,977,144	\$ 67,336,216	\$ 389,475,724	\$ 960,270,916	\$ 338,704,658	\$ 62,472,096,639	

All information is as of December 31, except Franklin Township, which is as of June 30.

COUNTY OF SOMERSET
TAX RATES OF MUNICIPALITIES
(Per \$100 of Assessed Valuation)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Township of Bedminster						
County.....	\$.31	\$.29	\$.28	\$.28	\$.30	\$.32
County Open Space.....	.04	.03	.03	.03	.03	.03
Local Open Space .....	.02	.02	.02	.02	.02	.02
District School .....	.63	.59	.55	.56	.55	.58
Local Purpose.....	<u>.27</u>	<u>.25</u>	<u>.23</u>	<u>.23</u>	<u>.24</u>	<u>.24</u>
Total Tax Levy	<u>\$1.27</u>	<u>\$1.18</u>	<u>\$1.11</u>	<u>\$1.12</u>	<u>\$1.14</u>	<u>\$1.19</u>
Township of Bernards						
County.....	\$.30	\$.29	\$.28	\$.27	\$.27	\$.29
County Open Space.....	.03	.03	.03	.03	.03	.03
Local Open Space .....	.04	.04	.04	.04	.04	.04
District School	1.20	1.08	.99	.96	.92	.93
Local Purpose.....	<u>.26</u>	<u>.23</u>	<u>.22</u>	<u>.23</u>	<u>.23</u>	<u>.26</u>
Total Tax Levy	<u>\$1.83</u>	<u>\$1.67</u>	<u>\$1.56</u>	<u>\$1.53</u>	<u>\$1.49</u>	<u>\$1.55</u>
Borough of Bernardsville						
County.....	\$.30	\$.28	\$.27	\$.26	\$.27	\$.28
County Open Space.....	.03	.03	.03	.03	.03	.03
Local Open Space .....	.02	.02	.02	.02	.02	.02
Regional School.....	.92	.83	.77	.76	.74	.80
Local Purpose.....	<u>.37</u>	<u>.33</u>	<u>.29</u>	<u>.27</u>	<u>.27</u>	<u>.28</u>
Total Tax Levy	<u>\$1.64</u>	<u>\$1.49</u>	<u>\$1.38</u>	<u>\$1.34</u>	<u>\$1.33</u>	<u>\$1.41</u>
*Borough of Bound Brook						
County.....		\$.31	\$.60	\$.58	\$.53	\$.50
County Open Space.....		.04	.07	.06	.05	.05
Local Open Space		--	--	--	--	--
District School		1.44	2.86	2.91	2.83	2.67
Local Purpose.....		<u>.74</u>	<u>1.44</u>	<u>1.43</u>	<u>1.36</u>	<u>1.30</u>
Total Tax Levy		<u>\$2.53</u>	<u>\$4.97</u>	<u>\$4.98</u>	<u>\$4.77</u>	<u>\$4.52</u>
Township of Branchburg						
County.....	\$.30	\$.29	\$.28	\$.28	\$.28	\$.30
County Open Space.....	.03	.03	.03	.03	.03	.03
Local Open Space .....	.05	.05	.05	.05	.05	.05
District School	1.35	1.29	1.23	1.20	1.22	1.32
Local Purpose.....	<u>.28</u>	<u>.26</u>	<u>.24</u>	<u>.21</u>	<u>.21</u>	<u>.21</u>
Total Tax Levy	<u>\$2.01</u>	<u>\$1.92</u>	<u>\$1.83</u>	<u>\$1.77</u>	<u>\$1.79</u>	<u>\$1.91</u>
Township of Bridgewater						
County.....	\$.32	\$.29	\$.29	\$.30	\$.30	\$.34
County Open Space.....	.04	.03	.03	.03	.03	.03
Local Open Space	--	.04	.04	.04	.04	.04
Regional School.....	1.22	1.16	1.11	1.10	1.04	1.05
Local Purpose.....	<u>.23</u>	<u>.21</u>	<u>.21</u>	<u>.19</u>	<u>.19</u>	<u>.20</u>
Total Tax Levy	<u>\$1.81</u>	<u>\$1.73</u>	<u>\$1.68</u>	<u>\$1.66</u>	<u>\$1.60</u>	<u>\$1.66</u>
Borough of Far Hills						
County.....	\$.31	\$.28	\$.27	\$.26	\$.28	\$.30
County Open Space.....	.03	.03	.03	.03	.03	.03
Local Open Space	--	--	--	--	--	--
Regional School.....	.39	.33	.31	.34	.32	.32
Local Purpose.....	<u>.42</u>	<u>.36</u>	<u>.31</u>	<u>.31</u>	<u>.29</u>	<u>.31</u>
Total Tax Levy	<u>\$1.15</u>	<u>\$1.00</u>	<u>\$.92</u>	<u>\$.94</u>	<u>\$.92</u>	<u>\$.96</u>

**Borough of Bound Brook's 2010 tax rate is not yet available.*

COUNTY OF SOMERSET
TAX RATES OF MUNICIPALITIES--(Continued)
(Per \$100 of Assessed Valuation)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Township of Franklin						
County.....	\$.28	\$.27	\$.28	\$.27	\$.27	\$.29
County Open Space.....	.03	.03	.03	.03	.03	.03
Local Open Space.....	.05	.05	.05	.05	.05	.05
District School.....	1.26	1.16	1.22	1.19	1.17	1.21
Local Purpose.....	<u>.33</u>	<u>.30</u>	<u>.33</u>	<u>.32</u>	<u>.31</u>	<u>.35</u>
Total Tax Levy.....	<u>\$1.95</u>	<u>\$1.81</u>	<u>\$1.89</u>	<u>\$1.86</u>	<u>\$1.83</u>	<u>\$1.93</u>
Township of Green Brook						
County.....	\$.28	\$.29	\$.29	\$.28	\$.27	\$.26
County Open Space.....	.03	.03	.03	.03	.03	.03
Local Open Space.....	--	.01	.01	.02	.02	.02
District School.....	1.39	1.34	1.31	1.28	1.17	1.03
Local Purpose.....	<u>.40</u>	<u>.38</u>	<u>.36</u>	<u>.31</u>	<u>.29</u>	<u>.28</u>
Total Tax Levy.....	<u>\$2.10</u>	<u>\$2.05</u>	<u>\$2.00</u>	<u>\$1.92</u>	<u>\$1.78</u>	<u>\$1.62</u>
Township of Hillsborough						
County.....	\$.44	\$.44	\$.45	\$.43	\$.42	\$.41
County Open Space.....	.05	.05	.05	.05	.04	.05
Local Open Space.....	.04	.04	.04	.04	.04	.04
District School.....	--	1.98	1.97	1.96	1.91	1.84
Regional School.....	2.05	--	--	--	--	--
Local Purpose.....	<u>.43</u>	<u>.42</u>	<u>.41</u>	<u>.40</u>	<u>.36</u>	<u>.36</u>
Total Tax Levy.....	<u>\$3.01</u>	<u>\$2.93</u>	<u>\$2.92</u>	<u>\$2.88</u>	<u>\$2.77</u>	<u>\$2.70</u>
Borough of Manville						
County.....	\$.27	\$.27	\$.28	\$.26	\$.24	\$.52
County Open Space.....	.03	.03	.03	.03	.03	.05
Local Open Space.....	--	--	--	--	--	--
District School.....	1.11	1.08	1.06	1.01	.97	2.00
Local Purpose.....	<u>.71</u>	<u>.69</u>	<u>.71</u>	<u>.60</u>	<u>.53</u>	<u>.99</u>
Total Tax Levy.....	<u>\$2.12</u>	<u>\$2.07</u>	<u>\$2.08</u>	<u>\$1.90</u>	<u>\$1.77</u>	<u>\$3.56</u>
Borough of Millstone						
County.....	\$.26	\$.24	\$.24	\$.23	\$.26	\$.33
County Open Space.....	.03	.03	.03	.02	.03	.03
Local Open Space.....	--	--	--	--	--	--
District School.....	--	1.13	.86	.76	.83	1.03
Regional School.....	1.39	--	--	--	--	--
Local Purpose.....	<u>.54</u>	<u>.54</u>	<u>.54</u>	<u>.54</u>	<u>.57</u>	<u>.73</u>
Total Tax Levy.....	<u>\$2.22</u>	<u>\$1.94</u>	<u>\$1.67</u>	<u>\$1.55</u>	<u>\$1.69</u>	<u>\$2.12</u>
Township of Montgomery						
County.....	\$.34	\$.36	\$.35	\$.34	\$.33	\$.31
County Open Space.....	.04	.04	.04	.04	.03	.03
Local Open Space.....	.04	.04	.04	.04	.04	.04
District School.....	--	1.78	1.74	1.70	1.64	1.55
Regional School.....	1.83	--	--	--	--	--
Local Purpose.....	<u>.30</u>	<u>.30</u>	<u>.30</u>	<u>.26</u>	<u>.23</u>	<u>.23</u>
Total Tax Levy.....	<u>\$2.55</u>	<u>\$2.52</u>	<u>\$2.47</u>	<u>\$2.38</u>	<u>\$2.27</u>	<u>\$2.16</u>
Borough of North Plainfield						
County.....	\$.27	\$.28	\$.62	\$.60	\$.56	\$.51
County Open Space.....	.03	.03	.07	.07	.06	.05
Local Open Space.....	--	--	--	--	--	--
District School.....	1.55	1.51	3.27	3.29	3.12	2.94
Local Purpose.....	<u>.88</u>	<u>.80</u>	<u>1.63</u>	<u>1.48</u>	<u>1.36</u>	<u>1.27</u>
Total Tax Levy.....	<u>\$2.73</u>	<u>\$2.62</u>	<u>\$5.59</u>	<u>\$5.44</u>	<u>\$5.10</u>	<u>\$4.77</u>

COUNTY OF SOMERSET
TAX RATES OF MUNICIPALITIES--(Continued)
(Per \$100 of Assessed Valuation)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Borough of Peapack-Gladstone						
County.....	\$.33	\$.30	\$.30	\$.29	\$.30	\$.31
County Open Space.....	.04	.03	.03	.03	.03	.03
Local Open Space.....	.03	.03	.03	.03	.03	.03
Regional School.....	.89	.83	.78	.77	.81	.89
Local Purpose.....	.49	.49	.44	.43	.45	.46
Total Tax Levy.....	<u>\$1.78</u>	<u>\$1.68</u>	<u>\$1.58</u>	<u>\$1.55</u>	<u>\$1.62</u>	<u>\$1.73</u>
Borough of Raritan						
County.....	\$.32	\$.31	\$.30	\$.31	\$.30	\$.30
County Open Space.....	.04	.04	.03	.03	.03	.03
Local Open Space.....	--	--	--	--	--	--
Regional School.....	1.27	1.23	1.13	1.12	1.00	.96
Local Purpose.....	.62	.59	.58	.55	.50	.47
Total Tax Levy.....	<u>\$2.25</u>	<u>\$2.17</u>	<u>\$2.04</u>	<u>\$2.01</u>	<u>\$1.83</u>	<u>\$1.76</u>
Borough of Rocky Hill						
County.....	\$.58	\$.60	\$.60	\$.59	\$.58	\$.54
County Open Space.....	.07	.07	.07	.07	.06	.05
Local Open Space.....	.02	.02	.02	.02	--	--
District School.....	--	2.12	1.98	1.65	1.40	1.30
Regional School.....	2.11	--	--	--	--	--
Local Purpose.....	.71	.72	.69	.64	.67	.63
Total Tax Levy.....	<u>\$3.49</u>	<u>\$3.53</u>	<u>\$3.36</u>	<u>\$2.97</u>	<u>\$2.71</u>	<u>\$2.52</u>
Borough of Somerville						
County.....	\$.56	\$.59	\$.59	\$.53	\$.50	\$.48
County Open Space.....	.06	.07	.07	.06	.05	.05
Local Open Space.....	--	--	--	--	--	--
District School.....	3.20	3.12	3.00	2.89	2.76	2.65
Local Purpose.....	1.65	1.49	1.40	1.35	1.21	1.12
Total Tax Levy.....	<u>\$5.47</u>	<u>\$5.27</u>	<u>\$5.06</u>	<u>\$4.83</u>	<u>\$4.52</u>	<u>\$4.30</u>
Borough of South Bound Brook						
County.....	\$.27	\$.29	\$.60	\$.57	\$.53	\$.49
County Open Space.....	.03	.03	.07	.06	.05	.05
Local Open Space.....	--	--	--	--	--	--
District School.....	1.66	1.60	3.26	3.21	3.00	2.84
Local Purpose.....	.80	.74	1.54	1.52	1.51	1.48
Total Tax Levy.....	<u>\$2.76</u>	<u>\$2.66</u>	<u>\$5.47</u>	<u>\$5.36</u>	<u>\$5.09</u>	<u>\$4.86</u>
Township of Warren						
County.....	\$.31	\$.31	\$.30	\$.30	\$.31	\$.31
County Open Space.....	.04	.03	.03	.03	.03	.03
Local Open Space.....	.02	.02	.02	.02	.02	.02
District School.....	.95	.83	.77	.75	.74	.75
Regional School.....	.41	.36	.34	.32	.30	.33
Local Purpose.....	.28	.23	.20	.19	.19	.19
Total Tax Levy.....	<u>\$2.01</u>	<u>\$1.78</u>	<u>\$1.66</u>	<u>\$1.61</u>	<u>\$1.59</u>	<u>\$1.63</u>
Borough of Watchung						
County.....	\$.31	\$.30	\$.29	\$.31	\$.31	\$.30
County Open Space.....	.04	.03	.03	.03	.03	.03
Local Open Space.....	--	.02	.02	.02	.02	.02
District School.....	.72	.64	.59	.54	.57	.50
Regional School.....	.35	.32	.30	.30	.30	.29
Local Purpose.....	.46	.41	.40	.37	.36	.37
Total Tax Levy.....	<u>\$1.88</u>	<u>\$1.72</u>	<u>\$1.63</u>	<u>\$1.57</u>	<u>\$1.59</u>	<u>\$1.51</u>

COUNTY OF SOMERSET
NET VALUATIONS TAXABLE

	Fiscal Year Beginning January 1				
	2010	2009	2008	2007	2006
Township of Bedminster.....	\$2,342,159,138	\$2,560,663,000	\$ 2,665,189,213	\$ 2,611,247,886	\$ 2,483,460,479
Township of Bernards.....	6,427,802,477	6,823,757,000	7,145,257,680	7,145,579,652	6,464,893,897
Borough of Bernardsville.....	2,339,973,917	2,555,612,200	2,696,641,905	2,678,361,185	2,379,951,338
Borough of Bound Brook.....	857,026,922	860,046,411	427,525,632	426,823,567	759,370,131
Township of Branchburg.....	2,903,295,110	2,997,213,621	3,104,918,263	3,109,676,947	2,824,632,320
Township of Bridgewater.....	8,696,846,384	8,883,669,448	9,088,763,868	9,178,040,920	9,260,495,093
Borough of Far Hills.....	439,317,165	476,290,238	508,604,897	477,863,541	441,885,395
Township of Franklin.....	9,221,090,266	9,615,436,535	8,860,335,690	8,770,370,572	7,981,222,124
Township of Green Brook.....	1,472,516,839	1,477,089,060	1,467,984,470	1,455,709,427	1,339,968,704
Township of Hillsborough.....	3,835,611,331	3,789,955,791	3,737,778,962	3,693,852,115	5,168,789,699
Borough of Manville.....	1,159,805,394	1,157,697,495	1,155,084,576	1,156,211,776	946,950,396
Borough of Millstone.....	57,647,035	60,770,798	62,416,755	62,615,156	51,613,901
Township of Montgomery.....	3,751,709,034	3,766,716,686	3,762,277,120	3,734,641,139	4,225,881,920
Borough of North Plainfield....	1,784,013,785	1,795,932,934	844,299,283	837,790,034	1,611,309,737
Borough of Peapack- Gladstone.....	696,208,334	761,687,170	826,529,097	846,611,057	822,453,317
Borough of Raritan.....	1,140,949,392	1,139,161,885	1,152,275,941	1,141,321,495	1,176,090,525
Borough of Rocky Hill.....	63,319,893	62,711,835	62,506,662	62,303,496	121,124,170
Borough of Somerville.....	659,431,551	661,052,475	658,258,364	658,992,455	1,092,995,811
Borough of South Bound Brook.....	340,573,963	343,677,585	166,098,176	164,688,605	295,902,393
Township of Warren.....	3,870,044,665	4,308,808,548	4,485,141,180	4,465,230,057	4,346,835,453
Borough of Watchung.....	1,580,694,587	1,717,712,484	1,818,101,284	1,846,325,175	1,857,818,879
TOTAL.....	<u>\$53,640,037,182</u>	<u>\$55,815,663,199</u>	<u>\$54,695,989,018</u>	<u>\$54,524,256,257</u>	<u>\$55,653,645,682</u>

COUNTY OF SOMERSET
HIGHEST TAXPAYERS (ASSESSMENTS) 2010

	<u>Assessed Value</u>
Bedminster Township	
Metropolitan Tower Ins Co	\$193,000,000
Jaygrace Co LLC	37,151,400
Lamington Farm Club	33,245,100
Bernards Township	
Verizon Corp Svcs Group Inc	\$207,570,500
Fellowship Village Inc	50,055,100
Avaya Inc/CB R Ellis/German	42,050,000
Bernardsville Borough	
Bernardsville Center LLC	\$ 17,885,000
Falcon Crest 21 LLC	10,711,900
Mine Mt Land Co/SH Country Club	10,350,000
Bound Brook Borough	
Bound Brook LLC	\$ 23,520,000
Middlebrook Center LLC	18,127,600
Garfield Park Assoc. LLC	4,260,000
Branchburg Township	
Roche	\$ 87,992,000
Imclone Systems Corp	84,323,900
Transco Gas Pipeline Corp	30,174,300
Bridgewater Township	
Bridgewater Commons Mall	\$202,450,000
Sanofi-Aventis Us Inc.	139,200,000
SLG 55 Corporate II	126,200,000
Far Hills Borough	
Farrendale	\$ 7,202,800
Grohowski, Leo	6,378,200
Jabara, Mouna	6,222,200
Franklin Township	
I & G Garden State LLC	\$121,600,000
290 Davidson Ave	58,542,000
Corporate Real Estate Holding	55,940,000
Green Brook Township	
Colonial Square LTD	\$ 10,397,400
Crystal Motors Inc	7,598,300
PG'S Family LLC	7,071,200
Hillsborough Township	
KD Hillsborough 44A Inc	\$ 28,419,200
Texas Eastern Transmission Corp	23,527,000
Reckitt & Coleman, Inc.	18,199,100
Manville Borough	
National Retail Resources, LP	\$ 41,302,500
Adesa New Jersey, Inc.	25,000,000
Rustic Mall LLC	4,326,900
Millstone Borough	
Texas Eastern Trans Corp	\$ 1,879,300
Marganoff, Bruce & Phyllis	740,900
JPP Properties	740,900

COUNTY OF SOMERSET
HIGHEST TAXPAYERS (ASSESSMENTS) 2010 - (Continued)

	<u>Assessed Value</u>
Montgomery Township	
Pike Run LLC/Cloverleaf Plaza	\$ 90,068,200
Montpen/Research Park LLC/ABCF LLC/GHMNO	53,108,500
Presbyterian Homes @ Montgomery	47,300,400
North Plainfield Borough	
Vornado.....	\$ 47,438,300
Greenbrook Realty Co.....	39,662,000
Cypress Garden Apts.....	18,006,200
Peapack-Gladstone Borough	
Pharmacia & Upjohn Company.	\$114,176,162
Komline Sanderson Engineering.....	7,431,400
Somerset County	7,203,500
Raritan Borough	
Ortho Pharmaceutical Corp.....	\$192,938,000
Ortho Diagnostic Systems, Inc.	54,798,000
J & J Information Technology Services	45,506,000
Rocky Hill Borough	
J & R Associates LLC.....	\$ 3,404,000
Stephen P. Hayden	652,000
Bank of America	641,400
Somerville Borough	
Brookside at Somerville LLC	\$ 19,636,400
JSM at Somerville LLC	12,917,100
DeSapio Properties #10 LLC	9,232,800
South Bound Brook Borough	
Finchley Gardens	\$ 10,058,400
Towne Oaks	8,776,500
Town & County Developers @ SBB	5,713,600
Warren Township	
King George Property Co.....	\$110,492,700
Somerset Assoc. c/o Chubb & Son	83,148,000
Mt. Bethel Corp.....	80,732,200
Watchung Borough	
Watchung Square Associates	\$ 85,849,000
WM Crystal Ridge LLC.....	56,964,000
Levin Properties LLC.....	53,250,000

SUMMARY--TEN HIGHEST TAXPAYERS (ASSESSMENTS)

1. Verizon Corp Svcs Group Inc., Bernards Township
2. Bridgewater Commons Mall, Bridgewater Township
3. Metropolitan Tower Ins. Co., Bedminster Township
4. Ortho Pharmaceutical Corp., Bridgewater Township
5. Sanofi-Aventis US Inc., Bridgewater Township
6. SLG 55 Corporate II, Bridgewater Township
7. I & G Garden State LLC, Franklin Township
8. Pharmacia & Upjohn, Peapack/Gladstone Borough
9. King George Property Co., Warren Township
10. Roche, Branchburg Township

COUNTY OF SOMERSET
COMPARISON ASSESSED VALUATION AND EXEMPT PROPERTY
2005-2009

Fiscal Year Beginning January 1	Taxable Value of Land	Taxable Value of Improvements Thereon	Total Taxable Value of Land and Improvements	Total Value of Real Property Exempt from Taxation	Total Value of Land and Improvements	Percent Exempt Land and Improvements to Total Value of Land and Improvements
2009	\$22,323,171,443	\$33,400,046,015	\$55,723,217,458	\$3,694,516,064	\$59,417,733,522	6.22%
2008	21,267,379,170	33,351,180,716	54,618,559,886	3,427,957,909	58,046,517,795	5.90
2007	21,274,197,100	33,175,837,907	54,450,035,007	3,300,680,245	57,750,715,252	5.71
2006	20,857,366,012	32,333,916,656	53,191,282,668	3,129,569,003	56,320,851,671	5.55
2005	19,362,459,373	29,588,198,254	48,950,657,627	2,942,778,119	51,893,435,746	5.67

Tax Collection Record

The following table is the current real property tax collection record of the County for the years 2005 through 2009.

Fiscal Year Beginning January 1,	Total County Tax	Uncollected At End of Fiscal Year December 31,
2009.....	\$169,929,100	0
2008.....	170,839,214	0
2007.....	167,500,000	0
2006.....	163,802,454	0
2005.....	157,589,774	0

Tax Collection Process and Collection of Delinquent Taxes

County Taxes are collected by the municipalities and paid to the County Treasurer. The municipal levy includes all county, school, and municipal taxes.

Each municipality is required to pay to the County Treasurer its share of the county purpose tax on the fifteenth day of February, May, August and November of each year.

COUNTY BUDGET AND STATEMENTS OF REVENUE AND EXPENDITURES

Budget Requirements

Pursuant to the Local Budget Law, Chapter 4 of Title 40A of New Jersey Statutes Annotated, the County is required to have a balanced budget in which debt service is included in full for each fiscal year.

In general, the provisions of the Local Budget Law restrict the amount of revenue which can be anticipated in the budget to the prior year's actual collections, and limit the deferral of operation costs not anticipated in the budget incurred to one (1) year.

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

The Local Budget Law limits anticipated tax revenues to the same proportion that actual cash collections in the previous year bore to the total levy of that year, and requires a reserve amount to be factored into the budget to make up for the expected shortfall in actual collections. Anticipated non-tax revenues of the County are limited to the amount actually realized during the previous year, unless the Director of the Division authorizes a higher figure.

The Director of the Division has no authority over individual operating appropriations, unless a specific amount is required by law, but the Director's review functions, which focus on anticipated revenues, serve to protect the solvency of the County. The County budget, by law and regulation of the Division, must be in balance and is a "Cash Basis" budget.

Miscellaneous Revenues

The principal sources of County revenue are real estate taxes and miscellaneous revenues as set forth below.

Miscellaneous revenues generally consist of operating surplus from prior years, state and federal aid, fees and permits, fines, board of paying patients in County and State institutions, and investment income.

"No miscellaneous revenues from any source shall be included as 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." N.J. Stat. Ann. Section 40A:4-26.

"No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof." N.J. Stat. Ann. Section 40A:4-10.

The exception to this is the inclusion of categorical grant-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the County's calendar year. However, grant revenue is not realized until received in cash.

Employees

The County provides services to its citizenry through approximately 1,225 full-time general County employees and 250 part time County employees.

Approximately fifty-five (55%) percent of County employees are represented by seventeen (17) labor organizations recognized by the County under the Public Employees Relations Commission Act of 1968 (P.E.R.C.). Of the seventeen labor organizations, three (3) are at impasse, one (1) is in Interest Arbitration, one (1) is in Fact Finding, one (1) are currently negotiating, one (1) will expire in 2010, six (6) will expire in 2011, and four (4) will expire in 2012.

PENSION SYSTEM

Pension Benefits

County employees are principally covered under the New Jersey Public Employees Retirement System. Law Enforcement officers are covered by the Police and Firemen's Retirement System of New Jersey. These employees are on a contributory basis with a contribution funded by the County. The County's expense in connection with the New Jersey Public Employees Retirement System is funded on an actuarial basis provided by the State. The County is assessed on an annual basis for its share of State Retirement System Pension Costs.

The amounts of the County's contributions for the last seven (7) years are shown below. The Division of Pension and Benefits did not provide an option for counties and municipalities to pay a reduced contribution of 50% from local governments into the Pension fund or fully fund them at 100% in 2010. In keeping with the County's conservative financial planning philosophy, the County chose in 2010 to pay its full pension liability of \$10.350 million and not participate in the phase in program. The County will continue to budget 100% for pension obligations in 2010 in anticipation of increasing contributions in future years.

CONTRIBUTIONS TO RETIREMENT SYSTEMS

2009.....	\$8,862,955
2008.....	4,802,277
2007.....	2,509,507
2006.....	2,244,848
2005.....	1,018,355
2004.....	1,897,631
2003.....	2,738,787

SOMERSET COUNTY: AN OVERVIEW

The following is a brief description of economic factors affecting the County, including information concerning population, employment, commercial activity, construction data, housing, government, and general economic conditions, and financial planning framework.

Created in 1688, Somerset County (covering 305 square miles in the heart of Central New Jersey) is comprised of twenty-one (21) municipalities, including twelve (12) boroughs and nine (9) townships. The County is thirteenth in size of New Jersey's twenty-one (21) counties and is one (1) of only two (2) counties which do not touch a state boundary. It is bounded by Union County to the east, Morris County to the north, Hunterdon County to the west, and Mercer and Middlesex Counties to the south. On the borders of Somerset County are the communities of Princeton, Plainfield, New Brunswick, and Morristown. Somerville, the County seat, is forty-six (46) miles from New York City, twenty-nine (29) miles from Trenton, sixty-nine (69) miles from Philadelphia's Center City, and forty-six (46) miles from Allentown, Pennsylvania.

Although situated in heavily-populated Central New Jersey between New York and Philadelphia in the nation's largest metropolitan area, Somerset County surprises the visitor with its balanced suburban-rural environment and its bustling commercial growth. Fine residential communities, beautiful parks, and good shopping areas are coupled with extensive farmlands, outstanding commercial parks, and modern corporate-office complexes. Stable and effective municipal and county government, excellent schools, expanding recreational facilities, effective planning and zoning, and moderate taxes all combine to increase the County's attractiveness making it a desirable place to live and work. A 6,350-seat, County-owned minor league ballpark in Bridgewater has been home to the Somerset Patriots of the independent Atlantic League of Baseball since it opened in June 1999.

Somerset County Government

The Legislature of the State of New Jersey has given the Somerset County Board of Chosen Freeholders power to regulate County property, finances, and affairs. The Freeholders establish the amount to be raised by property taxes for county purposes. The municipalities levy and collect the taxes and remit the specified amounts to the County. A library tax is also levied upon the thirteen (13) municipalities which use the County library facilities; the Borough of Somerville is poised to become the 14th in January 2011. The Board controls all County property, directly, in the case of the Somerset County Administration Buildings, the County Courthouse, the County Jail, County garages, county roads, and all bridges within the County except those on state and federal highways, and indirectly, through the respective Boards involved, parklands and campuses of the community (County) college and vocational schools.

Only the State of New Jersey has retained the historic title of Freeholder for leaders of county government. The Freeholder title came to the colonies from England and pertained to land owners who were chosen or elected to administer County affairs.

The Somerset County Board of Chosen Freeholders has five (5) members, one (1) or two (2) of whom are elected each year from the County at-large for a three-year term. Freeholders spend a substantial amount of their time on County business, but are not required to be full-time elected officials. Because of the growing complexity of government and the stress of intergovernmental relations, an increasing amount of Freeholder time is spent in meetings with federal, state and municipal officials and legislators. The annual salary for the Freeholders is \$21,902, and \$22,902 for the Director.

In addition to being a policy-making body, the Freeholders also are required by statute to assume responsibility for administration within the County. The Board of Chosen Freeholders has created the Office of County Administrator to act as the executive officer for the Board. Administration of Somerset County government is, therefore, carried out by the Board of Chosen Freeholders acting as a body, based on recommendations by standing committees or through the County Administrator acting for the Board. In September 2010, the Freeholder Board created the position of Deputy Administrator and also established a fourth County department – Public Health and Safety – which encompasses the County Health Department, Office of Emergency Management, 911 Communications Unit and Police Academy. The three existing umbrella departments are Public Works, Human Services and Finance & Administrative Services.

Environmental protection, conservation of resources, shared services, proper planning for future growth and development, and the safety and well-being of its citizens are all major goals for County government. The County engages stakeholders in extensive planning and outreach processes as it develops an array of long-range plans and studies to achieve these goals. Master plans for land use, solid waste, waste-water management, recreation and open space, as well as a variety of human-service studies and plans, are kept current and are used to make decisions about County services and programs.

In recent years, county government in New Jersey has become a major provider of services. In addition to the traditional services provided by the Prosecutor's Office, Planning Board, Library System, Engineering, Road and Bridge divisions, and by the elected County Clerk, Surrogate and Sheriff, Somerset County provides a broad range of new and equally important services. Among these are programs utilizing significant federal and state funds, such as nutrition programs for the aged, welfare services and transportation for the elderly and disabled.

Somerset County, filling a need partially created by state fiscal problems, expanded its comprehensive mental health program; a long-awaited addition to its mental health center in Bridgewater opened in June 2009. The Consumer Protection Division, one of the first such county offices in the nation, has served as a model for many of

the counties and municipalities within the state. Raritan Valley Community College (formerly Somerset County College), the Vocational & Technical Schools, the Park Commission, and the County's joint purchasing program for municipalities and school districts are just some of the services provided by the County. In 2010, the Somerset County Technology Institute formerly operated by the Vo-Tech Schools was absorbed by RVCC at the SCTI campus in Bridgewater.

Financial Management

The County's prudent financial planning and management are the keystones to its ability to provide needed services, programs and facilities. The County's Finance Committee, consisting of two Freeholders, the County Administrator, the Director of Policy, the Comptroller, and the CFO/Director of Finance develop and utilize a series of models to gauge the long-term fiscal impact of current budget decisions and mid-term economic trends. Analysis of future budget expenditures and revenue needs are measured against projections of growth, tax base and tax rates, capital budget needs and state imposed limitations on tax revenues available for County operations. The purpose of this effort is to ensure that financial decisions support the clearly stated long-term goals of low taxes, quality services to County residents and a continuation of Somerset County's reputation of sound fiscal management.

As part of its annual budget preparation, the Finance Committee considers many factors:

- Changes in the County population from a demographic standpoint as well as from a service needs perspective
- Various aspects of the economy - from development patterns to job growth and business changes to interest rates
- Changes in the demands on county government including devolution from higher levels of government, and new legislation and regulations
- Citizen comments and recommendations made throughout the year
- State requirements regarding budgets
- Multi-year projections about the economy and budgets
- Requests and recommendations from managers throughout the County
- Recommendations of volunteer boards and commissions
- Financial policies and management practices of the County
- Opportunities for Shared Services and partnerships with other local governments

More than a decade ago, the County adopted a capital financing philosophy that provides for tax rate stability, careful debt management and budgetary flexibility. A capital improvement fund was established to balance "pay as you go" financing with debt issuance.

The County prepares a 6-year capital funding plan each year as a long-term guide for planning capital projects. The plan covers both debt service costs of prior years and additional funding for the upcoming planning cycle. The intent is to determine the amount of money that can be made available for capital improvement projects in any given 6-year period based upon predetermined criteria. This allows for a realistic identification of future capital budget costs; encourages managers to set priorities for capital projects based on need and the predicted availability of funding; and provides greater flexibility for future years.

A similar 6-year planning concept is applied to the use of proceeds from the Open Space, Farmland and Historic Preservation Trust Fund. This allows for a realistic identification of future Trust Fund needs and costs, encourages managers to set priorities for open space, farmland and historic projects based on need and the availability of money, and provides greater flexibility for future years.

The Open Space, Farmland and Historic Preservation Trust Fund is supported by a dedicated voter approved tax of \$0.03 per \$100 of assessed value. A portion of the tax has been used to cover debt service on \$90 million authorized debt borrowed (of which \$65.1 million is outstanding as of December 31, 2009) to enable the County to purchase open space at a much more rapid rate, during this time of incredible land development activity.

In 1990, the Legislature of the State of New Jersey passed, and the Governor signed into law, Chapter 89, Public Law of 1990 (the "CAP Law"), which revised the CAP calculations for municipalities and counties. For

counties, the cap is a limitation on the amount to be levied through property taxes. For municipalities, it is a limitation on increases in expenditures.

The basis for the 2010 calculation remains the same as in prior years, i.e. the limitation is imposed on appropriations for municipalities and on the tax levy for counties. The Cap calculations are summarized as follows:

1) Addition to previous year's adjusted tax rate at a percentage promulgated by the State	2.5%
2) Taxes on the value of new construction which occurred during the previous year.....	Added
3) Designation of certain appropriations to be "outside" the CAP, meaning that increases are added to the adjusted tax base. These appropriations for Somerset County include the following:	
Debt Service	Outside
Capital Improvements	Outside
Board of Social Services Costs.....	Outside
County College Appropriations Over 1992 Base	Outside
Employee Pension Costs	Outside
Match for grants	Outside
Deferred/Emergency	Outside

Additionally, the Legislature of the State of New Jersey has previously enacted P.L. 2007, c. 62 (the "Property Tax Act") effective April 3, 2007, which imposed 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 Property Tax Act has now been amended by the provisions of P.L. 2010, c. 44 effective June 13, 2010 (the "Amendment") and applicable to the next budget year following enactment. The amendment reduces the tax levy cap to 2% from 4%, limits exclusions only to capital expenditures, including debt service, certain increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare cost increases in excess of 2% and extraordinary costs directly related to a declared emergency. Waivers from the Division of Local Government Services or the Local Finance Board are no longer available under the Amendment.

Existing Law allows unused CAP to be placed into a bank for a period of up to two years. The process encourages prudent budget practices in any given year as well as the development of a financial planning process oriented towards stable tax policies. The existence of the CAP bank allows a government unit to respond to short and mid term changes in the financial environment without resorting to emergency measures. Somerset County currently banks an amount equal to approximately 1% of the allowable tax levy base.

Year-end fund balance (surplus) has been at least \$17.4 million since 1998. Although fund balance is used as a portion of budget revenues, a significant amount is held in reserve for unanticipated needs and future use. At the beginning of 2010, with the surplus balance being \$35.639 million, \$17.400 million was appropriated, leaving \$18.239 million in reserve.

The combination of a significant surplus reserve and available CAP bank provides the County significant ability to respond to any unforeseen financial problems or changes in economic environments.

The anticipated revenues necessary for 2010, as compared to 2009, are as follows:

	2010	2009	Difference
Surplus Anticipated	\$ 17,400,000.00	\$ 18,180,000.00	(\$ 780,000.00)
Revenues Anticipated (excluding grants).....	25,000,000.00	26,705,298.00	(1,705,298.00)
Amount to be raised by Taxation	<u>168,829,100.00</u>	<u>169,929,100.00</u>	<u>(1,100,000.00)</u>
	<u>\$211,229,100.00</u>	<u>\$214,814,398.00</u>	<u>(\$3,585,298.00)</u>

SOMERSET COUNTY
SUMMARIES--COUNTY TAX DATA--EQUALIZED VALUES
10 YEARS PLUS 2010

<u>Budget Years</u>	<u>COUNTY TAX</u>		<u>EQUALIZED VALUES</u>		<u>County Rate Rate Per \$100 Assessed Value</u>
	<u>(Millions)</u>	<u>% Change Year to Year</u>	<u>(Billions)</u>	<u>% Change Year to Year</u>	
2010	\$169,829	-0.65%	\$63.681	-0.61%	.2651
2009	169,929	-0.53	64.069	1.38	.2652
2008	170,839	1.99	63.196	3.23	.2703
2007	167,500	2.26	61.219	10.00	.2736
2006	163,803	3.94	55.655	9.94	.2943
2005	157,590	4.90	50.625	12.04	.3120
2004	150,229	6.09	45.183	11.78	.3336
2003	141,605	4.67	40.421	11.72	.3507
2002	135,288	6.95	36.180	13.67	.3747
2001	126,500	7.39	31.830	11.71	.3980
2000	117,790	4.46	28.493	5.09	.4137

The County is also able to stretch its tax dollars with the assistance of volunteers, businesses, and other governmental agencies. For example, during 2009, individual Park Commission volunteers contributed almost 5,000 hours of service throughout the park system. If converted into paid staff hours, this would be the equivalent of more than \$120,000. Group and corporate volunteers donated another 1,400 hours assisting the Park Rangers and the Environmental Education Center staff, equating to almost \$34,000 in additional savings to the Park Commission.

The County Park Commission also sponsors a free concert series each summer. These programs, which appeal to a wide variety of musical tastes, are underwritten by generous contributions from local corporations. The Park Commission also supervises the delivery of recreation and inclusion services for people with disabilities and autism-spectrum disorders through its Therapeutic Recreation Program, which was launched in 1980 with the help of state funds. Since 1983, the award-winning TR Department has been financed by the County, participating towns, and through user fees.

The County has been very active with other governments in the area of shared services. Sharing services enables governments to save tax dollars. The County currently offers dozens of services to its constituent municipalities, such as road construction, engineering, vehicle fueling and maintenance, snow plowing, traffic-signal maintenance, employee-training programs, emergency dispatch and public-health services. The County shares facilities and programs with other counties, including juvenile detention with Middlesex County, and the County College with Hunterdon County. The County contracts medical examiner services from the State of New Jersey. Somerset County also operates a significant purchasing cooperative to garner savings from volume purchases.

The Somerset County Board of Chosen Freeholders has now expanded the shared services concept to provide towns, local school districts and other local governmental entities with another means of financing capital programs and projects. The Somerset County Improvement Authority was created under State Statute (N.J.S.A. 40:37A-44 et seq.) and provides options and alternatives for capital-project funding through economies of scale, lower interest rates, more flexible debt schedules and terms, and lower issuance costs.

A key project funded through the Improvement Authority is the Renewable Energy Program. Following a public hearing in July 2010, the Board of Freeholders approved a county-guarantee ordinance for \$55 million in Improvement Authority bonds to cover the first phase of a countywide solar-panel project. Proposals from one or more vendors to construct solar arrays on public-sector rooftops and properties around the county were due in late September 2010. The project's first phase includes 31 rooftop and ground-level sites in 15 municipalities and school districts.

Participating municipalities and school districts will not incur debt service or out-of-pocket costs. Towns and school districts will be responsible for paying their electric bills, at a reduced rate as a result of the solar-energy production. Annual cost savings on the electricity generated by the solar panels are estimated at between 20 and 35 percent, depending on the roof or ground-area size and other factors. The county expects to recoup all costs,

including those associated with hiring the legal and technical consultants who have developed the program, through the generation of electricity and sale of the corresponding solar renewable-energy credits, or SRECs, thereby making the entire project taxpayer-neutral.

The County has been involved in other energy-conservation measures as well, including retrofitting of lighting and heating equipment throughout County facilities, and the purchase of more than 60 hybrid gas-electric vehicles for the County's fleet since 2004. To further the County's energy-conservation goals, the Board of Freeholders created the Somerset County Energy Council in January 2008. The Council hosted a countywide Energy-Smart Somerset Forum in 2009 and is currently redesigning its website (www.co.somerset.nj.us/program/energycouncil.html).

Open space preservation continues to be a key goal of Somerset County government. A public referendum in 1997 increased the dedicated open space tax, garnering broad public support. In 2005, voters approved a further amendment allowing the County to use open-space funds for the development and/or improvement of park and recreation facilities on county-owned parkland or property purchased through the dedicated fund. The County is actively pursuing an aggressive acquisition program to meet its long-standing goal of preserving open space. Funding through the dedicated tax also provides for farmland preservation, greenways acquisitions and historic preservation. To date, 11,400 acres of parkland have been preserved, along with 7,415 acres of farmland and another 3,253 acres of greenways.

The County leveraged more than \$11.8 million in federal economic development grants to assist Bound Brook, Manville and South Bound Brook with redevelopment after Hurricane Floyd in 1999, and provided \$2.5 million in matching funds. The County also was instrumental in obtaining federal assistance for towns battered by nor'easters in April 2007 and March 2010.

The Regional Center Partnership held a very successful visioning initiative in April 1999, bringing together experts from across North America to develop a Vision Plan for the three-town center, through a public charette process. This served as the foundation for the development of an award-winning Strategic Master Plan in 2006 and numerous projects improving the quality of life for residents and businesses in the Center.

The County also provides a broad range of services and programs for its more than 36,000 senior citizens, including seven (7) senior centers which provide nutritious meals as well as a range of socialization and health-promotion opportunities, a home-delivered meals program, a photo ID-card program, in-home services, outreach, health and wellness promotion programs, educational activities, assessment and referral services, care management, transportation, and more. In 2007, the County and the Visiting Nurse Association of Somerset Hills opened a jointly funded facility housing the new VNA headquarters and a County-run Senior Wellness Center in Basking Ridge.

Somerset County continues to be a leader in youth services as well. The County sponsors an active youth council, bringing together young leaders from each high school to address issues of concern. Nearly every municipality partners with the County on Municipal Alliances to address drug and alcohol issues. The County provides a range of model programs and services for at-risk juveniles, including intensive case management and alternatives to conventional detention. In addition to providing better alternatives for youth, the programs deliver significant cost-savings for taxpayers.

The County maintains an enterprise Geographic Information System (GIS). As of 2008 there are three GIS websites providing public viewing of geographic data, property information and public works construction projects occurring in the county. GIS technology is being used by ten county divisions, the County Sheriff's Office and three affiliated agencies; the Prosecutor's Office, Board of Elections and Park Commission. The system supports many municipal governments and non-profit organizations by providing geospatial data and guidance in use of GIS technology for law enforcement, fire protection, land use planning, public works and more.

More recent examples of successful shared services undertaken by Somerset County include the construction of a joint public works facility that will be shared by Bound Brook, Bridgewater and the County. The Bound Brook portion was completed in 2007, and the remaining two sections will be under way in 2009. Also in 2009, the Board of Freeholders provided funding to Somerset Medical Center for the purchase of two new ambulances that have enhanced the 24/7 emergency medical assistance coverage to all 21 municipalities. In a related move, the Freeholders helped create a new Emergency Medical Technician program offered cooperatively by the Vo-Tech Schools, Raritan Valley Community College and Somerset Medical Center.

A new grant program, financed through the Somerset County Improvement Authority, also was established in 2009 to fund upgrades to local recreational fields. Low-cost financing has allowed school districts in Somerville, North Plainfield and Manville to install new turf fields; Green Brook is the next district scheduled to receive a similar grant.

The County subcontracts its primary economic development functions, including targeted attraction and expansion of local businesses, to the Somerset County Business Partnership. The partnership was formed by the merger of the Somerset County Chamber of Commerce, the Somerset Alliance for the Future and the Somerset County Coalition for Smart Growth.

In April 2009, with funding from the Freeholder Board, the Somerset County Business Partnership hired a consultant to conduct an in-depth study of emerging industries that might do well in Somerset County due to its trends and resources, including demographics, land use, transportation, talent pool and academia. This is part of the Freeholders' proactive approach to managing the County's economic recovery as the recession starts to ease.

Somerset County has taken full advantage of modern communications technologies to inform citizens both on routine matters and in emergencies. The County's free email-subscription service, launched in 2003, has more than 19,000 subscribers to almost 100 different items, from meeting agendas and minutes to recycling and senior program announcements to road closings and emergency weather alerts. The County's website (www.co.somerset.nj.us), created in 1997, underwent a full redesign in 2007. In 2009, the County started using Facebook and Twitter to augment its web and email communications. An e-newsletter replaced the County's printed newsletters in January 2009, saving about \$50,000 a year in production and mailing costs.

The Somerset County seat in Somerville is home to Vicinage 13 of the State Superior Court System. The County's renovated Historic Courthouse is a three-story high structure of white Alabama Marble with a copper dome roof that supports the gold leafed statue of Justice. The interior of the building is constructed with terrazzo, wood and marble flooring as well as wood and marble walls. Eight columns support the central rotunda. The columns extend from the ground floor to the stained glass dome ceiling. The courtrooms are used for court hearings. The offices are used by state-court-personnel for judicial purposes. The Historic Courthouse is located in Somerville, and was originally constructed in 1907. The adjacent County-owned church building has undergone extensive restoration. The church-building continues to be used as a jurors' waiting area for the Historic Courthouse and the County Courthouse Complex.



**COUNTY OWNED HISTORIC COURTHOUSE
BUILDING LOCATED IN SOMERVILLE**

Population

The rate of county population growth exceeded the national and state growth rates from 1930 to 2000, excluding 1971 to 1980 when population growth was approximately equal to that of the state, but behind the national rate. The most recent population increase for Somerset County from 2000-2009 was 9.875%.

**POPULATION GROWTH RATE
PERCENT (%) INCREASE**

	<u>Somerset</u>	<u>New Jersey</u>	<u>United States</u>
1930.....	35.7%	28.0%	16.1%
1940.....	14.2	2.9	7.2
1950.....	33.1	16.2	14.5
1960.....	45.2	25.4	18.5
1970.....	37.8	18.1	13.3
1980.....	2.4	2.7	11.5
1990.....	18.3	4.9	9.8
2000.....	20.3	8.9	13.2
2009.....	9.875	3.49	10.25

Source: U.S. Census Bureau – Census of Population and Housing

A dramatic turnaround in growth trends occurred for both the County and State in the 1980's. The availability of developable land, the establishment of Planned Unit Development (PUD) Zones and designated redevelopment areas, a favorable economic climate and the tremendous increase in employment opportunities, are some of the major forces behind the dramatic increase in net migration. This increase in net migration occurred in Somerset County throughout the 1990's, and early years of the current decade.

Somerset County's population increased by 20.3% from 247,279 in 1990 to 297,490 in 2000, the highest growth rate among New Jersey's counties. Recently the County's population has grown at a much slower rate—9.875% between the years of 2000-2009. Somerset County ranked as the fastest growing county in New Jersey between the years of 2008-2009.

POPULATION

	<u>Somerset</u>	<u>New Jersey</u>	<u>United States</u>
1930.....	65,132	4,041,324	122,775,046
1940.....	74,390	4,160,165	131,665,275
1950.....	99,052	4,835,329	151,325,798
1960.....	143,913	6,066,782	179,323,175
1970.....	198,372	7,168,143	203,211,926
1980.....	203,129	7,364,823	226,504,825
1990.....	247,279	7,730,188	248,709,873
2000.....	297,490	8,414,350	281,421,906
2009*.....	326,869	8,707,739	310,270,251

Source: U.S. Bureau of the Census, Census of Population and Housing, 1930 – 2000.

*U.S. Bureau of the Census, Population Estimates Branch, Annual Population Estimates for July 2009.

Paralleling the growth in population was the significant increase in the number of housing units built in Somerset County from 1980 to 2009. The latest data available regarding building permit statistics are summarized below:

SOMERSET COUNTY
RESIDENTIAL BUILDING PERMITS
1980-2009

<u>Period</u>	<u>Single Family</u>	<u>Multifamily</u>	<u>Total</u>
1980-1984	5,669	1,524	7,193
1985-1989	13,199	2,667	15,866
1990-1994	6,208	991	7,199
1995-1999	9,221	1,840	11,061
2000-2009	<u>7,579</u>	<u>4,294</u>	<u>11,873</u>
	<u>41,876</u>	<u>11,316</u>	<u>53,192</u>

Source: Annual Summaries of New Jersey Residential Building Permits, New Jersey Department of Labor and Workforce Development, through 2009.

2000 Census figures reveal approximately 112,023 housing units in the County. This represents a 20.9% (19,370 units) increase over the 92,653 tabulated in the 1990 Census. The housing stock has grown an additional 9.27% percent Countywide from 112,023 to 122,408 between 2000-2009 based on 2009 American Community Housing Unit Survey estimates. Most of the development that has taken place during the past 15 years occurred in the rapidly suburbanizing townships such as Montgomery, Bridgewater, Hillsborough and Franklin.

Utilities

Somerset County is well served by the two (2) major power utilities in New Jersey--the Public Service Electric and Gas Company, and Jersey Central Power and Light. The industrial/economic structure of Somerset County is not oriented toward industries that are power consumptive. Therefore, Somerset County is fortunate to have adequate supplies of gas and electricity, with no decrease in employment or production directly attributable to power restrictions.

Somerset County has an excellent supply of water in the region, since the major reservoir system of New Jersey, Round Valley and Spruce Run, feeds directly into the Raritan River, which traverses Somerset County.

The Raritan River is also a major source of riparian water for the industries of Somerset County. In addition, the Delaware and Raritan Canal traverses the southern portion of Somerset County and serves as a major source of water.

Most of Somerset County's communities are supplied directly or indirectly by the New Jersey American Water Company, which has its major plant located in Somerset County, adjacent to the Raritan River. Water service to major residential and industrial development areas has been excellent.

Within Somerset County there are several municipally operated sewer systems along with two major regional sewer systems. The eastern region of Somerset County is served by the major treatment plant of the Middlesex Sewerage Authority. The central area of Somerset County is served by The Somerset-Raritan Valley Sewerage Authority.

Telecommunications needs throughout the County are primarily met by Verizon, AT&T, and Sprint companies, and a variety of cell phone services.

Cable TV providers serving Somerset County are Comcast, Cablevision, Patriot Media and TKR.

Economic Development

Somerset County continues to maintain a relatively strong economy, particularly in light of regional, state, and national economic conditions.

Market research conducted by the Somerset County Business Partnership indicates that, as of September 2010, Somerset County's commercial office and industrial markets remain strong.

Commercial office inventory is approximately 28,000,000 square feet in Somerset County, New Jersey. As of September 2010 year to date commercial office leasing activity was 425,000 square feet. Total commercial office vacancy as of September 2010 was approximately 3,800,000 square feet, down from 4,280,000 in June of 2009. As of September 2010 the commercial office vacancy rate in Somerset County, New Jersey was 14 percent, similar to the statewide average commercial office vacancy rate of 14.8 percent. The September 2010 average time on market for commercial office space in Somerset County is approximately 26 months, up slightly from a 26 month average a year ago.

Similarly, Somerset County's industrial/flex markets remain vibrant with an overall inventory of approximately 35,400,000 square feet of space and an overall vacancy rate of 9 percent as of September 2010. The average time on market for industrial space is approximately 26 months. Year to date leasing activity for industrial flex space in 2010 was a little over 1,000,000 square feet.

Average annual rent, on a per square foot basis, for commercial office space in Somerset County, New Jersey is currently \$23.80. Average annual rent, on a per square foot basis, for industrial/flex space in Somerset County, New Jersey is \$5.03 net.

Indicative of its position as a desirable location for the life sciences and communications industry sectors, sanofi-aventis, Johnson & Johnson, Pfizer, AT&T, Verizon, and Qualcomm all have a significant presence in Somerset County. In the commercial office market, Celgene Corporation, Software House International, and NicOx all announced over past year that they will be adding to their presence in Somerset County, New Jersey. On the technology and manufacturing front, MX Solar, a solar panel manufacturer, has signed a lease for 138,000 square feet of industrial space in Franklin Township.

The service sector continues to dominate the County's employment growth and economic composition. The top four service-producing industries, listed in order from highest to lowest anticipated employment growth are as follows: Health Care and Social Assistance, Professional Scientific, and Technical Services, Administrative Support and Waste Management and Retail Trade and. These four service-producing industries account for nearly 61% of the total growth projected in Somerset County, according to the NJ Department of Labor's Estimated and Projected Employment by Major Industry Sector, 2006– 2016 for Somerset County.

Ratable growth in Somerset County was minus (-) .60 percent from 2009 to 2010.

Employment and Income

According to the New Jersey Department of Labor, Somerset County had a civilian labor force of 181,321 as of December 2009. Somerset County's unemployment rate in 2009 was 7.4%, which was below that of the statewide annual average unemployment rate. The total number of persons employed was 167,911 with 13,410 persons unemployed.

The U.S. Census Bureau's 2009 American Community Survey reports that Somerset County's per capita income was estimated between \$43,725 +-\$1,594 with a median household income of \$89,871+-\$3,082 with a median family income of \$137,870 +-\$6,230.

Non-agricultural industries in Somerset County with largest number of employees are Services, Retail Trade, Manufacturing, Finance/Insurance/Real Estate, and the Wholesale Trade. Service Industry employment alone accounts for nearly one-third of Somerset County's overall employment.

COUNTY OF SOMERSET
LABOR FORCE ESTIMATES 2006-2010

	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2006.....	181,500	175,200	6,300	3.4
2007.....	181,300	175,800	5,500	3.1
2008.....	180,900	173,500	7,400	4.1
2009.....	181,321	167,911	13,410	7.4
2010.....	180,157	165,886	14,271	7.9

Source: New Jersey Department of Labor and Workforce Development Analysis, Labor Market and Demographic Research Bureau of Labor Force Statistics, New Jersey Labor Force Estimates 2010

COUNTY OF SOMERSET
INDUSTRY SUPERSECTOR DATA TABLE PRIVATE OWNERSHIP
(Major Industry Sectors)

Supersector	Number of Establishments December 2009	Employment December 2009	12 Month Percent Change in Employment December 2008- December 2009	12 Month Change in Employment December 2008- December 2009
Construction	948	5,158	-10.0%	-576
Education and Health Services	1,170	21,366	5.1%	1,045
Financial Activities	793	12,727	-.01%	-15
Information	170	6,267	-12.1%	-860
Leisure and Hospitality	820	11,758	-3.8%	-463
Manufacturing	349	16,160	-9.5%	-1,689
Natural Resources and Mining	39	496	6.7%	31
Other Services	1,068	5,338	-3.6%	-199
Professional and Business Services	2,567	36,970	-0.3%	-99
Trade and Transportation and Utilities	1,984	34,094	-3.7%	-1,325

Source: Bureau of Labor Statistics QCEW State and County Map Somerset County Industry Supersector Data Table Private Ownership 4th Quarter 2009

*Notes: Data for industries with few units, or for industries where one employer makes up a significant portion of industry employment have been suppressed. The term unit means a single physical location or establishment where a business is conducted, or where services or industrial operations are performed. Those industries listed above highlight the major industry sectors that employ persons in Somerset County. The total number of industries listed above does not equal the Private Sector Total Average, because not all industry sectors in Somerset County are listed above.

Because the release of data identifiable to individual employers or employing establishments is generally prohibited, data are not published for industries with few units or where one employer is a significant percentage of employment or wages of the industry, regardless of the total number of units.

Home of the Blue Chips

Somerset County continues to attract and retain well-known corporations in corporate office environments.

Companies including Johnson & Johnson, Sanofi-aventis Pharmaceutical, Pfizer, Inc., Chubb Insurance, Verizon, and many others, either call Somerset County home or maintain a significant presence here.

Somerset County continues to be a location of choice for pharmaceutical, life sciences, telecommunications, and technology companies. The list of companies occupying 100,000 square feet or more of space reads as a who's who of corporate America.

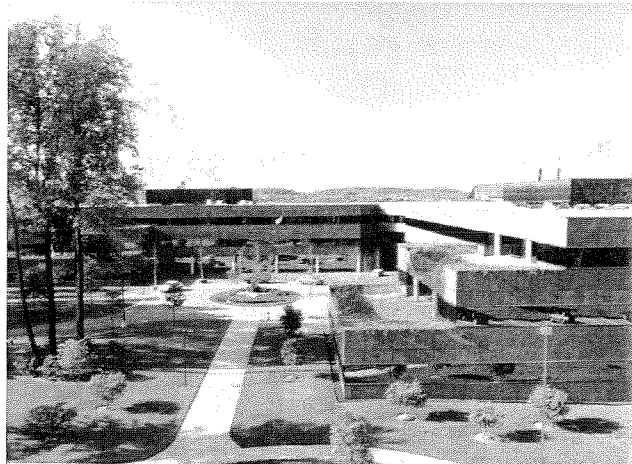
Verizon Communications occupies over 1,300,000 square feet of office space in the former AT&T/Pfizer office building in Basking Ridge (Bernards Township) Somerset County, New Jersey.

Sanofi-aventis occupies 970,000 square feet of space in Bridgewater Township while Ethicon, a division of Johnson & Johnson occupies nearly 600,000 square feet.

SBC Communications after adopting the AT&T name has a Network Operations Center in the County.

Other major corporations that maintain a significant presence in Somerset County are Brother International, Roche Molecular Systems, Metropolitan Life Insurance Co., North American Philips Lighting Co., and Pfizer, Inc.

It is important to note that, although Somerset County is well represented in the Fortune 500 community, there are over 12,000 business enterprises in Somerset County and over half of these businesses employ between 10 and 100 people.



**CHUBB & SONS, INC. HEADQUARTERS,
WARREN**



**PFIZER, INC.
PEAPACK-GLADSTONE**

Somerset County continues to maintain a commitment to attract and retain businesses in Somerset. Through the efforts of the Somerset County Business Partnership, an organization formed through the merger of the Somerset County Economic Development Office and the Somerset County Chamber of Commerce, a work program has been developed that will preserve and enhance both the quality of life and economic vitality in Somerset. This focus includes a concentration on redevelopment of brownfields--abandoned and underutilized properties, enhancing the County's workforce and workforce preparedness systems, investing in our infrastructure, promoting sustainable communities, and supporting business enterprises. The Somerset County Business Partnership also operates as a one-stop center for business assistance. These efforts will result in the retention and expansion of key industries in the County, including the telecommunications, bio-medical, and pharmaceutical fields.

Although Somerset County is known as a Blue Chip county for its presence of Fortune 500 companies, companies with 100 or fewer employees employ almost half of Somerset County's workforce. This fact indicates a diverse economic climate including large and small companies alike. Somerset County is home to over 12,000 business enterprises.

As one of New Jersey's fastest growing counties, there is a commitment to providing a broad range of economic opportunities through the adoption of a smart targeted development philosophy. This philosophy recognizes the community and economic development opportunities of all the County's individual municipalities, providing resources and assistance in the implementation of creative investment opportunities.

Total employment in Somerset County is expected to grow by 8.8 percent or 17,560 jobs by 2016. The 2009 unemployment rate in Somerset was 7.4 percent, well below national and regional averages.



**THE BRIDGEWATER COMMONS
SHOPPING MALL**

Agriculture

According to 2009 data, Somerset County's population, estimated at 326,869, is distributed over 306 square miles, making it one of the most rural counties in the State, with 1,068 people per square mile. Agriculture is still a major industry, with about 48,000 acres (14% of the land in the County) classified under agricultural land uses. The farms include dairy, beef, sheep, horse breeding, nurseries, vegetable, fruit orchard and exotic shrubs. The gross annual income from these farms was more than \$37 million in recent years.

The Somerset County Agriculture Development Board, which consists of ten (10) members, is an official body of Somerset County Government, created by the Board of Chosen Freeholders in April 1983. Its purpose is to aid in the preservation of Somerset County's farmland, as well as to promote the opportunity for agriculture to remain a viable industry. Somerset County has undertaken an assessment of farm marketing options to encourage the consumption of locally grown products. The Board is developing programs to retain and enhance agriculture as a profitable business in Somerset County.

To date, the County has preserved, or has under consideration, over 8,000 acres. Permanent development easements have been purchased, or are under consideration in eighty-six (86) farms.

The County is anticipating another 5 farms, totaling approximately 625 acres, during the 2010/2011 funding year.

Education

Raritan Valley Community College ("RVCC" or "College") serving Somerset and Hunterdon County residents for over 40 years, is committed to offering a quality and affordable education through effective teaching, liaisons with the community's businesses and state-of-the-art technology. RVCC offers over 90 associate degrees and certificates to a student body of over 8300. Non-credit courses are available for those seeking personal and professional development.

The College also offers some uniquely tailored programs for business and industry including customized training opportunities and job skill upgrading and retraining. Through the University Center the College offers opportunities to earn bachelor and masters level credits from four-year colleges at the RVCC campus. The College also has a Small Business Development Center to provide the highest quality of business assistance services to new and established businesses.

RVCC's Service Learning Program is a comprehensive and inclusive program that integrates service into the curriculum. Annually, over 800 students serve in more than 250 community organizations. The program serves as a national model of civic education and community engagement.

The College's Conference Center serves as a conduit to the corporate and academic community and provides conference and meeting rooms specifically designed to host a number of companies for their shareholder meetings, corporate functions, retreats, computer training and seminars. The site can accommodate up to 400 people in the grand conference room. In addition, the Branchburg Campus is home to a 1000-seat theatre, a 100-seat planetarium and a childcare center. The newest buildings on campus include the Christine Todd Whitman Science Center, which houses the state-of-the-art Institute for Biotechnology Education, and the West Building, the largest classroom building on campus.

The College is accredited by the Commission on Higher Education and the Middle States Association of Colleges and Schools. The campus lies at the crossroads of central New Jersey, with Routes 22, 202, 206 and Interstates 287 and 78 just minutes away.

The Somerset County Library System serves the residents of thirteen member municipalities through seven full-service library facilities hosted by the communities of Bound Brook, North Plainfield, Peapack Gladstone, Warren and Watchung and by the Mary Jacobs Foundation in Rocky Hill, together with a large regional library in Bridgewater and two mini-libraries in Branchburg and Martinsville. Administrative and support functions for the system are provided through offices located at the Bridgewater Library, which is jointly funded by the County and the Township of Bridgewater. The Borough Council of Somerville voted to merge its library into the System as of January 1, 2011.

Residents of member communities enjoy access to a collection of over 850,000 items, including a vast array of books, CDs, DVDs, magazines and newspapers, downloadable audio and eTexts, with many titles available for non-English speaking borrowers. The System offers thousands of programs throughout the year to residents of all ages, with a focus on building and enhancing literacy and promoting the exchange of ideas and information. Its public meeting rooms are a valued community resource and library branches are favorite locations for tutors. Among the most heavily used of all County facilities, library branches saw well over a million visits last year. The System is completely automated and provides public access to the Internet and its collection through hundreds of computers, as well as free WiFi networks in each branch.

A leader among New Jersey libraries, the Somerset County Library System has been consistently honored as a *Library Journal* Star Library for its outstanding services to the public.

The County's Vocational and Technical High School offers 21 occupation programs for full-time or shared-time County students (grades 9-12). Programs are also offered for at-risk youth. The district's academy for

medicine and allied health sciences opened in September 2006 is in collaboration with Raritan Valley Community College; successful graduates will receive both a high school diploma from Somerset County Vocational High School as well as an associate's degree from Raritan Valley Community College.

There are approximately 55,000 public school students in the County's public schools. The county is home to eleven public high schools, one county Vocational-Technical School, one county Educational Services Commission with two schools, fifteen middle schools and fifty public elementary schools. There are ninety three parochial and private schools in Somerset County, including many pre-kindergarten, kindergarten schools. There is one charter school in Somerset County

The schools in Somerset County offer their students a wide range of academic programs, career and technical courses of studies, special education programs, a diversity of Accelerated Placement (AP) courses, extra curricular activities and interscholastic athletic programs and competitions. Somerset County's public schools demonstrate high levels of achievement on the New Jersey State Department of Education's standardized assessments. Many of the high schools in Somerset County are known for the high percentage of their students who continue their studies in four year colleges, the acceptance rate of their students to the country's most competitive colleges and universities and success in interscholastic sports.

Rutgers Cooperative Extension helps the diverse population of Somerset County adapt to a rapidly changing society and improves their lives through an educational process that uses science-based knowledge focused on issues and needs related to food, nutrition, health and wellness; agriculture and the environment, and 4-H youth development.

Homes

Homes in Somerset County run the gamut from multi-unit apartment complexes, condominiums and townhouses to single-family dwellings in both town and rural settings. There also remains a large number of rolling estates covering hundreds of acres. More recently, the County has seen an influx of independent living, assisted living and continuing care retirement communities (CCRC) and independent living developments for the elderly. According to the New Jersey Builders Association, New Jersey Home Sales Report, Fourth Quarter 2009, the average price of new single-family home sold in Somerset County was \$652,226 compared to New Jersey which was \$451,848. In addition, the median sales price for an existing single family home in Somerset County was \$592,416 in 4th Quarter 2009 and in New Jersey it was \$340,521.

The County is also home to pre-Revolutionary buildings and sites, many of which have been maintained either as private residences or for public exhibition. Two (2) examples are the famous Washington's Headquarters at the Wallace House and the Old Dutch Parsonage, tourist attractions located in Somerville.

Thoughtful planning has ensured that development in Somerset County is compatible with the environment, with existing neighborhoods, and with the County's historical and cultural heritage.

Transportation

Getting into, around and out of Somerset County is convenient, given the County's accessibility to major highways, connecting roads, and two direct-line rail systems.

Somerset County's transportation system currently has five (5) major roads extending north to south and east to west. The main arteries through the County are Interstates 287 and 78, and Federal Highways Routes 22, 202 and 206. The New Jersey Turnpike, the Garden State Parkway and Interstate 80 are all readily accessible via interchanges with I-287 and I-78.

The County presently has good access to Manhattan via I-287 and the New Jersey Turnpike. Interstate I-78 also provides a quicker, more convenient access to the Turnpike, Newark Airport and the Holland and Lincoln tunnels into Manhattan. The County also has excellent access to Staten Island and Long Island, by way of I-287, the Outerbridge Crossing and Verrazzano Narrows Bridge; to the Bronx and New England via I-287, I-80; and to the George Washington Bridge. Traveling to Trenton, Philadelphia, and points south is also convenient via the New Jersey Turnpike and Interstate 95.

Mass transit bus and rail service is located at convenient points throughout the County. Local bus service is designed to take commuters to intra-county destinations, while the more traditional bus service connects residents to predominantly out-of-county destinations. New Jersey Transit's Raritan Valley line takes commuters to Hoboken and Newark, with PATH service available to Manhattan from both terminals. The Morris and Essex, Gladstone Branch takes commuters to Newark, Hoboken and Midtown Manhattan. The County is also actively supporting the activities of the Raritan Valley Rail Coalition and the reactivation of the West Trenton Line.

The County of Somerset is an active partner with RideWise of Raritan Valley, the County's Transportation Management Association (TMA). This organization offers services to employers related to ridesharing, transit, construction alerts, advocacy and other services. RideWise is a public-private partnership designed to make commuting within and through Somerset County less stressful, less congested and more convenient for all travelers regardless of mode.

Additionally, the County is committed to improving the lives of its senior citizen and disabled resident population through the para-transit services provided by the County Division of Transportation. The para-transit service provides curb-to-curb service for residents unable to drive or use regular transit to access the services they need, or to access their employment sites.

Recreation

As per the most recent public referendum held in 1997, voters approved a dedicated open space tax, at a rate of .03 per \$100 assessed home valuation. The revenues collected are also used for the acquisition of farmland, greenways, and the acquisition and restoration of historic sites, in addition to the original purpose of acquiring open space.

The Somerset County Park Commission is home to more than 11,000 acres of open space. Facilities operated by the Park Commission include a wide range of opportunities for leisure pursuits. Golf is a large component with five regulation golf courses, three driving ranges, a pitch and putt course, and a recreational putting course. Specialized facilities include a riding stable, an environmental education center, two tennis facilities, a swim club, paddle boating, and a roller hockey rink. Horticulture activities include a rock formation and rare plant garden, an award-winning rose garden, arboretum, and a sensory and fragrance garden. Five parks offer amenities, such as picnic facilities, bike paths, athletic fields, and fishing opportunities. The park system also encompasses several natural areas offering more passive pursuits, such as bird watching and hiking, and has embarked on a greenways program to connect open spaces bordering river corridors.

The Park Commission has established a tradition of providing quality and unique programs. Therapeutic Recreation provides year-round activities and events for children and adults with disabilities, as well as two summer programs for elementary-aged children and teens with learning disabilities or Asperger's Syndrome. Environmental education offers programs focusing on local environmental issues, archeology, and outdoor recreation. Lessons and clinics are offered at many of the facilities, aimed at introducing people to a variety of recreation skills. Many special events are also conducted by the Park Commission and attended by 70,000 people annually. The most known of these include the Free Summer Concert Series at Duke Island Park, the Fourth of July Family Festival, and the 1770's Festival. Numerous other events are also held throughout the year.

Equestrian events are also popular in Somerset County. The annual Essex Far Hills Race Meeting, formerly the Fox Hounds Steeplechase, is held each fall to benefit the Somerset Medical Center. The United States Equestrian Team is located at Hamilton Farms in Bedminster and is open to the public Monday through Saturday. Lord Stirling Stable hosts the combined Driving Event, as well as four house shows, lessons, nature rides, and children's birthday parties.

Each May, the annual Tour of Somerville bicycle classic attracts top amateur riders from the United States and abroad. The 50-mile race, held on Memorial Day since its inception in 1940 and viewed by over 30,000 spectators, is thought to be the oldest continuous bike race in America. The U.S. Bicycling Hall of Fame also is located in Somerville, the County seat.

Commerce Bank Ballpark, now known as TD Bank Park, a state-of-the-art minor league baseball facility, opened June 7, 1999 to a sellout crowd of over 6,500. The County-owned ballpark is home to the Somerset Patriots, of the independent Atlantic League of Baseball. The owner of the team is Steven Kalafer, a Central Jersey businessman.

The ballpark has continued to attract strong attendance and fan support. Average annual attendance exceeds the 360,000 level and the Somerset Patriots recognized their 3,600,000th fan in 2009.

The \$17.5 million facility is self-financed by the County. The cost will be repaid by revenues received through the lease of the stadium to the Patriots. The current lease continues through 2032 and provides for fixed payments by the Patriots to meet annual debt service requirements, plus a contribution to a dedicated maintenance account to be used for future capital costs. The County expects that long-term cash flow and financial stability of operations will support the original intent of the lease (i.e. taxpayer neutrality), while continuing to maintain County ownership and control of the facility.



TD BANK PARK

COUNTY OF SOMERSET
MAJOR INDUSTRIES EMPLOYING 250 OR MORE—2010

Municipality & Tenant

Description of Operation

Bedminster Township

Cegedim Dendrite.
 Celanese Corp.
 Intercall

Computer Software-Manufacturers
 Chemicals-Manufacturers
 Teleconferencing Service

Bernards Township

Avaya Inc.
 Cellco Partnership... ..
 Hooper Holmes Inc.
 Matheson Tri-Gas.....
 Memorial Sloan-Kettering.....
 Verizon Business.....
 Everest Re Group LTD

Telecommunications Services
 Cellular Telephones (Services)
 Risk Management Consultants
 Gas-Indstrl/Med-Cylinder & Bulk (Wholesale)
 Cancer Treatment Centers
 Telecommunications Services
 Insurance-Holding Companies

Bound Brook Borough

Somerset Tire Service, Inc.
 UPS

Automobile Repairing and Service
 Mailing & Shipping Services

Branchburg Township

Im Clone Systems Inc.
 Life Cell Corp

Pharmaceutical Research Laboratories
 Physicians & Surgeons Equip & Supls-Mfrs
 Physicians & Surgeons Equip & Supls-Mfrs
 Packaging Materials-Wholesale

Bridgewater Township

Alpharma Inc.....
 Baker & Taylor.
 Brother International Corp

Laboratories-Pharmaceutical (Mfrs)
 Book Dealers-Wholesale
 Office Equipment (Wholesale)
 Drug Millers (Mfrs)
 Banks
 Paint-Wholesale
 Computer Software-Manufacturers
 Distribution Centers (Wholesale)
 Pharmacies
 Drug millers (Mfrs)
 Computer-Software Developers
 Grocers-Retail

Franklin Township

Life Sciences Research Inc.....
 Catalent Pharma Solutions Inc

Laboratories-Research & Development
 Pharmaceutical Products-Wholesale
 Packaging Materials-Manufacturers
 Schools
 Biotechnology Products & Services
 Plastics-Products-Finished-Wholesale
 Perfumes Cosmetics/Toilet Preps (Mfrs)
 Laboratories-Pharmaceutical (Mfrs)
 Physicians & Surgeons Equip & Supls-Mfrs
 Real Estate
 Computers-Networking
 Employment Agencies & Opportunities
 Orthopedic Prosthetic/Surgical Appl. (Mfrs)

COUNTY OF SOMERSET
MAJOR INDUSTRIES EMPLOYING 250 OR MORE—2010 (Continued)

Municipality & Tenant

Description of Operation

Manville Borough

ADESA New Jersey

Automobile Auctions (Wholesale)

Montgomery Township

Carrier Clinic.....

Health Services

Bloomberg LP

News Service

Conva Tec Inc

Pharmaceutical Products-Wholesale

Johnson & Johnson Consumer Products

Drug Millers (Mfrs)

Peapack/Gladstone Borough

Matheny School & Hospital

Schools

Pfizer, Inc.

Pharmaceuticals

Raritan Borough

Johnson & Johnson Research & Development.....

Laboratories-Research & Development

Ortho-Clinical Diagnostics Inc.....

Biological Products (Mfrs)

Ortho-Mc Neil-Janssen Pharmaceutical

Physicians & Surgeons Equip & Supls-Mfrs

Somerville Borough

Ethicon Inc

Drug Millers (Mfrs)

Somerset Medical Center

Hospitals

Warren Township

ANADIGICS Inc.....

Semiconductor Devices (Mfrs)

Chubb Corp.

Insurance-Holding Companies

Independence Technology LLC

Wheel Chairs-Manufacturers

Virgin Mobile USA Inc.....

Cellular Telephones (Services)

Watchung Borough

Coworx Staffing Svc

Employment Agencies & Opportunities

Sears

Department Stores

Super Stop & Shop

Grocers-Retail

INDUSTRIAL POLLUTION CONTROL FINANCING AUTHORITY OF SOMERSET COUNTY

The County created the Industrial Pollution Control Financing Authority ("Authority") on May 7, 1974 pursuant to New Jersey Industrial Pollution Control Financing Law (Chap. 376-PL 1973). The Authority is authorized to:

- A. Finance the acquisition, construction, and installation of projects.
- B. Acquire a leasehold interest in the projects.
- C. Lease projects.
- D. Issue bonds to defray cost of projects.

As of December 31, 2009, the Authority has no bonds outstanding.

BANKRUPTCY

Pursuant to New Jersey Revised Statutes 52:27-40 to -45.10, any county, municipality, school district, or political subdivision of this State has the "power to file a petition or petitions with any United States court or court in bankruptcy . . . , for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts. . . ." The filing of such petition(s) must be authorized by resolution, in the case of county or school district, or by ordinance, in the case of a municipality or political subdivision, of the governing body adopted by the affirmative vote of not less than two-thirds ("2/3") of all the members elected to such governing body. Such petition(s) can only be filed with the approval of the Local Finance Board of the Division of Local Government Services of the Department of Community Affairs, State of New Jersey (hereinafter "Local Finance Board"). In addition thereto, no plan of readjustment can be approved, put into temporary effect, or finally confirmed by the court having jurisdiction thereover without the approval of the Local Finance Board. The County has not by resolution authorized the filing of a bankruptcy petition. The County is fiscally sound and has a broad and growing tax base. This reference to the bankruptcy statute is for disclosure purposes only and is not intended to be and should not be construed as an indication that the County expects to utilize the provisions of such laws.

LITIGATION

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

There are the usual matters pending against the County, such as worker's compensation claims (self-funded--reinsured), automobile negligence claims (covered by liability insurance) and other minor matters which would have negligible effect, if any, on the County's financial condition.

There are no suits or substantial claims that should have any material impact or effect upon the financial position of the County.

APPENDIX B

Financial Statements of the County



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Westfield 908-789-9300

Somerville 908-725-6688

Fax 908-789-8535

INDEPENDENT AUDITOR'S REPORT

The Honorable Director and Members
of the Board of Chosen Freeholders
County of Somerset
Administration Building
Somerville, New Jersey 08876

We have audited the accompanying financial statements - statutory basis of the various individual funds and the account group of the County of Somerset, New Jersey as of and for the years ended December 31, 2009 and 2008 and for the year ended December 31, 2009 as listed as financial statements - statutory basis in the foregoing table of contents. These financial statements - statutory basis are the responsibility of the management of the County of Somerset. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial statements contained in Government Auditing Standards issued by the Comptroller General of the United States, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Those standards and provisions 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 audit provides a reasonable basis for our opinion.

As described in Note 1, the County of Somerset prepares its financial statements on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates 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 U.S. generally accepted accounting principles.

In our opinion, because the County of Somerset prepares its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the various individual funds of the County of Somerset as of December 31, 2009 and 2008 or the results of its operations and changes in fund balance for the years then ended or the revenues or expenditures for the year ended December 31, 2009.

However, in our opinion, the financial statements - statutory basis present fairly, in all material respects, the financial position - statutory basis of the various individual funds and account group of the County of Somerset as of December 31, 2009 and 2008, and the results of its operations and changes in fund balance - statutory basis for the years then ended and the revenues, expenditures and changes in fund balance - statutory basis for the year ended December 31, 2009, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 2, 2010 on our consideration of the County of Somerset's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and

SUPLEE, CLOONEY & COMPANY

the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

We have also previously audited, in accordance with U.S. generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the balance sheets – statutory basis of the various funds as of December 31, 2007, 2006 and 2005 and the related statement of operations and changes in fund balances – statutory basis for the years ended December 31, 2007, 2006 and 2005 (none of which are presented herein); and we expressed unqualified opinions of those financial statements – statutory basis.

In our opinion, the information set forth in the selected financial information for each of the five years in the period ended December 31, 2009, appearing in this Official Statement, is fairly stated, in all material respects. In relation to the financial statements from which it has been derived.

In accordance with Government Auditing Standards, we have also issued a report dated July 2, 2010, on our consideration of the County of Somerset's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit in accordance with Government Auditing Standards and should be read in conjunction with the report in considering the results of our audit.

SUPLEE, CLOONEY & COMPANY
Certified Public Accountants

/s/ Robert B. Cagnassola
Robert B. Cagnassola, C.P.A., R.M.A.

July 2, 2010

COUNTY OF SOMERSET
CURRENT FUND
BALANCE SHEETS - STATUTORY BASIS

	<u>BALANCE DECEMBER 31, 2009</u>	<u>BALANCE DECEMBER 31, 2008</u>
<u>ASSETS</u>		
Current Fund:		
Cash - Regular	\$ 38,608,905.21	\$ 42,185,094.76
Investments	<u>12,904,000.00</u>	<u>13,208,000.00</u>
	\$ 51,512,905.21	\$ 55,393,094.76
Change Fund	<u>350.00</u>	<u>350.00</u>
	<u>\$ 51,513,255.21</u>	<u>\$ 55,393,444.76</u>
Receivables and Other Assets with Full Reserves:		
Revenue Accounts Receivable	\$ 627,162.53	\$ 611,160.31
Due Trust Other Fund	10.00	10.00
Maintenance of Patients in State Institutions - Adjuster's Office	49,731.17	49,731.17
Guidance Center Charges Receivable	<u>9,015,680.20</u>	<u>8,182,584.06</u>
	<u>\$ 9,692,583.90</u>	<u>\$ 8,843,485.54</u>
Deferred Charges	<u>\$ 602,506.54</u>	<u>\$ 803,346.54</u>
	<u>\$ 61,808,345.65</u>	<u>\$ 65,040,276.84</u>
Grant Fund:		
Cash	\$ 2,393,633.64	\$ 14,147.35
Grants Receivable	100,518,702.12	83,890,235.41
Due Current Fund	<u>197,868.00</u>	<u></u>
	<u>\$ 103,110,203.76</u>	<u>\$ 83,904,382.76</u>
	<u>\$ 164,918,549.41</u>	<u>\$ 148,944,659.60</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

COUNTY OF SOMERSET
CURRENT FUND
BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Current Fund:		
Liabilities:		
Appropriation Reserves	\$ 8,234,143.80	\$ 8,348,114.03
Accounts Payable	2,682,794.89	2,450,996.26
Encumbrances Payable	4,755,926.14	6,937,784.62
Reserve for Tax Appeals	200,826.13	156,534.18
Due Grant Fund	197,868.00	
Emergency Note Payable	602,506.54	803,346.54
	<u>\$ 16,674,065.50</u>	<u>\$ 18,696,775.63</u>
Reserve for Receivables and Other Assets	9,692,583.90	8,843,485.54
Fund Balance	<u>35,441,696.25</u>	<u>37,500,015.67</u>
	<u>\$ 61,808,345.65</u>	<u>\$ 65,040,276.84</u>
Grant Fund:		
Encumbrances Payable	\$ 11,109,911.51	\$ 15,549,459.66
Due General Capital Fund		
Reserve for Grants Unappropriated	2,670,174.44	2,599,670.02
Reserve for Grants Appropriated	<u>89,330,117.81</u>	<u>65,755,253.08</u>
	<u>\$ 103,110,203.76</u>	<u>\$ 83,904,382.76</u>
	<u>\$ 164,918,549.41</u>	<u>\$ 148,944,659.60</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

COUNTY OF SOMERSET

CURRENT FUND

**STATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - STATUTORY BASIS**

	<u>YEAR 2009</u>	<u>YEAR 2008</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 18,180,000.00	\$ 21,950,000.00
Miscellaneous Revenue Anticipated	80,531,234.70	72,113,395.93
Receipts From Current Taxes	169,929,100.00	170,839,214.00
Non-Budget Revenue	7,513,499.36	6,635,660.07
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	7,579,450.52	7,359,686.37
Canceled Accounts Payable		611,807.41
Canceled Federal Grant Reserves		243,880.96
Canceled State Grant Reserves	2.82	1,093,227.66
<u>Total Income</u>	\$ <u>283,733,287.40</u>	\$ <u>280,846,872.40</u>
<u>Expenditures</u>		
Budget Appropriations:		
Operations	\$ 220,498,247.48	\$ 213,673,779.10
Capital Improvements	14,989,207.00	21,784,346.00
Debt Service	17,401,198.00	16,322,100.33
Deferred Charges and Statutory Expenditures	14,722,103.00	10,794,263.00
Canceled Federal Grant Receivables		6,916.11
Canceled State Grant Receivables		582,437.89
Refund of Prior Year Revenue	851.34	
<u>Total Expenditures</u>	\$ <u>267,611,606.82</u>	\$ <u>263,163,842.43</u>
Excess in Revenue	\$ 16,121,680.58	\$ 17,683,029.97
<u>Fund Balance</u>		
Balance, January 1	<u>37,500,015.67</u>	<u>41,766,985.70</u>
	\$ 53,621,696.25	\$ 59,450,015.67
Decreased by:		
Utilization as Anticipated Revenue	<u>18,180,000.00</u>	<u>21,950,000.00</u>
Balance, December 31	\$ <u><u>35,441,696.25</u></u>	\$ <u><u>37,500,015.67</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

COUNTY OF SOMERSET
TRUST FUND
BALANCE SHEETS - STATUTORY BASIS

	<u>BALANCE DECEMBER 31, 2009</u>	<u>BALANCE DECEMBER 31, 2008</u>
A S S E T S		
Trust-Other Fund:		
Cash	\$ 23,222,653.81	\$ 30,478,319.18
Investments	4,340,000.00	4,340,000.00
	<u>\$ 27,562,653.81</u>	<u>\$ 34,818,319.18</u>
Housing and Community Development Act Grant Receivable	<u>\$ 4,724,673.34</u>	<u>\$ 4,590,988.08</u>
	<u>\$ 32,287,327.15</u>	<u>\$ 39,409,307.26</u>
Library Fund:		
Cash	<u>\$ 1,385,495.57</u>	<u>\$ 2,845,285.92</u>
Open Space, Recreation, Farmland and Preservation Trust Fund:		
Cash	\$ 14,792,618.02	\$ 31,314,071.36
Investments	13,000,000.00	15,500,000.00
	<u>\$ 27,792,618.02</u>	<u>\$ 46,814,071.36</u>
Due Library Trust Fund		1,448,323.31
	<u>27,792,618.02</u>	<u>48,262,394.67</u>
	<u>\$ 61,465,440.74</u>	<u>\$ 90,516,987.85</u>
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>		
Trust-Other Fund:		
Due Current Fund	\$ 10.00	\$ 10.00
Reserve for:		
Housing and Community Development Act	1,982,152.37	1,776,625.84
Prosecutors Funds	312,445.84	302,028.34
Miscellaneous Reserve Accounts	24,700,341.89	30,763,769.94
Encumbrances Payable	5,292,377.05	6,566,873.14
	<u>\$ 32,287,327.15</u>	<u>\$ 39,409,307.26</u>
Library Fund:		
Reserve for County Library Expenditures	\$ 1,385,495.57	\$ 1,396,962.61
Due Open Space Fund		1,448,323.31
	<u>1,385,495.57</u>	<u>2,845,285.92</u>
Open Space, Recreation, Farmland and Preservation Trust Fund:		
Reserve for Open Space, Recreation, Farmland and Preservation Expenditures	\$ 20,317,163.40	\$ 39,310,665.26
Encumbrances Payable	7,475,454.62	8,951,729.41
	<u>\$ 27,792,618.02</u>	<u>\$ 48,262,394.67</u>
	<u>\$ 61,465,440.74</u>	<u>\$ 90,516,987.85</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

COUNTY OF SOMERSET
GENERAL CAPITAL FUND
BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>ASSETS</u>		
Cash	\$ 65,240,612.79	\$ 33,886,330.69
Investments	<u>18,199,592.45</u>	<u>9,359,446.10</u>
	\$ 83,440,205.24	\$ 43,245,776.79
Deferred Charges to Future Taxation:		
Funded	176,957,522.11	137,489,869.24
Unfunded	35,132,000.00	41,222,000.00
Due From State of New Jersey	<u>230,359.77</u>	<u>230,359.77</u>
	<u>\$ 295,760,087.12</u>	<u>\$ 222,188,005.80</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 174,144,000.00	\$ 134,450,000.00
Green Acres Loan Payable	2,813,522.11	3,039,869.24
Improvement Authorizations:		
Funded	35,609,209.15	36,766,446.01
Unfunded	23,636,104.67	28,301,500.02
Encumbrances Payable	58,280,400.23	18,894,188.46
Capital Improvement Fund	644,955.33	305,248.33
Fund Balance	<u>631,895.63</u>	<u>430,753.74</u>
	<u>\$ 295,760,087.12</u>	<u>\$ 222,188,005.80</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

COUNTY OF SOMERSET
GENERAL FIXED ASSETS ACCOUNT GROUP
BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>FIXED ASSETS:</u>		
Land and Land Improvements	\$ 212,445,956.60	\$ 188,116,441.53
Buildings	148,414,786.49	156,553,474.49
Machinery and Equipment	47,244,011.00	45,687,302.00
Construction in Progress	<u>18,503,475.25</u>	<u>3,786,384.25</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 426,608,229.34</u>	<u>\$ 394,143,602.27</u>
 <u>RESERVE</u>		
Investment in Fixed Assets	<u>\$ 426,608,229.34</u>	<u>\$ 394,143,602.27</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

COUNTY OF SOMERSET

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The County of Somerset is an instrumentality of the State of New Jersey, established to function as a County. The Board of Chosen Freeholders consists of five elected officials and is responsible for the fiscal control of the County.

Except as noted below, the financial statements of the County of Somerset include the County Treasurer and County Departments supported and maintained wholly or in part by funds appropriated by the County of Somerset, as required by N.J.S.40A:5-5. Accordingly, the financial statements of the County of Somerset do not include the operations of autonomous County Commissions, Schools or Boards.

B. 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 the presentation of basic financial statements into three fund types, the governmental, proprietary and fiduciary funds, as well as government-wide financial reporting that must be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the County of Somerset conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the County of Somerset are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services the County accounts for its financial transactions through the following individual funds and account groups:

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

B. Description of Funds (Continued)

Library Fund - receipts and disbursements of funds for the operation and maintenance of library facilities.

Open Space, Recreation, Farmland and Historic Preservation Fund - receipts and disbursements of funds to purchase land for open space purposes.

General Capital Fund - receipts and disbursements of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Bond and Interest Account - is used to account for the accumulation of resources (mainly provided from current fund budget appropriations) for payment of principal and interest on matured debt.

General Fixed Assets Account Group - utilized to account for property, land, buildings, construction in progress and equipment that has been acquired by other governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for counties by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Grants are realized as revenue when anticipated in the County's budget. Receivables for County taxes are recorded with offsetting reserves on the balance sheet of the County's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the County, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the County's statutory Appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

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

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the County as part of its basic financial statements. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit.

Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. No depreciation has been provided on general fixed assets or reported in the financial statements.

The County has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by the County. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for donated fixed assets which are valued at estimated market value at the time of donation.

Land values related to the Park Commission have been included within the buildings classification of the general fixed assets because the original purchase price for Park Commission properties did not allocate the costs between land and buildings. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Fixed Assets (Continued)

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The County presents the financial statements in accordance with the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The County considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund and certificates of deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Government Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits.

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

The County of Somerset had the following cash and cash equivalents at December 31, 2009:

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

<u>Fund</u>	<u>Change Fund</u>	<u>State of NJ Cash Management</u>	<u>Cash in Bank</u>	<u>Total</u>
Current Fund	\$ 350.00	\$ 2,002.43	\$ 38,606,902.78	\$ 38,609,255.21
Grant Fund			2,393,633.64	2,393,633.64
Trust Fund		4,001.77	23,218,652.04	23,222,653.81
Library Fund		1,015.12	1,384,480.45	1,385,495.57
Open Space Fund		2,180.42	14,790,437.60	14,792,618.02
General Capital Fund		2,006.87	65,238,605.92	65,240,612.79
Total December 31, 2008	<u>\$ 350.00</u>	<u>\$ 11,206.61</u>	<u>\$ 145,632,712.43</u>	<u>\$ 145,644,269.04</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits, may not be returned. The County does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2009, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$250,000.00 was covered by Federal Depository Insurance and \$145,382,712.43 was covered under the provisions of NJGUDPA.

B. Investments

The purchase of investments by the County is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type 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 which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
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

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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 date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - 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 section 1 of P.L. 1970, c.236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2009 the County has \$11,206.61 on deposit with the New Jersey Cash Management Fund. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices of the Investment Council of the New Jersey Cash Management Fund, the County is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risk for its deposits and investments.

In addition, the County has \$48,443,592.45 in investments that are in accordance with the above statute.

NOTE 3: LONG-TERM DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the County are general obligation bonds, backed by the full faith and credit of the County. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds.

SUMMARY OF COUNTY DEBT

	<u>YEAR 2009</u>	<u>YEAR 2008</u>	<u>YEAR 2007</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 241,926,241.11	\$ 202,458,588.24	\$ 179,275,554.44
Less: Due from State of			
New Jersey	10,010,000.00	10,010,000.00	10,430,000.00
Bonds/Notes Issued by			
another Public Body			
Guaranteed by			
the Municipality	64,968,719.00	64,968,719.00	53,404,940.00
Bonds to be Paid			
by Open Space			
Trust Funds	65,102,360.00	39,410,100.00	42,255,700.00
Green Acres Loans to			
be Paid by Open			
Space Funds	<u>2,813,522.11</u>	<u>3,039,869.24</u>	<u>3,261,756.43</u>
	<u>142,894,601.11</u>	<u>117,428,688.24</u>	<u>109,352,396.43</u>
<u>Net Debt Issued</u>	<u>\$ 99,031,640.00</u>	<u>\$ 85,029,900.00</u>	<u>\$ 69,923,158.01</u>
Authorized but not			
Issued:			
General:			
Bonds and Notes	<u>\$ 18,432,000.00</u>	<u>\$ 41,222,000.00</u>	<u>\$ 50,987,000.00</u>
 NET BONDS AND NOTES ISSUED AND AUTHORIZED BUT NOT ISSUED	 <u>\$ 117,463,640.00</u>	 <u>\$ 126,251,900.00</u>	 <u>\$ 120,910,158.01</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

SUMMARY OF STATUTORY DEBT CONDITION
(ANNUAL DEBT STATEMENT)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .18%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
General Debt	\$ <u>260,358,241.11</u>	\$ <u>142,894,601.11</u>	\$ <u>117,463,640.00</u>

NET DEBT \$117,463,640.00 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2, AS AMENDED, \$62,891,780,182.33 EQUALS .18%.

BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

Equalized Valuation Basis, December 31, 2009	\$ <u>62,891,780,182.33</u>
2% of Equalized Valuation Basis (County)	\$ 1,257,835,603.65
Net Debt	<u>117,463,640.00</u>
Remaining Borrowing Power	\$ <u>1,140,371,963.65</u>

Equalized Valuation Basis is the average of the equalized valuations of Real Estate, including improvements, and the assessed valuation of Class II Rail Road Property of the County for the last three (3) preceding years.

NOTE 3: LONG-TERM DEBT (CONTINUED)

LONG-TERM DEBT

General Serial Bonds:

\$57,353,000.00 Bonds of 2009 due in annual installments of \$120,000.00 to \$1,500,000.00 at a variable interest rate.	\$ 57,353,000.00
\$9,665,000.00 Refunding Bonds of 2009 due in annual installments of \$630,000.00 to \$815,815.00 at a variable interest rate.	9,665,000.00
\$27,600,000.00 Bonds of 2008 due in annual installments of \$105,000.00 to \$1,700,000.00 at a variable interest rate.	25,690,000.00
\$17,000,000.00 Bonds of 2006 due in annual installments of \$320,000.00 to \$1,060,000.00 at a variable interest rate.	11,900,000.00
\$43,100,000.00 Bonds of 2005 due in annual installments of \$500,000.00 to \$3,810,000.00 at a variable interest rate.	27,860,000.00
\$9,395,000 Refunding Bonds of 2005 due in annual installments of \$30,000.00 to \$1,800,000.00 at a variable interest rate.	7,490,000.00
\$32,000,000.00 Bonds of 2003 due in annual installments of \$968,000.00 to \$2,200,000.00 at a variable interest rate.	18,728,000.00
\$20,567,000.00 Bonds of 2002 due in annual installments of \$1,370,000.00 to \$1,387,000.00 at an interest rate of 3.63%.	10,977,000.00
\$15,000,000.00 Bonds of 2001 due in annual installments of \$1,489,000.00 to \$1,500,000.00 at an interest rate of 3.70%.	2,989,000.00
\$15,000,000.00 Bonds of 2000 due in annual installments of \$1,492,000.00 to \$1,500,000.00 at an interest rate of 4.60%	1,492,000.00
Total Bonds	\$ <u>174,144,000.00</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

LONG-TERM DEBT (CONTINUED)

	Principal Balance <u>12/31/09</u>
Loans:	
\$2,250,000.00 Green Acres Loans of 2000 due in semi-annual installments of \$69,956.08 at an interest rate of 2.00%.	\$ 1,319,160.76
\$2,250,000.00 Green Acres Loans of 2002 due in semi-annual installments of \$73,053.12 at an interest rate of 2.00%.	<u>1,494,361.35</u>
Total Loans	<u>\$ 2,813,522.11</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST

FOR BONDED DEBT ISSUED AND OUTSTANDING DECEMBER 31, 2009

CALENDAR YEAR	GENERAL		TOTAL
	PRINCIPAL	INTEREST	
2010	\$ 19,817,000.00	\$ 5,655,331.49	\$ 25,472,331.49
2011	18,279,000.00	5,252,494.27	23,531,494.27
2012	16,745,000.00	4,660,326.31	21,405,326.31
2013	16,680,000.00	4,088,813.77	20,768,813.77
2014	14,690,000.00	3,529,701.27	18,219,701.27
2015	14,675,000.00	3,035,613.77	17,710,613.77
2016	11,345,000.00	2,540,126.27	13,885,126.27
2017	9,647,000.00	2,176,688.77	11,823,688.77
2018	8,230,000.00	1,877,535.00	10,107,535.00
2019	7,268,000.00	1,586,885.00	8,854,885.00
2020	6,300,000.00	1,333,720.00	7,633,720.00
2021	6,300,000.00	1,116,345.00	7,416,345.00
2022	6,300,000.00	894,720.00	7,194,720.00
2023	6,268,000.00	672,470.00	6,940,470.00
2024	3,600,000.00	443,750.00	4,043,750.00
2025	2,000,000.00	314,000.00	2,314,000.00
2026	1,500,000.00	240,000.00	1,740,000.00
2027	1,500,000.00	180,000.00	1,680,000.00
2028	1,500,000.00	120,000.00	1,620,000.00
2029	1,500,000.00	60,000.00	1,560,000.00
	<u>\$ 174,144,000.00</u>	<u>\$ 39,778,520.92</u>	<u>\$ 213,922,520.92</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

SCHEDULE OF OUTSTANDING ANNUAL DEBT SERVICE FOR GREEN ACRES
PROGRAM

<u>DATE</u> <u>DUE</u>		<u>PRINCIPAL</u>		<u>INTEREST</u>		<u>TOTAL</u>
03/29/10	\$	56,764.48	\$	13,191.61	\$	69,956.09
05/22/10		58,109.50		14,943.61		73,053.11
09/29/10		57,332.13		12,623.96		69,956.09
11/22/10		58,690.59		14,362.52		73,053.11
03/29/11		57,905.45		12,050.64		69,956.09
05/22/11		59,277.50		13,775.61		73,053.11
09/29/11		58,484.50		11,471.59		69,956.09
11/22/11		59,870.27		13,182.84		73,053.11
03/29/12		59,069.35		10,886.74		69,956.09
05/22/12		60,468.98		12,584.14		73,053.12
09/29/12		59,660.04		10,296.05		69,956.09
11/22/12		61,073.67		11,979.45		73,053.12
03/29/13		60,256.64		9,699.45		69,956.09
05/22/13		61,684.40		11,368.71		73,053.11

NOTE 3: LONG-TERM DEBT (CONTINUED)

SCHEDULE OF OUTSTANDING ANNUAL DEBT SERVICE FOR GREEN ACRES
PROGRAM (CONTINUED)

<u>DATE</u> <u>DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
09/29/13	\$ 60,859.21	\$ 9,096.88	\$ 69,956.09
11/22/13	62,301.25	10,751.86	73,053.11
03/29/14	61,467.80	8,488.29	69,956.09
05/22/14	62,924.26	10,128.85	73,053.11
09/29/14	62,082.48	7,873.61	69,956.09
11/22/14	63,553.50	9,499.61	73,053.11
03/29/15	62,703.30	7,252.79	69,956.09
05/22/15	64,189.04	8,864.07	73,053.11
09/29/15	63,330.33	6,625.75	69,956.08
11/22/15	64,830.93	8,222.18	73,053.11
03/29/16	63,963.64	5,992.45	69,956.09
05/22/16	65,479.24	7,573.87	73,053.11
09/29/16	64,603.27	5,352.81	69,956.08
11/22/16	66,134.03	6,919.08	73,053.11
03/29/17	65,249.31	4,706.78	69,956.09
05/22/17	66,795.37	6,257.74	73,053.11
09/29/17	65,901.80	4,054.29	69,956.09
11/22/17	67,463.32	5,589.79	73,053.11
03/29/18	66,560.82	3,395.27	69,956.09
05/22/18	68,137.96	4,915.16	73,053.12
09/29/18	67,226.43	2,729.66	69,956.09
11/22/18	68,819.33	4,233.78	73,053.11
03/29/19	67,898.69	2,057.40	69,956.09
05/22/19	69,507.53	3,545.58	73,053.11
09/29/19	68,577.68	1,378.41	69,956.09
11/22/19	70,202.60	2,850.51	73,053.11
03/29/20	69,263.41	692.63	69,956.04
05/22/20	70,904.63	2,148.48	73,053.11
11/22/20	71,613.68	1,439.43	73,053.11
03/29/21	72,329.77	723.30	73,053.07
	<u>\$ 2,813,522.11</u>	<u>\$ 335,777.03</u>	<u>\$ 3,149,299.14</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

The County of Somerset has entered into an agreement with the County of Middlesex for a cost sharing renovation and expansion of the Middlesex County Juvenile Detention Center. The County of Somerset has agreed to pay 67% of the first five million, five hundred thousand dollars of project costs and 50% of the next five million dollars. Somerset County's outstanding share of bonds and interest issued on November 1, 1998 are as follows:

PAYMENT <u>DATE</u>	PRINCIPAL AND <u>INTEREST</u>
05/01/10	\$ 447,005.78
11/01/10	67,586.21
05/01/11	456,363.32
11/01/11	57,866.78
05/01/12	465,255.66
11/01/12	47,427.45
05/01/13	475,495.86
11/01/13	36,458.19
05/01/14	487,274.20
11/01/14	24,906.03
05/01/15	498,469.64
11/01/15	12,770.97
05/01/16	511,150.13
	<hr/>
	\$ 3,588,030.22
	<hr/>

NOTE 3: LONG-TERM DEBT (CONTINUED)

OTHER INVESTMENTS

The County had purchased these investments as of December 31, 2009.

Somerset County Improvement Authority Project Notes Series 2009 with a maturity date of March 23, 2012 at an interest rate of 3.00%	\$13,000,000.00
Somerset County Improvement Authority Project Notes Series 2008 with a maturity date of March 30, 2013 at an interest rate of 2.00%	4,000,000.00
Somerset County Improvement Authority Revenue Bonds with principal repayments due through 2014 with variable interest rates	597,085.91
Somerset County Improvement Authority Project Notes Series 2009 with a maturity date of March 23, 2012 at an interest rate of 2.00%	7,000,000.00
Somerset County Improvement Authority Revenue Bonds Series 2009 with principal payments at \$200,000.00 through 2039 at variable interest rates	6,000,000.00
Somerset County Improvement Authority Project Notes Series 2005	4,340,000.00
County of Somerset Emergency Note with annual principal payments of \$200,848.90	602,546.71
Somerset County Improvement Authority Revenue Bonds Series 2007 due in installments \$314,000.00 to \$940,000.00 through 2032 at variable interest rates	12,904,000.00
	<hr/>
	<u>\$48,443,592.45</u>

NOTE 4: FUND BALANCE APPROPRIATED

Fund Balance at December 31, 2009 which was appropriated and included as anticipated revenue in the County budget for the year ending December 31, 2010 was as follows:

Current Fund	\$ <u>17,400,000.00</u>
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NOTE 5: PENSIONS

Employees who are eligible for a pension plan, are enrolled in the Public Employees' Retirement System and Police and Firemen's Retirement System administered by the Division of Pensions, Treasury Department of the State of New Jersey. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial methods. A portion of the cost is contributed by the employees. The County's share that includes the costs of the early retirement incentive program of pension costs, which is based upon the annual billings received from the State, amounted to \$8,862,085.36 for 2009, \$4,802,277.37 for 2008 and \$2,509,507.35 for 2007.

County employees are also covered by the Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefits with the system's assets is not available from the State Retirement System and, therefore, is not presented.

NOTE 6: LEASES

The County has entered into a long-term lease agreement with the Township of Bridgewater for the housing and maintenance of the County Library. The agreement calls for the County and Township to share debt service and operating costs on a percentage basis.

NOTE 7: COMPENSATED ABSENCES

The County has permitted employees to accumulate unused vacation and sick pay, which may be taken as time off or paid under certain circumstances. Management has estimated, at December 31, 2009 that the accumulated cost of such unpaid compensation would approximate \$16,148,489.39 for unused sick and vacation days. Under existing accounting principles and practices prescribed by the Division of Local Government Services, the amounts required to be paid in any fiscal year for the above mentioned compensation are raised in that year's budget and no liability is required to be accrued or reported in the financial statements at December 31, 2009.

NOTE 8: LITIGATION

The County counsel's letter did not indicate any litigation, claims or contingent liabilities which would materially affect the financial statements of the County.

NOTE 9: RELATED PARTIES

During 2009 the County of Somerset provided operating or capital funding to the following Somerset County Governmental Units:

Raritan Valley Community College
Park Commission
Vocational and Technical Schools

All debt obligations of these units must be authorized by the Somerset County Board of Freeholders and are liabilities of the County, not the governmental units.

NOTE 10: RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Beginning in 1994, the County became a member of the Somerset County Joint Insurance Fund (the "Fund"), which was formed in accordance with P.L. 1983, C 372 entitled "An Act Concerning Joint Insurance Funds for Local Government Units of Government." The Fund provides insurance coverage covering each of the above-mentioned risks of loss. The County's contribution to the Fund is based on actuarial assumptions determined by the Fund's actuary. The Fund also purchases commercial insurance for claims in excess of coverage provided by the Fund. Workers' compensation claims incurred prior to January 1, 1994 are required to be financed by the County. The loss from these claims incurred, but not reported, has not been determined.

The County also maintained a risk management program which combines risk retention and reinsurance coverage for claims relating to employee health benefits. The County provides coverage up to \$100,000.00 to any one individual. Any claims in excess of coverage provided by the County is covered by commercial insurance carriers.

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. Below is a summary of Township contributions, employee contributions, 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>	Interest Earned and County <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
2009	\$ 359.36	\$ 229,595.24	\$ 258,981.69	\$ 77,507.39
2008	2,831.40	129,318.35	165,435.58	106,534.48
2007	13,330.32	114,638.96	115,953.40	139,820.31

NOTE 11: DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all County employees, permits them to defer a portion of their salaries until future years. The County does not make any contribution to the Plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the County's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

The Plan is administered by the Nationwide Insurance Company (formally known as PEBSCO).

The accompanying financial statements do not include the County's Deferred Compensation Plan activities. The County's Deferred Compensation Plan financial statements are contained in a separate review report.

NOTE 12: CONTINGENT LIABILITIES

The County participates in many financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. The state and federal grants received and expended in 2009 were subject to the Single Audit Act Amendment of 1996 and State of New Jersey OMB Circular 04-04 which mandates that grants revenues and expenditures be audited in conjunction with the County's annual audit. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II Single Audit Section of the 2009 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2009 the County does not believe that any material liabilities will result from such audits.

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2009:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 10.00	\$ 197,868.00
Grant Fund	197,868.00	
Trust Fund		10.00
	<u>\$ 197,878.00</u>	<u>\$ 197,878.00</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

NOTE 14: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2009, the following deferred charges are shown:

	<u>Balance December 31, 2009</u>	<u>Amount Raised in 2010 Budget</u>	<u>Deferral to Succeed in Budget</u>
Current Fund:			
Emergency Appropriation-			
Nor' Easter Storm	<u>\$ 602,506.54</u>	<u>\$ 200,840.00</u>	<u>\$ 401,666.54</u>
	<u>\$ 602,506.54</u>	<u>\$ 200,840.00</u>	<u>\$ 401,666.54</u>

NOTE 15: GASB 45: OTHER POST-EMPLOYMENT BENEFITS

Commencing with the fiscal year ending December 31, 2007 the County is required to implement the note disclosure provision of GASB Statement 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension." This statement which was adopted during 2004 by the Governmental Accounting Standard Board (GASB) requires the County to disclose in the notes of the financial statements the future cost of the other post employment benefits (OPEB) on a present value basis instead of the present pay as you go method. OPEB obligations are non-pension benefits that the County has contractually agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription or dental insurance coverage. The County is currently in the process of obtaining an actuary to calculate its OPEB obligations, if any, and the impact on the County's financial position or results of operation, if any, cannot be readily determined at this time; however, under current New Jersey budget and financial reporting requirements, the County will not have to provide any amounts in excess of their current cash costs or recognized any long-term obligations on their balance sheets.

**SELECTED
FINANCIAL
INFORMATION**

COUNTY OF SOMERSET

**GENERAL OPERATING REVENUES BY SOURCE
CURRENT BUDGET AND LAST FIVE CALENDAR YEARS**

		Actual				
	Budget					
	2010	2009	2008	2007	2006	2005
County Tax Levy	\$ 169,929,100	\$ 169,929,100	\$ 170,839,214	\$ 167,500,000	\$ 163,802,454	\$ 157,589,774
Departmental and Other Revenue	40,137,113	79,199,971	68,030,030	85,022,914	65,321,274	72,554,607
Interest on Investments	1,100,000	1,331,264	4,083,365	6,434,373	7,427,950	4,439,505
Current--Fund Balance	17,400,000	18,180,000	21,950,000	21,750,000	21,750,000	18,350,000
Total Operating Revenues	\$ 228,566,213	\$ 268,640,335	\$ 264,902,609	\$ 280,707,287	\$ 258,301,678	\$ 252,933,886

**GENERAL OPERATING EXPENDITURES
CURRENT BUDGET AND LAST FIVE CALENDAR YEARS**

		Actual					
	Budget						
	2010	2009	2008	2007	2006	2005	
General Government	\$ 51,643,671	\$ 51,655,208	\$ 52,935,161	\$ 52,530,375	\$ 49,664,754	\$ 45,890,101	
Judiciary	418,412	419,069	441,608	430,550	412,376	416,152	
Regulation	13,676,853	13,750,451	14,346,282	13,694,968	13,514,360	12,360,753	
Roads and Bridges	11,982,741	12,022,436	13,035,214	11,860,869	11,470,692	10,772,302	
Health and Welfare, Correction and							
Penal	55,270,064	55,291,292	53,849,356	53,168,618	50,755,838	50,871,939	
Education	22,691,081	22,527,510	23,759,826	23,044,845	22,224,128	21,098,372	
Recreation	8,193,000	8,193,000	8,561,000	9,061,500	8,630,000	8,117,000	
State and Federal Programs Offset by							
Revenues	19,702,418	56,439,281	13,583,421	45,479,878	20,547,367	45,719,225	
Contingent	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	
Total Operating, Including							
Contingent	183,778,240	220,498,247	180,711,868	209,471,603	177,419,515	195,280,569	
Capital Improvements	8,627,028	14,989,207	21,784,346	23,348,620	23,509,275	25,705,000	
Debt Service	20,287,413	17,401,198	16,322,117	18,121,920	18,127,922	15,763,542	
Deferred Charges and Statutory							
Expenditures	15,873,532	14,722,103	10,794,263	8,660,655	1,100,000	7,472,616	
Total Expenditures	<u>\$ 228,566,213</u>	<u>\$ 267,610,755</u>	<u>\$ 229,612,594</u>	<u>\$ 259,602,798</u>	<u>\$ 220,156,712</u>	<u>\$ 244,387,002</u>	

**COUNTY OF SOMERSET
BALANCE SHEETS**

	As of December 31,				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current Fund:					
Assets:					
Cash and Investments	\$ 51,513,255	\$ 55,393,445	\$ 61,028,562	\$ 60,558,539	\$ 57,781,552
Accounts Receivable	9,692,584	8,843,485	8,762,502	8,081,775	5,789,164
Deferred Charges	602,507	803,347	1,004,184		
Total Assets	<u>\$ 61,808,346</u>	<u>\$ 65,040,277</u>	<u>\$ 70,795,247</u>	<u>\$ 68,640,314</u>	<u>\$ 63,570,716</u>
Liabilities, Reserves and Fund Balance:					
Other Liabilities and Special Funds	\$ 16,674,066	\$ 18,696,776	\$ 20,265,760	\$ 19,105,370	\$ 15,910,281
Reserve for Certain Assets Receivable	9,692,584	8,843,486	8,762,502	8,081,775	5,789,164
Fund Balance	35,441,696	37,500,015	41,766,986	41,453,169	41,871,271
Total Liabilities, Reserves and Fund Balance	<u>\$ 61,808,346</u>	<u>\$ 65,040,277</u>	<u>\$ 70,795,247</u>	<u>\$ 68,640,314</u>	<u>\$ 63,570,716</u>
Federal and State Grant Funds					
Assets:					
Cash	\$ 2,393,634	\$ 14,147			
Grants Receivable	100,518,702	83,890,235	\$ 72,294,272	\$ 58,024,999	\$ 67,051,992
Interfunds	197,868				
Total Assets	<u>\$ 103,110,204</u>	<u>\$ 83,904,382</u>	<u>\$ 72,294,272</u>	<u>\$ 58,024,999</u>	<u>\$ 67,051,992</u>
Liabilities, Reserves and Fund Balance:					
Other Liabilities and Special Funds	\$ 11,109,912	\$ 15,549,459	\$ 8,689,370	\$ 27,191,467	\$ 10,677,834
Reserves for Grants Appropriated	89,330,118	65,755,253	60,112,930	21,933,394	44,446,051
Reserves for Grants Unappropriated.....	2,670,174	2,599,670	3,491,972	406,164	877,458
Interfunds				8,493,973	11,050,649
Total Liabilities, Reserves and Fund Balance	<u>\$ 103,110,204</u>	<u>\$ 83,904,382</u>	<u>\$ 72,294,272</u>	<u>\$ 58,024,998</u>	<u>\$ 67,051,992</u>
Trust Fund:					
Assets:					
Cash and Investments	\$ 27,562,654	\$ 34,818,319	\$ 34,163,795	\$ 34,237,505	\$ 33,936,088
Accounts Receivable	4,724,673	4,590,988	4,517,357	4,187,600	4,299,564
Interfunds					
Total Assets	<u>\$ 32,287,327</u>	<u>\$ 39,409,307</u>	<u>\$ 38,681,151</u>	<u>\$ 38,425,105</u>	<u>\$ 38,235,652</u>
Liabilities, Reserves and Fund Balance:					
Other Liabilities and Special Funds	\$ 32,287,317	\$ 39,409,297	\$ 38,681,141	\$ 38,425,095	\$ 38,235,642
Interfunds	10	10	10	10	10
Total Liabilities, Reserves and Fund Balance	<u>\$32,287,327</u>	<u>\$39,409,307</u>	<u>\$38,681,151</u>	<u>\$38,425,105</u>	<u>\$38,235,652</u>
Library Fund					
Assets:					
Cash	\$ 1,385,496	\$ 2,845,286	\$ 1,104,446	\$ 1,507,225	\$ 1,761,476
Liabilities and Reserves:					
Reserves	<u>\$ 1,385,496</u>	<u>\$ 2,845,286</u>	<u>\$ 1,104,446</u>	<u>\$ 1,507,225</u>	<u>\$ 1,761,476</u>
County Open Space, Recreation, Farmland and Preservation Trust Fund:					
Assets:					
Cash and Investments	\$ 27,792,618	\$ 46,814,071	\$ 49,109,543	\$ 45,061,850	\$ 38,643,102
Interfunds		1,448,323			
Total Assets	<u>\$ 27,792,618</u>	<u>\$ 48,262,394</u>	<u>\$ 49,109,543</u>	<u>\$ 45,061,850</u>	<u>\$ 38,643,102</u>
Liabilities and Reserves:					
Commitments Payable	\$ 7,475,455	\$ 8,951,729	\$ 7,118,983	\$ 6,032,692	\$ 4,715,483
Reserves	20,317,163	39,310,665	41,890,561	39,028,888	33,927,619
Interfunds			100,000		
Total Liabilities and Reserves	<u>\$ 27,792,618</u>	<u>\$ 48,262,394</u>	<u>\$ 49,109,543</u>	<u>\$ 45,061,580</u>	<u>\$ 38,643,102</u>

COUNTY OF SOMERSET
BALANCE SHEETS (Continued)

	As of December 31,				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Capital Fund:					
Assets:					
Cash and Investments	\$ 83,440,205	\$ 43,245,777	\$ 34,092,922	\$ 51,874,764	\$ 63,515,608
Deferred Charges to Future Taxation					
General Capital	212,089,522	178,711,869	176,857,614	194,381,749	200,092,725
Due from State of New Jersey	230,360	230,360	230,360	230,360	230,360
Interfunds				8,493,974	11,050,649
Total Assets	<u>\$ 295,760,087</u>	<u>\$ 222,188,006</u>	<u>\$ 211,180,896</u>	<u>\$ 254,980,847</u>	<u>\$ 274,889,342</u>
Liabilities, Reserves and Fund Balance:					
Bonds and Loans Payable	\$ 176,957,522	\$ 137,489,869	\$ 125,870,614	\$ 154,994,749	\$ 154,355,725
Improvement Authorizations	59,245,314	65,067,946	60,902,261	75,765,918	94,734,804
Other Liabilities and Special Funds	58,925,355	19,199,437	24,222,410	24,034,569	25,018,275
Fund Balance	631,896	430,754	185,610	185,610	780,538
Total Liabilities, Reserves and Fund Balance	<u>\$ 295,760,087</u>	<u>\$ 222,188,006</u>	<u>\$ 211,180,896</u>	<u>\$ 254,980,847</u>	<u>\$ 274,889,342</u>
General Fixed Assets Account Group:					
Fixed Assets:					
Land and Land Improvements	\$ 212,445,957	\$ 188,116,442	\$ 121,769,580	\$ 106,318,796	\$ 105,296,296
Buildings	148,414,786	156,553,474	138,846,853	132,677,064	122,919,096
Machinery and Equipment	47,244,011	45,687,302	44,529,732	42,909,943	40,491,457
Construction in Progress	18,503,475	3,786,384	10,560,717	3,786,384	583,938
Total Fixed Assets	<u>\$ 426,608,229</u>	<u>\$ 394,143,602</u>	<u>\$ 315,706,882</u>	<u>\$ 285,692,188</u>	<u>\$ 269,289,787</u>
Reserves:					
Investments in Fixed Assets	<u>\$ 426,608,229</u>	<u>\$ 394,143,602</u>	<u>\$ 315,706,882</u>	<u>\$ 285,692,188</u>	<u>\$ 269,289,787</u>

**SOMERSET COUNTY PARK COMMISSION
BALANCE SHEETS**

	As of December 31,			
	2009	2008	2007	2006
Current Fund:				
Assets:				
Cash and Investments	\$ 6,979,230	\$ 3,340,013	\$ 4,170,969	\$ 2,954,294
Full Reserves		1,988,000		
Receivables and Inventories with Full Reserves	403,313	290,366	589,603	471,830
Total Assets	<u>\$ 7,382,543</u>	<u>\$ 5,618,379</u>	<u>\$ 4,760,572</u>	<u>\$ 3,426,124</u>
Liabilities, Reserves and Fund Balance:				
Accounts Payable and Reserves	\$ 5,768,006	\$ 3,807,583	\$ 2,429,715	\$ 707,243
Reserve for Receivables and Inventories	403,313	290,366	589,603	471,830
Fund Balance	1,211,224	1,520,430	1,741,254	2,247,051
Total Liabilities Reserves and Fund Balance	<u>\$ 7,382,543</u>	<u>\$ 5,618,379</u>	<u>\$ 4,760,572</u>	<u>\$ 3,426,124</u>
Trust Fund				
Cash	\$ 761,026	\$ 625,145	\$ 1,606,822	\$ 1,784,190
Accounts Receivable	45,605	107,889	50,000	
Accounts Payable and Reserves	<u>\$ 806,631</u>	<u>\$ 733,034</u>	<u>\$ 1,656,822</u>	<u>\$ 1,784,190</u>
Capital Fund:				
Assets:				
Cash and Investments	<u>\$ 7,590,022</u>	<u>\$ 8,884,775</u>	<u>\$ 8,454,491</u>	<u>\$ 4,579,999</u>
Liabilities, Reserves and Fund Balance:				
Accounts Payable	\$ 2,098,245	\$ 2,118,251	\$ 1,024,190	\$ 392,390
Improvement Authorizations	5,353,831	6,628,577	7,292,355	4,049,662
Capital Equity	137,946	137,947	137,946	137,946
Total Liabilities, Reserves and Fund Balance	<u>\$ 7,590,022</u>	<u>\$ 8,884,775</u>	<u>\$ 8,454,491</u>	<u>\$ 4,579,999</u>
Fixed Assets Account Group				
Fixed Assets	<u>\$ 44,523,247</u>	<u>\$ 41,729,019</u>	<u>\$ 33,410,609</u>	<u>\$ 33,231,876</u>
Reserve for Fixed Assets	<u>\$ 44,523,247</u>	<u>\$ 41,729,019</u>	<u>\$ 33,410,609</u>	<u>\$ 33,231,876</u>

**SOMERSET COUNTY VOCATIONAL AND TECHNICAL SCHOOLS
BALANCE SHEETS**

	As of December 31,				
	2009	2008	2007	2006	2005
General Fund:					
Assets:					
Cash and Investments	\$ 796,765	\$ 474,916	\$ 944,090	\$ 1,135,214	\$ 552,097
Accounts Receivable	178,751	960,718	338,660	46,875	316,354
Total Assets	<u>\$ 975,516</u>	<u>\$ 1,435,634</u>	<u>\$ 1,282,749</u>	<u>\$ 1,182,089</u>	<u>\$ 868,451</u>
Liabilities, Reserves and Fund Balance:					
Other Liabilities					
Accounts Payable	\$ 12,064	\$ 5,948	\$ 1,542	\$ 15,206	\$ 7,085
Deferred Revenue	67,442	110,026	88,864	33,166	148,858
Fund Balance	896,010	1,319,660	1,192,344	1,133,718	712,508
Total Liabilities, Reserves and Fund Balance	<u>\$ 975,516</u>	<u>\$ 1,435,634</u>	<u>\$ 1,282,749</u>	<u>\$ 1,182,089</u>	<u>\$ 868,451</u>

RARITAN VALLEY COMMUNITY COLLEGE
(Formerly Somerset County College)
NET ASSETS

	As of December 31,				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets:					
Current Unrestricted					
Cash and Investments	\$ 9,663,386	\$ 8,909,443	\$ 5,522,975	\$ 5,710,170	\$ 5,651,220
Accounts Receivable	2,783,158	2,764,377	1,444,132	1,605,063	1,844,960
Inventories at Cost	814,135	723,704	522,027	665,553	661,138
Prepaid Expenses	359,526	331,333	499,245	438,466	430,983
Total Unrestricted	<u>\$ 13,620,205</u>	<u>\$ 12,728,857</u>	<u>\$ 7,988,379</u>	<u>\$ 8,419,252</u>	<u>\$ 8,588,301</u>
Current Restricted					
Accounts Receivable	\$ 903,045	\$ 2,546,040	\$ 5,083,543	\$ 20,551,516	\$ 18,023,913
Capital Net Assets	61,786,207	60,442,145	57,520,615	37,057,761	31,043,000
Total Restricted	<u>\$ 62,689,252</u>	<u>\$ 62,988,185</u>	<u>\$ 62,604,158</u>	<u>\$ 57,609,277</u>	<u>\$ 49,066,913</u>
Total Assets Current Fund	<u>\$ 76,309,457</u>	<u>\$ 75,717,042</u>	<u>\$ 70,592,537</u>	<u>\$ 66,028,529</u>	<u>\$ 57,655,214</u>
Liabilities and Fund Balance:					
Current Liabilities					
Accounts Payable	\$ 7,144,279	\$ 7,895,521	\$ 5,895,728	\$ 4,867,297	\$ 6,404,081
Deposits	525,294	153,989	36,342	137,528	277,636
Deferred Revenue	2,011,105	1,185,252	960,515	1,612,954	923,534
Note Payable	0	0	0	0	53,115
Total Current Liabilities	<u>\$ 9,680,678</u>	<u>\$ 9,234,762</u>	<u>\$ 7,747,276</u>	<u>\$ 6,673,600</u>	<u>\$ 7,658,366</u>
Non-Current Liabilities:					
Deposits	\$ 248,506	\$ 239,874	\$ 232,281	\$ 220,263	\$ 217,978
Note Payable	0	0	0	0	55,821
Total Non-Current Liabilities	<u>\$ 248,506</u>	<u>\$ 239,874</u>	<u>\$ 232,281</u>	<u>\$ 220,263</u>	<u>\$ 273,799</u>
Total Liabilities	<u>\$ 9,929,184</u>	<u>\$ 9,474,636</u>	<u>\$ 7,979,557</u>	<u>\$ 6,893,863</u>	<u>\$ 7,932,165</u>
Net Assets:					
Invested in Capital Assets	\$ 61,786,207	\$ 60,442,145	\$ 57,520,615	\$ 37,057,761	\$ 31,043,000
Restricted Net Assets	2,259,958	3,585,825	918,713	18,897,203	156,496
Unrestricted Net Assets	2,334,108	2,214,436	2,089,435	1,399,092	1,049,092
Total Net Assets	<u>\$ 66,380,273</u>	<u>\$ 66,242,406</u>	<u>\$ 62,612,980</u>	<u>\$ 59,134,666</u>	<u>\$ 49,723,049</u>
Total Liabilities and Net Assets	<u>\$ 76,309,457</u>	<u>\$ 75,717,042</u>	<u>\$ 70,592,537</u>	<u>\$ 66,028,529</u>	<u>\$ 57,655,214</u>

APPENDIX C

General Information Concerning the Borrower

GENERAL INFORMATION

Location and Area

The Borough of Somerville (the "Borough") is located in Somerset County (the "County"), in central New Jersey. The Borough, which was chartered in 1908, is the county seat of the County. It is adjacent to the terminus of Interstates 78 and 287 and State Highways Route 202, Route 206 and Route 22. Approximately 8% of the town is comprised of dedicated recreational park land and approximately 95% of the remaining land area is fully built. The Borough is also the home of the United States Bicycling Hall of Fame. The Borough's population is approximately 12,423.

Form of Government

The Borough is governed by a Mayor and a Borough Council comprised of six members. The Mayor is elected for a four year term and each member of the Borough Council is elected for a three year term on a staggered basis. Each member of the Borough Council is elected at large.

The Mayor is the presiding officer of the Borough Council and is Chief Executive of the community. The Borough Council serves as the governing body of the Borough, and has the power to organize and regulate the internal affairs of the Borough. The governing body adopts the Borough's budget, authorizes the issuance of bonds and other obligations, levies taxes, and appropriates and authorizes expenditure of Borough moneys. The Mayor and Borough Council appoint the Borough Administrator and other Borough employees, as well as appointees to Boards, Commissions and committees. The Mayor and Borough Council, in addition to establishing the policies under which the Borough is managed, are a local legislature and have the power to adopt, amend and repeal such ordinances and resolutions a may be required for the good government of the Borough. A full time Clerk Administrator is responsible for the day today operations of the Borough government under guidelines and policy supervision of the Mayor and the Borough Council.

MUNICIPAL SERVICES

Public Safety

The Police Department is currently composed of a Chief of Police and 30 police officers and 3 dispatchers.

Fire protection is provided by the Somerville Volunteer Fire Department consisting of 4 volunteer fire companies consisting of approximately 120 volunteers. The Borough owns and maintains the equipment by providing the volunteer fire companies funding through the Borough's budget. The Fire companies have 7 pieces of modern fire fighting equipment. A Fire Chief is elected biannually by the membership and is confirmed by the Borough Council. Enforcement of the Uniform Fire Safety Act is performed by an employee within the department.

Health

Health services are provided by the County. The presence of a major medical center and a medi-center within the Borough assures the community of quality health care.

Public Works

The Borough has 14 public works employees and is responsible for maintaining 31 miles of Borough streets, maintaining Borough grounds, snow plowing and other services. The Public Works Department, administers the annual Overlay and Drainage Program. The superintendent has been with the Department for over 30 years.

Utilities

Gas, electric and water facilities are provided to the Borough and its residents by private utility services.

The Borough, which maintains approximately 30 miles of sewer lines, is a member of the Somerset Raritan Valley Sewerage Authority (the "SRVSA"), a regional sewerage authority, which provides sewerage services to the Borough, among others. The Borough, together with the other members and customers of the SRVSA, is required to make payments to the SRVSA in the amount sufficient to pay the operating expenses and debt service requirements and to fund the deficits and reserves related to the system maintained by the SRVSA.

Recreation

The Borough's Recreation Commission, established in 1936, provides year round athletic and cultural events.

Programs address the needs of both youth and adults. The Recreation Commission is responsible for the management of 112 acres of parkland. This includes four pools, seven playgrounds, four tennis courts, four soccer fields, seven baseball fields and seven basketball

courts. Year round indoor programming is provided through use of facilities from the Board of Education, various churches and local YMCAs.

The Library is located next to the Municipal Building in facilities owned by the Borough. A Library Board is appointed by the governing body to represent the residents' interests.

Garbage Collection

Garbage collection is provided by private haulers who contract with individual homeowners. Bulk items are also collected by a private hauler. Recyclables such as paper, glass, aluminum and cardboard are collected curbside 2 times per month by the County Recycling Program. In addition, residents may use the Borough's recycling center.

Employee Relations

The Borough's 29 police officers are represented by P.B.A. Local 147. The Borough has a three year contract with the P.B.A. which expires on December 31, 2011. Borough employees are represented by American Federation of State, County and Municipal Employees and the Public Employee Service Union. Their contracts expire on December 31, 2011. Salaries for other employees are set annually by the Mayor and Borough Council. State law prohibits strikes by municipal employees, including police personnel.

FINANCIAL INSTITUTIONS

The following banking institutions are located within the Borough:

TD Bank, NA
Bank of America, NA
Raritan Savings Bank
Somerset Valley Bank
Somerset Savings Bank

LARGER TAXPAYERS OF THE BOROUGH

TAXPAYER	2010 ASSESSED VALUE	2010 % OF LEVY
Brookside Investment Assoc.	\$ 1,082,058	3.00%
JSM at Somerville, LLC	707,599	1.96
DeSapio Properties # 10 LLC	505,773	1.40
Health Care REIT, Inc.	406,298	1.12
New Jersey Bell	400,195	1.11
1034/1044/1050 Route #22 LLC	388,007	1.07
DeSapio Properties # 7 LLC	343,903	0.95
Somerville TIC I LLC	321,011	0.89
75 Veterans Memorial Assoc.	257,751	0.71
DGM Management	228,663	0.63
TOTAL	\$ 4,641,258	12.85%

Source: Borough's Assessor's Office

VALUE AND NUMBER OF BUILDING PERMITS ISSUED

YEAR	TOTAL REVENUE FROM PERMIT FEES	TOTAL NUMBER
2005	\$ 310,674	694
2006	269,225	891
2007	196,271	778
2008	150,203	818
2009	111,721	580

Source: Borough's Construction Office

DEMOGRAPHIC INFORMATION

Population Characteristics

YEAR	BOROUGH	COUNTY	STATE
2009	12,726	326,869	8,707,739
2008	12,584	323,160	8,663,398
2007	12,577	320,745	8,636,043
2006	12,324	317,817	8,623,721
2005	12,478	314,967	8,621,837

Source: U.S. Census Bureau

Per Capita Income

YEAR	BOROUGH FAMILIES	COUNTY FAMILIES	STATE FAMILIES
2004	N/A	\$ 57,033	\$ 41,626
1999	23,310	37,970	27,006
1989	17,804	25,111	18,714

CERTAIN FINANCIAL AND STATISTICAL INFORMATION**Debt Statements**

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year, the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

**DEBT INCURRING CAPACITY
AS OF DECEMBER 31, 2009**

Municipal:	
1. Equalized Valuations (last three years average)	\$ 1,414,630,650.00
2. 3-1/2% Borrowing Margin	49,512,073.00
3. Net Debt Issued and Outstanding	19,387,016.00
4. Excess School Borrowing	0.00
5. Total Charges to Borrowing Margin	19,387,016.00
6. Remaining Municipal Borrowing (line 2 minus line 5) Capacity	\$ <u>30,125,057.00</u>

STATEMENT OF INDEBTEDNESS
AS OF DECEMBER 31, 2009

Gross Debt:		
Local District School Debt:		
Serial Bonds Issued and Outstanding	\$ 29,542,000.00	
Authorized But Not Issued	0.00	
		\$ 29,542,000.00
Sewer Utility Debt:		
Issued and Outstanding		
Serial Bonds		
Bond Anticipation Notes	\$ 518,000.00	
Authorized But Not Issued	161,528.00	
Municipal Debt:		\$ 679,528.00
Issued and Outstanding		
Serial Bonds	\$ 16,710,000.00	
Bond Anticipation Notes	850,000.00	
Authorized But Not Issued	1,644,751.00	
		19,204,751.00
Total Gross Debt		\$ 49,426,279.00
Less:		
Statutory Deductions:		
General Debt	\$ 497,263.00	
Local School	29,542,000.00	
Municipal Debt		\$ 30,039,263.00
Statutory Net Debt		19,387,016.00
Average Equalized Valuation of Real Property (Years 2009, 2008, 2007)		\$ 1,414,630,650.00
Statutory Net Debt Percentage		1.37%

Statistics on Debt as of December 31, 2009

Gross Debt (Municipal and School)	\$ 49,426,279.00
Overlapping Debt	9,424,025.45
Gross Debt	58,850,304.45
Statutory Net Debt	19,387,016.00
Net Debt and Overlapping Debt	28,811,041.45
Gross Debt Per Capita (12,726 Est. Pop.)	N/A
Statutory Debt Per Capita	N/A
Net Debt and Overlapping Debt Per Capita	N/A
Average Equalized Valuations	1,414,630,650.00
Net Debt Statutory Percentage	1.37%

**OVERLAPPING DEBT
AS OF DECEMBER 31, 2009**

The Overlapping Debt of the Borough was as follows:

County of Somerset Total Gross Debt	\$ 260,358,241.00
Borough's Share 2.28% of Total	5,936,167.89
Somerset Raritan Valley Sewerage Authority	33,797,069.47
Borough's Share 10.32% of Total	3,487,857.56
Overlapping Debt	\$ 9,424,025.45

GROSS AND STATUTORY NET DEBT
AS OF DECEMBER 31

(EXCLUSIVE OF OVERLAPPING DEBT)

YEAR	GROSS DEBT		STATUTORY NET DEBT	
	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
2009	\$49,426,279.00	3.49%	\$19,387,016.00	1.37%
2008	49,136,853.00	3.58	19,575,615.00	1.43
2007	50,337,717.00	4.01	19,625,717.00	1.05
2006	50,930,174.00	5.18	18,639,704.00	1.89
2005	51,952,338.00	6.01	18,266,701.00	2.11

ASSESSED VALUATIONS NET VALUATIONS TAXABLE

YEAR	VACANT LAND	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	APARTMENTS	TOTAL
2010	\$ 3,263,100	\$ 395,574,700	\$ 204,521,850	\$ 9,937,900	\$ 40,468,500	\$ 653,766,050
2009	3,450,900	395,255,400	205,064,950	10,187,900	41,093,600	655,052,750
2008	4,189,400	395,145,400	200,311,950	11,187,900	41,843,600	652,678,250
2007	5,053,500	394,527,400	200,951,850	11,352,900	41,845,600	653,731,250
2006	4,575,300	392,274,700	202,211,000	11,328,800	41,910,100	652,299,900

ASSESSED VALUATIONS NET VALUATIONS TAXABLE

YEAR	REAL PROPERTY	BUSINESS PERSONAL PROPERTY	NET VALUATION TAXABLE	RATIO OF ASSESSED VALUE TO VALUE OF REAL PROPERTY	AGGREGATE TRUE VALUE
2010	\$ 655,260,800	\$ 5,665,501	\$ 659,431,551	47.26%	\$ 1,399,556,602
2009	656,975,600	5,999,725	661,052,475	45.42	1,459,063,364
2008	652,678,250	5,580,114	658,258,364	46.01	1,434,238,715
2007	653,731,250	5,261,205	658,992,455	51.73	1,278,354,529
2006	652,299,900	6,751,695	659,051,595	59.68	1,108,610,266

CURRENT TAX COLLECTIONS
YEAR ENDED DECEMBER 31

<u>YEAR</u>	<u>LEVY</u>	<u>COLLECTIONS</u>	<u>RATE</u>
2009	\$ 35,057,289.30	\$ 34,459,473.52	97.74%
2008	33,988,814.91	33,166,876.92	97.58
2007	32,549,631.68	31,733,753.13	97.49
2006	30,230,177.56	29,612,144.84	97.95
2005	28,557,305.24	29,979,525.99	97.97

<u>YEAR</u>	<u>TOTAL TAX REQUIREMENTS</u>	<u>LOCAL PURPOSES</u>	<u>LOCAL SCHOOL</u>	<u>COUNTY</u>	<u>DISTRICT MANAGEMENT CORPORATION</u>
2010	\$ 36,616,539.21	\$ 10,901,144.00	\$ 21,089,205.00	\$ 4,131,274.33	\$ 494,915.88
2009	35,247,772.64	9,891,495.91	20,607,181.50	4,311,088.39	438,006.84
2008	33,693,837.75	9,189,066.68	19,768,235.00	4,313,950.47	422,585.60
2007	32,216,928.03	8,889,630.35	19,045,229.50	3,881,324.61	400,743.57
2006	30,105,233.62	7,986,797.34	18,165,459.50	3,581,491.41	371,485.37
2005	28,107,464.06	7,354,420.96	17,653,301.03	3,099,742.07	341,125.70

DELINQUENT TAXES AND TAX TITLE LIENS
DECEMBER 31

YEAR	TAX TITLE LIENS	DELINQUENT TAXES	TOTAL	PERCENTAGE OF LEVY
2005	\$ 143,884.59	\$ 588,472.46	\$ 702,537.05	2.46%
2006	156,707.83	576,024.84	732,732.67	2.42
2007	114,244.62	751,352.66	865,597.28	2.66
2008	127,144.95	772,757.26	899,902.21	2.65
2009	-0-	772,942.72	772,942.72	2.19

**ASSESSED VALUATION OF PROPERTY OWNED
BY THE BOROUGH - ACQUIRED FOR TAXES**
DECEMBER 31

<u>YEAR</u>	<u>DECEMBER 31</u>
2005	-0-
2006	-0-
2007	28,500
2008	28,500
2009	28,500

**COMPONENTS OF REAL ESTATE TAX RATE
(PER \$100 OF ASSESSMENT)
YEAR ENDED DECEMBER 31**

YEAR	TOTAL	MUNICIPAL	LOCAL SCHOOL	COUNTY
2006	\$4.520	\$1.213	\$2.759	\$0.548
2007	4.830	1.349	2.891	0.589
2008	5.055	1.395	3.003	0.657
2009	5.266	1.496	3.117	0.653
2010	5.478	1.653	3.198	0.627

COMPARATIVE SCHEDULE OF FUND BALANCES

	YEAR	FUND BALANCE DECEMBER 31	UTILIZED IN BUDGET OF SUCCEEDING YEAR
Current Fund			
	2005	\$ 2,445,664.21	\$ 1,925,000.00
	2006	2,441,481.12	2,269,364.00
	2007	2,168,982.88	2,000,000.00
	2008	1,942,637.25	1,800,000.00
	2009	1,544,526.20	1,500,000.00

	YEAR	FUND BALANCE DECEMBER 31	UTILIZED IN BUDGET OF SUCCEEDING YEAR
Sewer Utility Fund			
	2005	\$ 475,471.80	\$ 124,000.00
	2006	464,647.28	230,000.00
	2007	287,944.24	200,000.00
	2008	87,944.24	22,000.00
	2009	65,944.24	-0-

APPENDIX D

Financial Statements of the Borrower



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Somerville
County of Somerset
Somerville, New Jersey 08876

We have audited the accompanying financial statements - statutory basis of the various individual funds and the account group of the Borough of Somerville, County of Somerset, New Jersey as of and for the years ended December 31, 2009 and 2008, and for the year ended December 31, 2009 as listed as financial statements - statutory basis in the foregoing table of contents. These financial statements - statutory basis are the responsibility of the management of the Borough of Somerville, County of Somerset. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial statements contained in Government Auditing Standards issued by the Comptroller General of the United States, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04' "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions 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 audit provides a reasonable basis for our opinion.

As described in Note 1, the Borough of Somerville, County of Somerset, prepares its financial statements on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates 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 U.S. generally accepted accounting principles.

SUPLEE, CLOONEY & COMPANY

In our opinion, because the Borough of Somerville prepares its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the various individual funds of the Borough of Somerville as of December 31, 2009 and 2008 or the results of its operations and changes in fund balance for the years then ended or the revenues or expenditures for the year ended December 31, 2009.

However, in our opinion, the financial statements - statutory basis present fairly, in all material respects, the financial position - statutory basis of the various individual funds and account groups of the Borough of Somerville, County of Somerset, as of December 31, 2009 and 2008, and the results of its operations and changes in fund balance - statutory basis for the years then ended and the revenues, expenditures and changes in fund balance - statutory basis for the year ended December 31, 2009, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 17, 2010 on our consideration of the Borough of Somerville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements - statutory basis taken as a whole. The information included in the schedules of expenditures of federal awards and state financial assistance, Financial Data Schedule-Section 8 Housing Choice Voucher Program and the other supplementary schedules and data listed in the table of contents is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", New Jersey OMB Circular 04-04 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," Financial Reporting Requirements of the U.S. Department of Housing and Urban Development and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Borough of Somerville, County of Somerset, New Jersey, the Division of Local Government Services and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

SUPLEE, CLOONEY & COMPANY
Certified Public Accountants

May 17, 2010

/s/ Robert B. Cagnassola
Robert B. Cagnassola, C.P.A., R.M.A.

BOROUGH OF SOMERVILLE

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>ASSETS</u>		
Cash	\$ 4,043,850.14	\$ 3,061,310.37
Cash - Change Fund	250.00	200.00
Due State of New Jersey - Chapter 20, P.L. 1971		1,868.83
	<u>\$ 4,044,100.14</u>	<u>\$ 3,063,379.20</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	\$ 772,942.72	\$ 772,757.26
Tax Title Liens Receivable		127,144.95
Maintenance Liens Receivable	1,154.90	
Revenue Accounts Receivable	37,180.57	48,795.28
Property Acquired for Taxes - Assessed Value	28,500.00	28,500.00
Interfunds Receivable	20,456.48	19,687.94
	<u>\$ 860,234.67</u>	<u>\$ 996,885.43</u>
Deferred Charges:		
Special Emergency 40A:4-55 Revaluation	\$ 220,000.00	\$
	<u>\$ 5,124,334.81</u>	<u>\$ 4,060,264.63</u>
Grant Fund:		
Grants Receivable	\$ 1,407,867.38	\$ 1,388,776.75
Interfunds Receivable	1,486,968.72	177,745.26
	<u>\$ 2,894,836.10</u>	<u>\$ 1,566,522.01</u>
	<u>\$ 8,019,170.91</u>	<u>\$ 5,626,786.64</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF SOMERVILLE

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Appropriation Reserves	\$ 251,967.33	\$ 379,680.19
Interfunds Payable	1,620,545.32	309,155.02
Prepaid Taxes	134,199.93	118,908.02
Due State of New Jersey - Chapter 20, P.L. 1971	1,944.87	
Tax Overpayments	19,859.71	3,629.30
Encumbrances Payable	160,214.23	224,473.22
Emergency Note Payable	220,000.00	
Reserve For:		
Sale of Municipal Assets	32,046.32	24,275.87
Master Plan	10,000.00	10,000.00
Revaluation	220,000.00	
Tax Appeals	50,000.00	50,000.00
Grants Unappropriated		620.33
	<u>\$ 2,720,777.71</u>	<u>\$ 1,120,741.95</u>
Reserve for Receivables and Other Assets	860,234.67	996,885.43
Fund Balance	<u>1,543,322.43</u>	<u>1,942,637.25</u>
	<u>\$ 5,124,334.81</u>	<u>\$ 4,060,264.63</u>
Grant Fund:		
Encumbrances Payable	\$ 27,041.83	\$ 5,876.51
Reserve for Grants Appropriated	2,828,752.06	1,543,059.60
Reserve for Grants Unappropriated	39,042.21	17,585.90
	<u>\$ 2,894,836.10</u>	<u>\$ 1,566,522.01</u>
	<u>\$ 8,019,170.91</u>	<u>\$ 5,626,786.64</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF SOMERVILLE

CURRENT FUND

STATEMENTS OF OPERATIONS AND CHANGE
IN FUND BALANCE - STATUTORY BASIS

	YEAR ENDED DECEMBER 31, 2009	YEAR ENDED DECEMBER 31, 2008
<u>REVENUE AND OTHER INCOME</u>		
Fund Balance Utilized	\$ 1,813,000.00	\$ 2,000,000.00
Miscellaneous Revenue Anticipated	6,506,382.74	5,430,717.96
Receipts from Delinquent Taxes	769,564.43	742,355.49
Receipts from Current Taxes	34,459,473.52	33,166,876.92
Non-Budget Revenue	158,426.52	186,913.17
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	19,988.94	58,129.57
Maintenance Lien	5,500.00	
Interfunds Returned		23,150.51
<u>Total Income</u>	<u>\$ 43,732,336.15</u>	<u>\$ 41,608,143.62</u>
<u>EXPENDITURES</u>		
Budget Appropriations:		
Operations Within "CAPS":		
Operating	\$ 10,433,595.00	\$ 10,401,735.00
Deferred Charges and Statutory Expenditures	768,890.00	254,116.20
Operations Excluded From "CAPS":		
Operating	3,446,829.81	2,435,388.86
Capital Improvements	40,000.00	25,000.00
Municipal Debt Service	2,166,107.19	2,062,750.58
Deferred Charges	105,000.00	105,384.20
County Taxes	4,311,088.39	4,313,950.47
County Share of Added Taxes	1,183.70	37,850.71
Local District School Tax	20,607,181.50	19,768,235.00
Interfunds Advanced	768.54	
Refund of Prior Years Revenue		7,492.63
District Management Corporation Tax	438,006.84	422,585.60
<u>Total Expenditures</u>	<u>\$ 42,318,650.97</u>	<u>\$ 39,834,489.25</u>
Excess in Revenue	\$ 1,413,685.18	\$ 1,773,654.37
Fund Balance		
Balance, January 1	1,942,637.25	2,168,982.88
Decreased by:	\$ 3,356,322.43	\$ 3,942,637.25
Utilization as Anticipated Revenue	1,813,000.00	2,000,000.00
Fund Balance, December 31	<u>\$ 1,543,322.43</u>	<u>\$ 1,942,637.25</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF SOMERVILLE

CURRENT FUND

STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2009

	ANTICIPATED		EXCESS OR (DEFICIT)	
	BUDGET	SPECIAL NJS 40A:4-87	REALIZED	
Fund Balance Anticipated	\$ 1,813,000.00		\$ 1,813,000.00	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	\$ 24,500.00	\$	\$ 24,700.00	\$ 200.00
Other	25,000.00		38,609.00	13,609.00
Fees and Permits:				
Construction Code Official	154,000.00		133,757.00	(20,243.00)
Other	150,000.00		157,824.00	7,824.00
Fines:				
Municipal Court	355,000.00		370,926.66	15,926.66
Interest and Cost on Taxes	160,000.00		196,485.95	36,485.95
Parking Meters	190,000.00		217,834.16	27,834.16
Interest on Investments and Deposits	88,500.00		15,133.80	(73,366.20)
Sale of Garbage Decals	18,000.00		16,914.00	(1,086.00)
Rent of Office Facilities	4,200.00		4,200.00	
Extraordinary Aid	250,000.00		250,000.00	
Garden State Preservation Trust Fund	620.00		620.33	0.33
Consolidated Municipal Property Tax Relief Aid	349,468.00		349,468.00	
Energy Receipts Tax	1,415,824.00		1,415,824.00	
Inter Local Agreement - Boroughs of Raritan and Manville - Health Services	147,578.00		127,109.75	(20,468.25)
Public Health Priority Funding Act of 1977	14,970.00		14,970.00	
County Historical Grant	63,537.00		63,537.00	
Body Armor Replacement Fund	3,107.68		3,107.68	
Lead Analysis	2,895.00		2,895.00	
Recycling Tonnage Grant	10,829.84		10,829.84	
Drunk Driving Enforcement Fund	3,648.38		3,648.38	
Hazardous Discharge Site Remediation Fund		2,138,292.00	2,138,292.00	
Clean Communities Program	18,043.00		18,042.91	(0.09)
County of Somerset - Municipal Alliance Program	11,114.00		11,114.00	
Regional Center Challenge	25,000.00		25,000.00	
D.O.T. Local Bikeway Program	400,000.00		400,000.00	
Tobacco Grant	2,460.00		2,460.00	
Influenza H1N1 Grant		86,170.00	86,170.00	
DeSapio Contribution	76,000.00		76,000.00	
Uniform Fire Safety Act	25,000.00		23,860.51	(1,139.49)
Cable T.V. Franchise Tax	100,000.00		102,775.03	2,775.03
Somerville Senior Citizens Housing, Inc.	75,000.00		97,973.74	22,973.74
DMC Reimbursement Costs	100,000.00		106,300.00	6,300.00
	\$ 4,264,294.90	\$ 2,224,462.00	\$ 6,506,382.74	\$ 17,625.84
Receipts From Delinquent Taxes	\$ 700,000.00		\$ 769,564.43	\$ 69,564.43
Amount to be Raised by Taxation for Support of Municipal Budget:				
Local Tax for Municipal Purposes	\$ 9,891,495.91		\$ 11,002,013.09	\$ 1,110,517.18
<u>Budget Totals</u>	\$ 16,668,790.81	\$ 2,224,462.00	\$ 20,090,960.26	\$ 1,197,707.45
Non-Budget Revenue			158,426.52	158,426.52
	\$ 16,668,790.81	\$ 2,224,462.00	\$ 20,249,386.78	\$ 1,356,133.97

The accompanying Notes to the Financial Statements are an integral part of this statement.

"B"

BOROUGH OF SOMERVILLE

TRUST FUND

BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>ASSETS</u>		
Assessment Trust Fund:		
Assessments Receivable	\$	\$ 2,135.02
Prospective Assessments Funded	135,000.00	240,000.00
Interfunds Receivable	128,515.93	126,380.91
	<u>\$ 263,515.93</u>	<u>\$ 368,515.93</u>
Animal Control Fund:		
Cash	\$ 12,303.95	\$ 10,629.98
	<u>\$ 12,303.95</u>	<u>\$ 10,629.98</u>
Other Funds:		
Cash	\$ 1,105,879.65	\$ 1,112,808.77
Interfunds Receivable	465,000.00	570,000.00
Accounts Receivable		4,477.00
Community Development Block Grants Receivable	95,000.00	100,000.00
	<u>\$ 1,665,879.65</u>	<u>\$ 1,787,285.77</u>
	<u>\$ 1,941,699.53</u>	<u>\$ 2,166,431.68</u>
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>		
Assessment Trust Fund:		
Interfunds Payable	\$ 128,482.83	\$ 128,482.83
Assessment Serial Bonds	135,000.00	240,000.00
Fund Balance	33.10	33.10
	<u>\$ 263,515.93</u>	<u>\$ 368,515.93</u>
Animal Control Fund:		
Due Current Fund	\$ 2,185.78	\$ 2,185.78
Reserve for Animal Control Expenditures	10,118.17	8,444.20
	<u>\$ 12,303.95</u>	<u>\$ 10,629.98</u>
Other Funds:		
Interfunds Payable	\$ 43,458.76	\$ 44,090.22
Accounts Payable - Housing Assistance Program	12,705.10	13,561.20
Accounts Payable - Trust Fund	10,415.37	22,781.95
Deferred Revenue - Housing Assistance Program	167,433.00	
Reserve for:		
Miscellaneous Deposits	426,848.37	585,015.74
Community Development Block Grant Expenditures	95,000.00	100,000.00
District Management Corporation	109,289.30	118,283.86
Unemployment Insurance Fund	76,804.67	81,694.36
Sanitary Landfill Closure	219,421.59	217,439.58
Recycling	57,559.20	51,797.44
Tax Redemption Trust	68,499.91	130,092.94
Recreation Commission	101,198.52	97,923.69
Housing Assistance Program	214,481.55	263,832.45
Housing Assistance Program Portables	2,636.03	2,993.63
Housing Assistance Program		
Law Enforcement Trust Fund	46,102.57	37,503.37
Builders Escrow	14,025.71	20,275.34
	<u>\$ 1,665,879.65</u>	<u>\$ 1,787,285.77</u>
	<u>\$ 1,941,699.53</u>	<u>\$ 2,166,431.68</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF SOMERVILLE

TRUST FUND

STATEMENT OF FUND BALANCE - ASSESSMENT TRUST - STATUTORY BASIS

Balance, December 31, 2008
and December 31, 2009

\$ 33.10

The accompanying Notes to the Financial Statements are an integral part of this statement.

"C"

BOROUGH OF SOMERVILLE

GENERAL CAPITAL FUND

BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>ASSETS</u>		
Cash	\$ 1,044,692.04	\$ 3,350.83
Investment	220,000.00	
Deferred Charges to Future Taxation:		
Funded	16,575,000.00	10,365,000.00
Unfunded	1,997,225.63	8,261,087.70
State Aid Receivable	1,055,750.88	800,000.00
Accounts Receivable - Other	242,199.88	125,026.68
Interfunds Receivable	177,410.18	177,378.36
	<u>\$ 21,312,278.61</u>	<u>\$ 19,731,843.57</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
General Serial Bonds	\$ 16,575,000.00	\$ 10,365,000.00
Bond Anticipation Notes	850,000.00	5,844,500.00
Interfunds Payable	633,762.17	858,762.17
Improvement Authorizations:		
Funded	1,046,609.58	49,978.61
Unfunded	1,698,602.19	2,097,290.86
Reserve for Debt Service	4,237.93	
Contracts Payable	480,781.02	484,002.21
Capital Improvement Fund	5,192.83	15,792.83
Fund Balance	18,092.89	16,516.89
	<u>\$ 21,312,278.61</u>	<u>\$ 19,731,843.57</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF SOMERVILLE

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - STATUTORY BASIS

Balance, December 31, 2008	\$	16,516.89
Increased by:		
Premium on Sale of Notes		<u>1,576.00</u>
Balance, December 31, 2009	\$	<u><u>18,092.89</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

"D"

BOROUGH OF SOMERVILLE

SEWER UTILITY FUND

BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>ASSETS</u>		
Operating Fund:		
Cash - Treasurer	\$ 720.29	\$ 14,728.37
Cash - Change Fund	100.00	100.00
Interfund Receivable	400,628.98	359,245.72
	<u>\$ 401,449.27</u>	<u>\$ 374,074.09</u>
Receivables with Full Reserves:		
Consumer Accounts Receivable	\$ 199,416.45	\$ 180,661.74
Sewer Utility Liens		2,047.82
	<u>\$ 199,416.45</u>	<u>\$ 182,709.56</u>
Deferred Charges:		
Operating Deficit	\$ 106,515.72	\$ 65,207.72
<u>Total Operating Fund</u>	<u>\$ 707,381.44</u>	<u>\$ 621,991.37</u>
Capital Fund:		
Fixed Capital	\$ 2,281,337.83	\$ 2,281,337.83
Fixed Capital Authorized and Uncompleted	465,000.00	415,000.00
Interfund Receivable	538,762.17	538,762.17
<u>Total Capital Fund</u>	<u>\$ 3,285,100.00</u>	<u>\$ 3,235,100.00</u>
	<u>\$ 3,992,481.44</u>	<u>\$ 3,857,091.37</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Liabilities:		
Appropriation Reserves	\$ 4,711.86	\$ 25,903.29
Encumbrances Payable	1,971.24	2,032.31
Interfunds Payable	416,170.54	295,770.54
Accrued Interest on Bonds	9,207.95	17,306.50
Prepaid Sewer Charges	1,477.95	
Overpayments	8,481.21	10,324.93
	<u>\$ 442,020.75</u>	<u>\$ 351,337.57</u>
Reserve for Receivables	199,416.45	182,709.56
Fund Balance	65,944.24	87,944.24
<u>Total Operating Fund</u>	<u>\$ 707,381.44</u>	<u>\$ 621,991.37</u>
Capital Fund:		
Serial Bonds	\$ 518,000.00	\$ 593,000.00
Improvement Authorizations:		
Funded	82.50	51,604.45
Unfunded	38,541.91	70,057.72
Interfunds Payable	400,628.98	359,245.72
Capital Improvement Fund	166,000.00	171,000.00
Reserve for Deferred Amortization	245,000.00	240,000.00
Reserve for Amortization	1,822,810.28	1,747,810.28
Contracts Payable	92,322.00	667.50
Down Payment on Improvements	732.00	732.00
Fund Balance	982.33	982.33
<u>Total Capital Fund</u>	<u>\$ 3,285,100.00</u>	<u>\$ 3,235,100.00</u>
	<u>\$ 3,992,481.44</u>	<u>\$ 3,857,091.37</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF SOMERVILLE
SEWER UTILITY OPERATING FUND
STATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - STATUTORY BASIS

	YEAR ENDED DECEMBER 31, 2009	YEAR ENDED DECEMBER 31, 2008
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 22,000.00	\$ 200,000.00
Rents	2,498,845.10	2,613,069.74
Penalties	29,284.75	19,680.21
Miscellaneous	282.41	3,135.98
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	217.02	21,906.35
<u>TOTAL INCOME</u>	<u>\$ 2,550,629.28</u>	<u>\$ 2,857,792.28</u>
<u>EXPENDITURES</u>		
Budget and Emergency Appropriations:		
Operating	\$ 2,385,800.00	\$ 2,607,800.00
Deferred Charges and Statutory Expenditures	93,400.00	122,650.00
Municipal Debt Service	177,945.00	192,550.00
<u>TOTAL EXPENDITURES</u>	<u>\$ 2,657,145.00</u>	<u>\$ 2,923,000.00</u>
Deficit in Revenues	\$ 106,515.72	65,207.72
Operating Deficit to be Raised in Budget of Succeeding Year	<u>\$ 106,515.72</u>	<u>\$ 65,207.72</u>
<u>Fund Balance</u>		
Balance, January 1	87,944.24	287,944.24
	<u>\$ 87,944.24</u>	<u>\$ 287,944.24</u>
Decreased by:		
Utilization by Sewer Operating Budget	22,000.00	200,000.00
	<u>22,000.00</u>	<u>200,000.00</u>
Balance, December 31	<u>\$ 65,944.24</u>	<u>\$ 87,944.24</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

"E"

BOROUGH OF SOMERVILLE
PUBLIC ASSISTANCE TRUST FUND
BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>ASSETS</u>		
Due Trust Other Fund - P.A.T.F. I	\$ <u>26,358.60</u>	\$ <u>27,358.60</u>
<u>LIABILITIES AND RESERVES</u>		
Reserve for Public Assistance: Public Assistance Trust Fund I	\$ <u>26,358.60</u>	\$ <u>27,358.60</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

"F"

BOROUGH OF SOMERVILLE

GENERAL FIXED ASSET ACCOUNT GROUP

BALANCE SHEETS - STATUTORY BASIS

	DECEMBER <u>31, 2009</u>	DECEMBER <u>31, 2008</u>
General Fixed Assets:		
Land	\$ 10,816,400.00	\$ 10,816,400.00
Buildings	10,485,800.00	10,485,800.00
Machinery and Equipment	<u>7,243,413.00</u>	<u>7,243,413.00</u>
<u>TOTAL GENERAL FIXED ASSETS</u>	\$ <u>28,545,613.00</u>	\$ <u>28,545,613.00</u>
Investment in General Fixed Assets	\$ <u>28,545,613.00</u>	\$ <u>28,545,613.00</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF SOMERVILLE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Somerville is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Somerville include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Somerville, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Somerville do not include the operations of the municipal library or the local school district, inasmuch as their activities are administered by separate boards.

B. 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 the presentation of basic financial statements into three fund types, the governmental, proprietary and fiduciary funds, as well as government-wide financial reporting that must be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of Somerville conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Somerville are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services, the Borough accounts for its financial transactions through the following individual funds and account groups:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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

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

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Sewer Utility Operating and Capital Funds - account for the operations and acquisition of capital facilities of the municipally owned Sewer utility.

Public Assistance Trust Fund - receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

General Fixed Asset Account Group - utilized to account for property, land, buildings and equipment that has been acquired by other governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Federal and state grants are realized as revenues when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenues when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance.

Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis, interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General Fixed Assets are defined as nonexpendable personal and real property having a physical existence, a useful life of more than one year and an acquisition cost of \$500.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund. No depreciation has been provided on General Fixed Assets or reported in the financial statements.

The Borough has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an outside appraiser. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Buildings and land are stated at the assessed value contained in the Borough's most recent property revaluation.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital has not been accounted for separately.

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. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Capital - Sewer Utility

Accounting for utility fund "fixed capital" remains unchanged under the requirements of Technical Accounting Directive No. 85-2.

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represents charges to operations for the cost of acquisition of property, equipment and improvements. The utility does not record depreciation on fixed assets.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be held in accordance with GAAP. The Borough presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund, Certificates of Deposit and investments in the Joint Investment Program known as CLASS or Cooperative Liquid Assets Securities System as cash and cash equivalents.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Borough of Somerville had the following cash and cash equivalents at December 31, 2009:

<u>FUND</u>	<u>Cash on Deposit</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>TOTAL</u>
Current Fund	\$ 4,124,903.45	\$ 20,000.00	\$ (101,099.21)	\$ 4,043,804.24
Animal Control Trust Fund	12,303.95			12,303.95
Trust Other Fund	1,145,279.82		(39,400.17)	1,105,879.65
General Capital Fund	1,044,692.04			1,044,692.04
Sewer Utility Operating Fund	<u>20,719.29</u>	<u>1.00</u>	<u>(20,000.00)</u>	<u>720.29</u>
<u>Total December 31, 2009</u>	<u>\$ 6,347,898.55</u>	<u>\$ 20,001.00</u>	<u>\$ (160,499.38)</u>	<u>\$ 6,207,400.17</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2009, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$500,000.00 was covered by Federal Depository Insurance and \$5,847,898.55 was covered under the provisions of NJGUDPA.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

The purchases of investments by the Borough are strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type 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 which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
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 date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - 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 section 1 of P.L. 1970, c.236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: LONG-TERM DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years of financed by the issuance of bonds.

NOTE 3: LONG-TERM DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT

	<u>YEAR 2009</u>	<u>YEAR 2008</u>	<u>YEAR 2007</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 17,425,000.00	\$ 16,209,500.00	\$ 17,099,500.00
Sewer Utility:			
Bonds and Notes	518,000.00	593,000.00	668,000.00
Assessment Utility:			
Bonds	<u>135,000.00</u>	<u>240,000.00</u>	<u>345,000.00</u>
Net Debt Issued	18,078,000.00	17,042,500.00	18,112,500.00
Less: Cash on Hand to Pay Notes	<u>497,262.93</u>	<u>4,237.93</u>	
	<u>\$ 17,580,737.07</u>	<u>\$ 17,038,262.07</u>	<u>\$ 18,112,500.00</u>
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	1,644,750.63	2,420,825.63	1,466,689.71
Sewer Utility:			
Bonds and Notes	<u>161,527.55</u>	<u>116,527.55</u>	<u>46,527.55</u>
Total Authorized But Not Issued	<u>1,806,278.18</u>	<u>2,537,353.18</u>	<u>1,513,217.26</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 19,387,015.25</u>	<u>\$ 19,575,615.25</u>	<u>\$ 19,625,717.26</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

SUMMARY OF STATUTORY DEBT CONDITION
(ANNUAL DEBT STATEMENT)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.42%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School District Debt	\$ 29,542,000.00	\$ 29,542,000.00	\$ -0-
Sewer Utility Debt	679,527.55		679,527.55
General Debt	19,204,750.63	497,262.93	18,707,487.70
	<u>\$ 49,426,278.18</u>	<u>\$ 30,039,262.93</u>	<u>\$ 19,387,015.25</u>

NET DEBT \$19,575,615.25 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2, AS AMENDED, \$1,372,933,500.00 EQUALS 1.42%.

BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

Equalized Valuation Basis* - December 31, 2009	\$ 1,414,630,650.00
3-1/2 of Equalized Valuation Basis	49,512,072.75
Net Debt	<u>19,387,015.25</u>
Remaining Borrowing Power	<u>\$ 30,125,057.50</u>

*Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the Borough of Somerville for the last three (3) preceding years.

NOTE 3: LONG-TERM DEBT (CONTINUED)

CALCULATION OF "SELF-LIQUIDATING PURPOSE"
SEWER UTILITY PER N.J.S.A. 40A2-45

Surplus Anticipated and Total Cash Receipts from Fees, Rents, or Other Charges for the Year	\$ 2,515,005.93
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Deductions:

Operating and Maintenance Cost	\$ 2,379,000.00	
Debt Service	<u>177,945.00</u>	
Total Deductions		<u>2,556,945.00</u>

Deficit in Revenue	\$ <u>(41,939.07)</u>
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General Serial Bonds:

	OUTSTANDING BALANCE DECEMBER <u>31, 2009</u>
\$5,700,000.00 1999 General Improvement Bonds due in annual installments of \$470,000.00 to \$570,000.00 through February 2013 at an interest rate of 4.200%.	\$ 2,180,000.00
\$4,500,000.00 2003 County Guaranteed Capital Equipment and Improvement revenue Bonds due in annual installments of \$100,000.00 to \$700,000.00 through March 2018 at an interest rate of 3.60%.	4,050,000.00
\$3,780,000.00 2006 General Improvement Bonds due in annual installments of \$145,000.00 to \$300,000.00 through August 2021 at varying interest rates.	3,345,000.00
\$3,360,000.00 2009 County Guaranteed Governmental Loan Revenue Bonds due in annual installments of \$130,000.00 to \$265,000.00 through October 2024 at varying interest rates	3,360,000.00
\$3,640,000.00 2009 County Guaranteed Governmental Loan Revenue Bonds due in annual installments of \$145,000.00 to \$285,000.00 through October 2024 at varying interest rates.	<u>3,640,000.00</u>
	\$ <u>16,575,000.00</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

OUTSTANDING
BALANCE
DECEMBER
31, 2009

Sewer Utility Serial Bonds:

\$5,700,000.00 1999 Sewer Utility Improvement Bonds due in annual installments of between \$68,000.00 to \$75,000.00 through February 2016 at an interest rate of 4.200%.

\$518,000.00

Assessment Serial Bonds:

\$1,015,000.00 1999 Special Assessment Bonds due in annual installments of \$100,000.00 through February 2010 at an interest rate of 4.200%.

\$100,000.00

\$50,000.00 2006 Special Assessment Bonds due in annual installments of \$5,000.00 through August 2016 at an interest rate of 4.000%.

35,000.00

\$135,000.00

BOND ANTICIPATION NOTES

Outstanding Bond Anticipation Notes are summarized as follows:

	Interest <u>Rate</u>	Issue and <u>Maturity Dates</u>	<u>Amount</u>
Capital Fund	3.00%	1/26/2009 to 1/25/2010	<u>\$850,000.00</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR BONDED DEBT ISSUED AND OUTSTANDING DECEMBER 31, 2009

CALENDAR YEAR	<u>GENERAL CAPITAL</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2010	\$1,165,000.00	\$614,573.91	\$1,779,573.91
2011	1,290,000.00	589,781.25	1,879,781.25
2012	1,415,000.00	540,341.25	1,955,341.25
2013	1,315,000.00	487,001.25	1,802,001.25
2014	1,395,000.00	449,231.25	1,844,231.25
2015	1,445,000.00	399,256.25	1,844,256.25
2016	1,445,000.00	345,806.25	1,790,806.25
2017	1,550,000.00	291,706.25	1,841,706.25
2018	1,550,000.00	232,306.25	1,782,306.25
2019	850,000.00	172,906.25	1,022,906.25
2020	850,000.00	138,706.25	988,706.25
2021	805,000.00	103,093.75	908,093.75
2022	550,000.00	68,068.75	618,068.75
2023	550,000.00	44,187.50	594,187.50
2024	400,000.00	18,625.00	418,625.00
	<u>\$16,575,000.00</u>	<u>\$4,495,591.41</u>	<u>\$21,070,591.41</u>

CALENDAR YEAR	<u>SEWER CAPITAL</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2010	\$75,000.00	\$20,181.00	\$95,181.00
2011	75,000.00	17,031.00	92,031.00
2012	75,000.00	13,881.00	88,881.00
2013	75,000.00	10,731.00	85,731.00
2014	75,000.00	7,581.00	82,581.00
2015	75,000.00	4,431.00	79,431.00
2016	68,000.00	1,428.00	69,428.00
	<u>\$518,000.00</u>	<u>\$75,264.00</u>	<u>\$593,264.00</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

CALENDAR YEAR	ASSESSMENT CAPITAL		TOTAL
	PRINCIPAL	INTEREST	
2010	\$105,000.00	\$3,500.00	\$108,500.00
2011	5,000.00	1,200.00	6,200.00
2012	5,000.00	1,000.00	6,000.00
2013	5,000.00	800.00	5,800.00
2014	5,000.00	600.00	5,600.00
2015	5,000.00	400.00	5,400.00
2016	5,000.00	200.00	5,200.00
	<u>\$135,000.00</u>	<u>\$7,700.00</u>	<u>\$142,700.00</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2009 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2010 were as follows:

Current Fund	\$1,500,000.00
Sewer Utility Fund	\$ -0-

NOTE 5: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also taxes for the County and local school district. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes collected in advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
Prepaid Taxes	<u>\$134,199.93</u>	<u>\$118,908.02</u>

NOTE 6: PENSION PLANS

Borough employees, who are eligible for a pension plan, are enrolled in one of three pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The plans are: the Public Employees' Retirement System, the Police and Firemen's Retirement System, and the Consolidated Police and Firemen's Pension Fund of New Jersey. The Division annually charges participating government units for their respective contributions to the plans based upon actuarial methods. Certain portions of the costs are contributed by the employees. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$487,379.58 for 2009, \$751,392.72 for 2008 and \$513,695.00 for 2007.

Information as to the comparison of the actuarially computed value of vested benefits with the system's assets is not available from the State Retirement System and, therefore, is not presented.

NOTE 7: COMPENSATED ABSENCES

Under the existing policy of the Borough, employees are allowed to accumulate unused sick pay over the life of their working careers which may be taken as time off or paid at a later date up to a maximum number of days as specified by contract. The accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented and has not been determined, but is probably material. The Borough annually appropriates the amounts that are required to be paid in that year's budget.

NOTE 8: LITIGATION

The Borough Attorney's letter did not indicate any litigation, claims or contingent liabilities that are either not covered by the Borough's insurance carrier or would have a material financial impact on the Borough.

NOTE 9: TAX APPEALS

There are several tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for the year 2009. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.40A:2-51. The Borough has made provision from tax revenues, in the amount of \$50,000.00, for these appeals in the event that the tax reductions are granted.

NOTE 10: CONTINGENT LIABILITIES

The Borough participates in several federal and state financial award programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. The state and federal grants received and expended in 2009 were subject to the Single Audit Act Amendments of 1996, which mandates that grant revenues and expenditures be audited in conjunction with the Borough's annual audit. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II, Schedule of Findings and Questioned Costs. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2009, the Borough does not believe that any material liabilities will result from such audits.

NOTE 11: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Borough maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance - The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough 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 Borough is billed quarterly for amounts due to the State. Below is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Borough's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Borough Contributions and Interest</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009	\$ 257.00	\$ 9,365.04	\$ 14,511.73	\$ 76,804.67
2008	1,291.28	9,154.44	15,491.33	81,694.36
2007	2,522.21	9,170.05	13,264.33	86,739.97

NOTE 12: DEFERRED COMPENSATION

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Borough employees, permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the Plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of Plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

All assets of the Plan are held by an independent administrator, the Valic Company.

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities. The Borough's Deferred Compensation Plan financial statements are contained in a separate review report.

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2009:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$20,456.48	\$1,620,545.32
Grant Fund	1,486,968.72	
Assessment Trust Fund	128,515.93	128,482.83
Animal Control Fund		2,185.78
Trust Other Fund	466,133.32	43,458.76
General Capital Fund	177,410.18	633,762.17
Sewer Utility Operating Fund	400,628.98	416,170.54
Sewer Utility Capital Fund	538,762.17	400,628.98
Public Assistance Fund	26,358.60	
	<u>\$3,245,234.38</u>	<u>\$3,245,234.38</u>

All balances resulted from the time lag between dates that short-term loans were disbursed and payments between funds were made.

NOTE 14: LENGTH OF SERVICE AWARDS PROGRAM

During 2002, the Borough of Somerville adopted an ordinance establishing a Length of Service Awards Program for the members of the volunteer Fire Department and the First Aid and Rescue Squad pursuant to N.J.S.A. 40A:14-183 et seq. This ordinance is effective January 1, 2003.

Under this program, each volunteer of the volunteer Fire Department or the First Aid and Rescue Squad will have an annual amount of \$400.00 deposited into a tax deferred income account that will earn interest for the volunteer. The estimated annual cost of this program is \$30,000.00.

The accompanying financial statements do not include the Borough's Length of Service Awards Program's activities. The Borough's Length of Service Awards Program's financial statements are contained in a separate review report as required by state regulations.

NOTE 15: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2009, the following deferred charges are shown on the balance sheets of the various funds:

	BALANCE DECEMBER 31, <u>2009</u>	2010 BUDGET <u>APPROPRIATION</u>	BALANCE TO SUCCEEDING <u>YEARS</u>
Current Fund:			
Special Emergency			
40A:4-55 Revaluation	<u>\$220,000.00</u>	<u>\$44,000.00</u>	<u>\$176,000.00</u>

NOTE 16: GASB 45: OTHER POST-RETIREMENT BENEFITS

Plan Description. The Borough contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 *et seq.* to provide health benefits to State employees, retirees, and their dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions>.

Funding Policy. Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Borough on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Borough's contributions to SHBP for the years ended December 31, 2009, 2008 and 2007 were \$7,112.76, \$4,867.25 and \$3,288.88 respectively, which equaled the required contributions for each year.

APPENDIX E

Form of Continuing Disclosure Documents

CONTINUING DISCLOSURE AGREEMENT
BETWEEN
THE SOMERSET COUNTY IMPROVEMENT AUTHORITY
AND
TD BANK, NATIONAL ASSOCIATION

Dated as of December 1, 2010

The Somerset County Improvement Authority
\$5,540,000 County Guaranteed Governmental Loan Revenue Bonds
(Series 2010) (Somerville Project) (Tax-Exempt Recovery Zone Facility Bonds)
(Bank Qualified)

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement"), made and entered into as of December 1, 2010 by and between THE SOMERSET COUNTY IMPROVEMENT AUTHORITY (the "Authority"), a body politic and corporate of the State of New Jersey (the "State"), and TD BANK, NATIONAL ASSOCIATION, a banking corporation organized under the laws of the United States (the "Trustee").

WITNESSETH:

WHEREAS, the Authority is issuing its County Guaranteed Governmental Loan Revenue Bonds, Series 2010 (Somerville Project) (Tax-Exempt Recovery Zone Facility Bonds) (Bank Qualified) in the aggregate principal amount of \$5,540,000 (the "Bonds") on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to a resolution of the Authority entitled "County Guaranteed Governmental Loan Revenue Bond Resolution (Somerville Project)" duly adopted on November 23, 2010 (the "General Bond Resolution"), a delegation resolution of the Authority, entitled "Resolution Of The Somerset County Improvement Authority With Respect To The Delegation Of The Power To Sell And To Award County Guaranteed Governmental Loan Revenue Bonds, Series 2010 Of The Authority And To Determine Other Matters Pertaining To Such Revenue Bonds" duly adopted on November 23, 2010 (the "Delegation Resolution") and a certificate, duly executed by the Chairperson of the Authority, on December 16, 2010 (the "Award Certificate") and, together with the General Bond Resolution and the Delegation Resolution (the "Resolution"); and

WHEREAS, the Authority will issue the Bonds to make a loan to the Borough of Somerville in the County of Somerset, New Jersey (the "County") to permanently finance various improvements; and

WHEREAS, the Trustee has duly accepted the trusts imposed upon it by the Resolution as Registrar and as Trustee for the Holders from time to time of the Bonds; and

WHEREAS, the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented (codified as of 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 operating data and notices of the occurrence of certain material events to the Municipal Securities Rulemaking Board; and

WHEREAS, the Authority has determined and has so represented in the Preliminary Official Statement dated December 9, 2010 (the "Preliminary Official Statement") that it is an

“obligated person” with respect to the Bonds within the meaning of Rule 15c2-12 and, in order to enable a “participating underwriter” within the meaning of Rule 15c2-12 to purchase the Bonds, has determined to cause the delivery of the respective information described in this Agreement to the municipal securities marketplace for the period of time specified in this Agreement; and

WHEREAS, on December 16, 2010, the Authority awarded the Bonds to _____ (the “Participating Underwriter”) for the purchase of the Bonds; and

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

WHEREAS, the Authority and the Trustee are entering into this Agreement 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 Authority and the Trustee, each binding itself, its successors and assigns, do mutually promise, covenant and agree as follows:

ARTICLE 1

DEFINITIONS

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

Agreement
Authority
Award Certificate
Bonds
County
Delegation Resolution
General Bond Resolution
Participating Underwriter
Preliminary Official Statement
Resolution
Rule 15c2-12
SEC
Securities Exchange Act
Trustee

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

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

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York or the city or cities in which is located the principal corporate trust office of the Trustee are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

“Disclosure Event” means any of the events described in subsection 2.1 (i) through (xi) of this Agreement.

“Disclosure Event Notice” means the notice to the MSRB as provided in subsection 2.1.

“Disclosure Representative” means the authorized officer of the Authority or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Dissemination Agent, if the Authority has appointed or engaged a Dissemination Agent, from time to time.

“Dissemination Agent” means the Trustee acting in its capacity as Dissemination Agent under this Agreement, or any successor Dissemination Agent designated in writing by the Authority and which has filed a written acceptance of such designation.

“Event of Default” shall mean an event of default under the General Bond Resolution.

“Final Official Statement” means the Official Statement of the Authority dated February 16, 2010 relating to the Bonds.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“State” means the State of New Jersey.

Section 1.3. Capitalized Terms Not Defined Herein. Capitalized terms not defined herein shall have the meanings assigned to them in Section 101 of the General Bond Resolution.

Section 1.4. Interpretation. Words of the 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 person 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 Agreement. The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Agreement, refer to this Agreement as a whole unless otherwise expressly stated.

As the context shall require, all words importing the singular number shall include the plural number; the disjunctive term “or” shall be interpreted conjunctively as required to insure that the Authority perform any obligations mentioned in the passage in which such term appears.

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

ARTICLE 2

CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

Section 2.1. Continuing Disclosure Covenants and Representations of the Authority. The Authority agrees that it will provide, or shall cause the Dissemination Agent to provide, in a timely manner, not in excess of ten business days following the occurrence of any of the Disclosure Events (hereinafter defined), to the MSRB, notice of any of the following events with respect to the Bonds (each, a “Disclosure Event”);

- (i) principal and interest delinquencies;
- (ii) non-payment related defaults, if material;

- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders; if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 2.2. Responsibilities, Duties, Immunities and Liabilities of the Dissemination Agent. It shall be the responsibility of the Authority to determine the occurrence of a Disclosure Event. If the Authority has determined it necessary to report the occurrence of a Disclosure Event, the Authority or Dissemination Agent (if one has been appointed or engaged by the Authority and upon the written request of the Authority) shall file promptly a notice of such occurrence with the MSRB (the "Disclosure Event Notice") in the form provided by the Authority; provided, that the Disclosure Event Notice pertaining to the occurrence of a Disclosure Event described in clauses 2.1 (viii) (optional or special redemptions of the Bonds) or 2.1 (ix) (defeasances) need not be given under this subsection any earlier than the time when the notice (if any) of such Disclosure Event shall be given to Holders of affected Bonds as provided in the General Bond Resolution. The obligations of the Authority or the Dissemination Agent to provide the notices to the MSRB, under this Agreement are in addition to, and not in substitution

of, any of the obligations of the Trustee to provide notices of events of default to Holders under the General Bond Resolution. The Authority or the Dissemination Agent (if one has been appointed or engaged by the Authority) shall file a copy of each Disclosure Event Notice with the Trustee, for informational purposes only.

Section 2.3. Appointment, Removal, and Resignation of the Dissemination Agent. Indemnification.

(a) The Authority hereby appoints TD Bank, National Association to act as Dissemination Agent under this Agreement to assist it in carrying out its obligations under this Agreement. The Authority may, from time to time, discharge any such Dissemination Agent, and appoint a successor Dissemination Agent, such discharge to be effective on the date of the appointment of a successor Dissemination Agent.

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities 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 gross negligence or willful misconduct. The obligations of the Authority under this subsection 2.3(b) 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 Authority. Such resignation shall take effect on the date specified in such notice.

Section 2.4. Responsibilities, Duties, Immunities and Liabilities of the Trustee.

Article VIII of the General Bond Resolution is hereby made applicable to this Agreement as if the duties of the Trustee under this Agreement were (solely for this purpose) set forth in the General Bond Resolution.

ARTICLE 3

DEFAULTS AND REMEDIES

Section 3.1. Disclosure Default. The occurrence and continuation of a failure by the Authority to observe, perform or comply with any covenant, condition or agreement on its part to be observed or performed in this Agreement and such failure shall remain uncured for a period of thirty (30) days after written notice thereof has been given to the Authority by the Trustee or any Bondholder shall constitute a Disclosure Default hereunder.

Section 3.2. Remedies on Default.

(a) The Trustee may, at the request of any Participating Underwriter or the Holders of at least twenty-five percent (25%) in aggregate principal amount of outstanding Bonds and after the Trustee has been indemnified to its satisfaction against any and all costs and expenses,

outlays and counsel fees and other reasonable disbursements, and against all loss, liability and expenses, shall, or any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the Authority and any of the officers, agents and employees of the Authority which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Authority under this Agreement and may compel the Authority or any such officer, agents or employees, except for the Dissemination Agent, to perform and carry out its duties under this Agreement; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

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

(c) A default under this Agreement shall not be deemed an Event of Default under the General Bond Resolution, and the sole remedy under this Agreement in the event of any failure by the Authority to comply with this Agreement shall be as set forth in subsection 3.2(a) of this Agreement.

ARTICLE 4

MISCELLANEOUS

Section 4.1. Purposes of the Disclosure Agreement. This Agreement is being executed and delivered by the Authority and the Trustee 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. Third-Party Beneficiaries: The Bondholders. Each Bondholder is hereby recognized as being a third-party beneficiary hereunder and each may enforce, for the equal benefit and protection of all Bondholders similarly situated, any such right, remedy or claim conferred, given or granted hereunder in favor of the Trustee.

Section 4.3. Indemnified Parties. The Authority agrees to indemnify and hold harmless the Trustee and the Dissemination Agent (collectively called the "Indemnified Parties"), against any and all losses, claims, damages, liabilities or expenses whatsoever caused by the Authority's failure to perform or observe any of its obligations, agreements or covenants under the terms of this Agreement but only if and insofar as such losses, claims, damages, liabilities or expenses are caused by any such failure of the Authority to perform. In case any action shall be brought against the Indemnified Parties based upon this Agreement and in respect of which indemnity may be sought against the Authority, the Indemnified Parties shall promptly notify the Authority in writing. Upon receipt of such notification, the Authority shall promptly assume the defense of such action, including the retention of counsel, the payment of all expenses in connection with such action and the right to negotiate and settle any such action on behalf of such party. Any

Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless the employment of such counsel has been specifically authorized by the Authority or unless by reason of conflict of interest determined by the written opinion of counsel to any such party, it is advisable for such party to be represented by separate counsel, to be retained by the Authority, in which case the fees and expenses of such separate counsel shall be borne by the Authority. The Authority shall not be liable for any settlement of any such action effected without its written consent, but if settled with the written consent of the Authority or if there be a final judgment of the plaintiff in any such action with or without written consent, the Authority agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment. Nothing in this paragraph shall require or obligate the Authority to indemnify or hold harmless the Indemnified Parties from or against any loss, claim, damage, liability or expense caused by any gross negligence, recklessness or intentional misconduct of the Indemnified Parties in connection with such entity's performance of its obligations, agreements and covenants under this Agreement.

Section 4.4. Additional Information. Nothing in this Agreement shall be deemed to prevent the Authority from (a) disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or (b) including any other information in any Disclosure Event Notice, in addition to that which is required by this Agreement. If the Authority chooses to include any information in any Disclosure Event Notice in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future Disclosure Event Notice.

Section 4.5. Notices. All notices required to be given or authorized to be given by any party pursuant to this Agreement shall be in writing and shall be sent by registered or certified mail (as well as by facsimile, in the case of the Trustee) to, in the case of the Authority, addressed to: Administration Building, 20 Grove Street, Somerville, New Jersey 08876, Att: Chairperson; and in the case of the Trustee and Dissemination Agent, addressed to it at its corporate trust office at TD Bank, National Association, Corporate Trust Services, 1701 Route 70 East, Cherry Hill, New Jersey 08034-5400

Section 4.6. Assignment. This Agreement may not be assigned by any party without the consent of the other and, as a condition to any such assignment, only upon the assumption in writing of all of the obligations imposed upon such party by this Agreement.

Section 4.7. Severability. If any provision of this Agreement 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 whatsoever.

Section 4.8. Execution of Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. The parties hereto may sign the same counterpart or each party hereto may sign a separate counterpart.

Section 4.9. Amendments, Changes and Modifications.

(a) Except as otherwise provided in this Agreement, subsequent to the initial issuance of the Bonds and prior to their payment in full (or provision for payment thereof having been made in accordance with the provisions of the General Bond Resolution), this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee.

(b) Without the consent of any Bondholders, the Authority and the Trustee at any time and from time to time may enter into any amendments or modifications to this Agreement for any of the following purposes:

(i) to add to covenants and agreements of the Authority hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Authority by this Agreement;

(ii) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional) which are applicable to the Bonds;

(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 Agreement which, in each case, comply with Rule 15c2-12 as then in effect at the time of such modification;

(iv) to add a Dissemination Agent or to evidence the succession of another person or entity to the Authority and the assumption by and such successor of the covenants and agreements of the Authority hereunder; or

(v) to assure continued compliance with Rule 15c2-12 pursuant to the provisions of subsection 4.10 hereof;

provided, that prior to approving any such amendment or modification, the Trustee and the Authority determine that such amendment or modification does not adversely affect the interests of the Holders of the Bonds in any material respect.

(c) Upon entering into any amendment or modification required or permitted by this Agreement, the Authority shall deliver, or cause the Dissemination Agent to deliver, to the MSRB written notice of any such amendment or modification.

(d) In making the determination pursuant to Section 4.9(b) hereof, the Authority and the Trustee shall be entitled to rely exclusively upon an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Authority and the Trustee to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.9.

Section 4.10. Amendments Required by Rule 15c2-12. The Authority and the Trustee each recognize that the provisions of this Agreement 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 Agreement shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by the Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Authority 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 Authority and the Trustee shall amend this Agreement to comply with and be bound by any such amendment to this Agreement to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and shall provide the written notice of such amendment as required by subsection 4.9(c) hereof.

Section 4.11. Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State.

Section 4.12. Termination of Authority's Continuing Disclosure Obligations. The continuing obligation of the Authority under Section 2.1 hereof to provide any Disclosure Event Notice and to comply with the other requirements of said Section shall terminate if and when the Bonds are no longer outstanding in accordance with the terms of the General Bond Resolution and only after the Authority delivers, or causes the Dissemination Agent to deliver, to the MSRB written notice to such effect.

Section 4.13. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority and the Trustee and their respective successors and assigns.

IN WITNESS WHEREOF, THE SOMERSET COUNTY IMPROVEMENT AUTHORITY and TD BANK, NATIONAL ASSOCIATION, have caused this Agreement to be executed in their respective names and their corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

[SEAL]

ATTEST:

**THE SOMERSET COUNTY
IMPROVEMENT AUTHORITY**

Michael J. Amorosa, Secretary

By: _____
Richard E. Williams, Chairperson

[SEAL]

ATTEST:

**TD BANK, NATIONAL
ASSOCIATION**

By: _____

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE is made as of December 1, 2010 by the County of Somerset, New Jersey, a political subdivision duly organized under the laws of the State of New Jersey (the "County").

W I T N E S S E T H:

WHEREAS, the Somerset County Improvement Authority ("Issuer") is issuing its County Guaranteed Governmental Loan Revenue Bonds, Series 2010 (Somerville Project) (Tax-Exempt Recovery Zone Facility Bonds) (the "Bonds") dated the date of delivery in the aggregate principal amount of \$5,540,000 on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to a bond resolution of the Issuer entitled "2010 County Guaranteed Governmental Loan Revenue Bond Resolution (Somerville Project)" duly adopted on November 23, 2010;

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 the Municipal Securities Rulemaking Board; and

WHEREAS, on December 16, 2010, the Issuer awarded the Bonds to _____ (the "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 County 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 County, its successors and assigns, do mutually promise, covenant and agree as follows:

ARTICLE I DEFINITIONS

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

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

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

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

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

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

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

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

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

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

“Final Official Statement” means the final Official Statement of the Issuer dated December 16, 2010 pertaining to the Bonds.

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

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

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

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

“Operating Data” means the financial and statistical information of the County of the type included in the Final Official Statement contained in Appendices A and B under the headings “Bonded Indebtedness December 31, 2009,” “History of Bonded Debt Ratios,” “Schedule of Comparative Debt,” “Statutory Debt as of December 31, 2009,” “Bonded Debt Service Requirements,” “Capital Budget,” “Six-Year Capital Program,” “Authority Debt,” “Highest Taxpayers (Assessments) 2009,” “Comparison Assessed Valuations and Exempt Property,” “Tax Collection Record,” “Contributions to Retirement System,” “Summaries--County Tax Data--Equalized Values,” “Residential Building Permits,” “Labor Force Estimates,” “Employment by Sector (Private),” “Major Industries Employing 500 or More,” “Current Fund-Balance Sheet,” “Current Fund-Statement of Operations and Change in Fund Balance Current Account,” “Trust Fund-Balance Sheets,” “General Capital Fund-Balance Sheets,” “General Fixed Assets Account Group-Balance Sheets,” and “Selected Financial Information.”

“State” means the State of New Jersey.

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

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

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

ARTICLE II

CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

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

(a) Not later than August 31 of each year, commencing with the first Fiscal Year of the County ending after January 1, 2010, an Annual Report to the MSRB;

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

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

(d) In a timely manner not in excess of ten business days following the occurrence of any of the Disclosure Events (hereinafter defined), to the MSRB, notice of any of the following events with respect to the Bonds (each, a “Disclosure Event”);

- (i) principal and interest delinquencies;
- (ii) non-payment related defaults, if material;
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders; if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

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 County or related public entities which have been submitted to the MSRB or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so incorporated by reference.

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

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

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

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

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

(a) The County 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 County shall be the Dissemination Agent.

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the County 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 County 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 County. Such resignation shall take effect on the date specified in such notice.

ARTICLE III DISCLOSURE DEFAULT AND REMEDIES

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

Section 3.2 Remedies on Default.

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

(b) In case any Bondholder shall have proceeded to enforce its rights under this Certificate and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to any Bondholder, then and in every such case the County and any Bondholder shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the County 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 County to comply with this Certificate shall be as set forth in subsection 3.2(a) of this Certificate.

ARTICLE IV MISCELLANEOUS

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

Section 4.2 Additional Information. Nothing in this Certificate shall be deemed to prevent the County 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 County chooses to include information in any Annual Report or any Disclosure Event Notice in addition to that which is specifically required by this Certificate, the County shall have no obligation under this Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or any future Disclosure Event Notice.

Section 4.3 Notices. All notices required to be given or authorized shall be in writing and shall be sent by registered or certified mail to the County, County Administration Building, 20 Grove Street, Somerville, New Jersey 08876, Attention: Director of Financial Services and Administration & Treasurer.

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

Section 4.5 Amendments, Changes and Modifications.

(a) Without the consent of any Bondholders, the County 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 County hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the County 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 County or to reflect changes in the identity, nature or status of the County or in the business, structure or operations of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modification shall comply with the requirements of Rule 15c2-12 as then in effect at the time of such modification; or
- (iii) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Certificate which, in each case, comply with Rule 15c2-12 as then in effect at the time of such modification.

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

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

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

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

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

Section 4.8 Termination of County's Continuing Disclosure Obligations. The continuing obligation of the County 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 County no longer remains an "obligated person" (as defined in Rule 15c2-12(f)(10) with respect to the Bonds in either event, only after the County delivers, or causes the Dissemination Agent to deliver, to the MSRB written notice to such effect. This Certificate shall be in full force and effect from the date hereof and shall continue in effect so long as any Bonds are Outstanding.

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

IN WITNESS WHEREOF, THE COUNTY OF SOMERSET, 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]

**THE COUNTY OF SOMERSET,
NEW JERSEY**

ATTEST:

**By: _____
Brian Newman, Director of Financial Services
and & Chief Financial Officer**

CONTINUING DISCLOSURE AGREEMENT

BETWEEN

BOROUGH OF SOMERVILLE

AND

TD BANK, NATIONAL ASSOCIATION

Dated as of December 1, 2010

**The Somerset County Improvement Authority
\$5,540,000 County Guaranteed Governmental Loan Revenue Bonds
(Series 2010) (Somerville Project) (Tax-Exempt Recovery Zone Facility Bonds)**

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement"), made and entered into as of December 1, 2010 by and between the Borough of Somerville (the "Local Unit"), a body politic and corporate located in the County of Somerset, New Jersey (the "County") and TD BANK, NATIONAL ASSOCIATION, a banking corporation organized under the laws of the United States (the "Trustee").

W I T N E S S E T H:

WHEREAS, The Somerset County Improvement Authority (the "Authority") is issuing its County Guaranteed Governmental Loan Revenue Bonds, Series 2010 (Somerville Project) (Tax-Exempt Recovery Zone Facility Bonds) in the aggregate principal amount of \$5,540,000 (the "Bonds") on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to a resolution of the Authority entitled "2010 County Guaranteed Governmental Loan Revenue Bond Resolution (Somerville Project)" duly adopted on November 23, 2010 (the "General Bond Resolution"), a delegation resolution of the Authority, entitled "Resolution Of The Somerset County Improvement Authority With Respect To The Delegation Of The Power To Sell And To Award County Guaranteed Governmental Loan Revenue Bonds, Series 2010 Of The Authority And To Determine Other Matters Pertaining To Such Revenue Bonds" duly adopted on November 23, 2010 (the "Delegation Resolution") and a certificate, duly executed by the Chairperson of the Authority, on December 16, 2010 (the "Award Certificate") and, together with the General Bond Resolution and the Delegation Resolution (the "Resolution"); and

WHEREAS, the Authority will issue the Bonds to make a loan the Borough of Somerville in the County of Somerset, New Jersey (the "County") to permanently finance various improvements of said Local Unit; and

WHEREAS, the Trustee has duly accepted the trusts imposed upon it by the Resolution as Trustee for the Holders from time to time of the Bonds; and

WHEREAS, the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented (codified as of 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 prohibits 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 operating data and notices of the occurrence of certain material events to the Municipal Securities Rulemaking Board; and

WHEREAS, the Local Unit has determined and has so represented in the Preliminary Official Statement dated December 9, 2010 (the "Preliminary Official Statement") that it is an

“obligated person” with respect to the Bonds within the meaning of Rule 15c2-12 and, in order to enable a “participating underwriter” within the meaning of Rule 15c2-12 to purchase the Bonds, has determined to cause the delivery of the respective information described in this Agreement to the municipal securities marketplace for the period of time specified in this Agreement; and

WHEREAS, on December 16, 2010, the Authority awarded the Bonds to _____ (“Participating Underwriter”) for the purchase of the Bonds; and

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

WHEREAS, the Local Unit and the Trustee are entering into this Agreement 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 Local Unit and the Trustee, each binding itself, 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 meaning set forth in the recitals hereto:

Agreement
Authority
Award Certificate
Bonds
County
Delegation Resolution
General Bond Resolution
Local Unit
Participating Underwriter
Preliminary Official Statement
Resolution
Rule 15c2-12
SEC
Securities Exchange Act
Trustee

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

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

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York or the city or cities in which are located the principal corporate trust offices of the Trustee are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

“Dissemination Agent” means the Trustee acting in its capacity as Dissemination Agent under this Agreement, or any successor Dissemination Agent designated in writing by the Authority and which has filed a written acceptance of such designation.

“Event of Default” shall mean an event of default under the General Bond Resolution.

“Final Official Statement” means the Official Statement of the Authority dated December 16, 2010 relating to the Bonds.

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

“GAAS” means generally accepted auditing standards in effect from time to time in the United States of America, consistently applied.

“Local Unit Data” means the financial and statistical information of the Local Unit of the type included in the Final Official Statement in Appendices C and D entitled “Certain Information Concerning the Borrower” and “Financial Statements of the Borrower”.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“State” means the State of New Jersey.

Section 1.3 Capitalized Terms Not Defined Herein. Capitalized terms not defined herein shall have the meanings assigned to them in Section 101 of the General Bond Resolution.

Section 1.4 Interpretation. Words of the 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 person 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 Agreement. The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Agreement, refer to this Agreement as a whole unless otherwise expressly stated.

As the context shall require, all words importing the singular number shall include the plural number; the disjunctive term “or” shall be interpreted conjunctively as required to insure that the Authority perform any obligations mentioned in the passage in which such term appears.

The headings of this Agreement 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 and Representations of the Local Unit. The Local Unit agrees that it will provide, or shall cause the Dissemination Agent to provide:

(a) Not later than two hundred forty (240) days after the end of each Fiscal Year of the Local Unit, the Local Unit Data to the MSRB;

(b) Not later than fifteen (15) days prior to the date specified in subsection 2.1(a), a copy of the Local Unit Data to the Dissemination Agent, if the Authority has appointed or engaged a Dissemination Agent;

(c) In a timely manner, to the MSRB, notice of a failure by the Local Unit to provide the Local Unit Data within the period described in subsection 2.1(a) hereof.

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

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

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

Section 2.3 Form of Filings. (a) The Local Unit Data 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 Local Unit Data may be incorporated by reference from other documents, including official statements delivered in connection with other financing issues on behalf of the Local Unit which have been submitted to the MSRB or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Local Unit shall clearly identify each such other document so incorporated by reference.

(c) The Local Unit Data for any Fiscal Year containing any modified operating data or financial information (as contemplated by Section 4.9 and 4.10 hereof) for such Fiscal Year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Local Unit Financial Statements or Local Unit Data being provided for such Fiscal Year.

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

(a) The Dissemination Agent shall:

(i) Upon receiving Local Unit Data, file the same with the MSRB as soon as practicable and thereafter file a written report with the Authority certifying that the Local Unit Data which have been provided to it have been filed with the MSRB pursuant to this Agreement, stating the date it was provided; and

(ii) if the Dissemination Agent has not received the Local Unit Data by the date set forth in subsection 2.1(b) immediately send written notice of such failure to the Authority, the Local Unit and the Trustee.

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

(a) The Local Unit appoints TD Bank, National Association to act as Dissemination Agent under this Agreement to assist it in carrying out its obligations under this Agreement. The Local Unit may, from time to time, discharge any such Dissemination Agent, and appoint a successor Dissemination Agent, such discharge to be effective on the date of the appointment of a successor Dissemination Agent.

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the Local Unit has agreed to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities 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 Local Unit under this subsection 2.5(b) 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 Authority. Such resignation shall take effect on the date specified in such notice.

Section 2.6 Responsibilities, Duties, Immunities and Liabilities of the Trustee.

(a) Article VIII of the General Bond Resolution is hereby made applicable to this Agreement as if the duties of the Trustee under this Agreement were (solely for this purpose) set forth in the General Bond Resolution.

Section 2.7 Additional Persons Obligated Under Rule 15c2-12. The Local Unit agrees that it will cause any other person who becomes an "obligated person" as such term is defined in Rule 15c2-12 to perform all of the duties of the Local Unit herein.

ARTICLE III

DEFAULTS AND REMEDIES

Section 3.1 Disclosure Default. The occurrence and continuation of a failure by the Local Unit to observe, perform or comply with any covenant, condition or agreement on its part to be observed or performed in this Agreement and such failure shall remain uncured for a period of thirty (30) days after written notice thereof has been given to the Local Unit by the Trustee or any Bondholder shall constitute a Disclosure Default hereunder.

Section 3.2 Remedies on Default.

(a) The Trustee may, at the request of any Participating Underwriter or the Holders of at least twenty-five percent (25%) in aggregate principal amount of outstanding Bonds and after the Trustee has been indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all loss, liability and expenses, shall, or any Bondholder, for the equal benefit and protection of all

Bondholders similarly situated, may take whatever action at law or in equity against the Local Unit and any of the officers, agents and employees of the Local Unit which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Local Unit under this Agreement and may compel the Local Unit or any such officer, agents or employees, except for the Dissemination Agent, to perform and carry out its duties under this Agreement; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

(b) In case the Trustee or any Bondholder shall have proceeded to enforce its rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Bondholder, as the case may be, then and in every such case the Local Unit or the Trustee and any Bondholder, as the case may be, shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Local Unit or the Trustee and any Bondholder shall continue as though not such proceeding had been taken.

(c) A default under this Agreement shall not be deemed an Event of Default under the General Bond Resolution, and the sole remedy under this Agreement in the event of any failure by the Local Unit to comply with this Agreement shall be as set forth in subsection 3.2(a) of this Agreement.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Purposes of the Disclosure Agreement. This Agreement is being executed and delivered by the Local Unit and the Trustee 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 Third-Party Beneficiaries: The Bondholders. Each Bondholder is hereby recognized as being a third-party beneficiary hereunder and each may enforce, for the equal benefit and protection of all Bondholders similarly situated, any such right, remedy or claim conferred, given or granted hereunder in favor of the Trustee.

Section 4.3 Indemnified Parties. The Local Unit agrees to indemnify and hold harmless the Trustee and the Dissemination Agent (collectively called the "Indemnified Parties"), against any and all losses, claims, damages, liabilities or expenses whatsoever caused by the Local Unit's failure to perform or observe any of its obligations, agreements or covenants under the terms of this Agreement but only if and insofar as such losses, claims, damages, liabilities or expenses are caused by any such failure of the Local Unit to perform. In case any action shall be brought against the Indemnified Parties based upon this Agreement and in respect of which indemnity may be sought against the Local Unit, the Indemnified Parties shall promptly notify the Local Unit in writing. Upon receipt of such notification, the Local Unit shall promptly assume the defense of such action, including the retention of counsel, the payment of all expenses in connection with such action and the right to negotiate and settle any such action on behalf of such party. Any Indemnified Party shall have the right to employ separate counsel in

any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless the employment of such counsel has been specifically authorized by the Local Unit or unless by reason of conflict of interest determined by the judge presiding over such matter, it is advisable for such party to be represented by separate counsel, to be retained by the Local Unit in which case the fees and expenses of such separate counsel shall be borne by the Local Unit. The Local Unit shall not be liable for any settlement of any such action effected without its written consent, but if settled with the written consent, the Local Unit agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment. Nothing in this paragraph shall require or obligate the Local Unit indemnify or hold harmless the Indemnified Parties from or against any loss, claim, damage, liability or expense caused by any negligence, recklessness or intentional misconduct of the Indemnified Parties in connection with such entity's performance of its obligations, agreements and covenants under this Agreement.

Section 4.4 Additional Information. Nothing in this Agreement shall be deemed to prevent the Local Unit from (a) disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or (b) including any other information in any Local Unit Data, in addition to that which is required by this Agreement. If the Local Unit chooses to include any information in any Local Unit Data in addition to that which is specifically required by this Agreement, the Local Unit shall have no obligation under this Agreement to update such information or include it in any future Local Unit Data.

Section 4.5 Notices. All notices required to be given or authorized to be given by any party pursuant to this Agreement shall be in writing and shall be sent by registered or certified mail (as well as by facsimile, in the case of the Trustee) to, in the case of the Local Unit, addressed to: Borough of Somerville, 25 West End Avenue, Somerville, New Jersey, 08876, Attention: Janet Kelk, Chief Financial Officer and in the case of the Trustee, addressed to it as its principal corporate trust office at: Corporate Trust Services, 1701 Route 70 East, Cherry Hill, New Jersey 08034-5400.

Section 4.6 Assignment. This Agreement may not be assigned by any party without the consent of the others and, as a condition to any such assignment, only upon the assumption in writing of all of the obligations imposed upon such party by this Agreement.

Section 4.7 Severability. If any provision of this Agreement 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 whatsoever.

Section 4.8 Execution of Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. The parties hereto may sign the same counterpart or each party hereto may sign a separate counterpart.

Section 4.9 Amendments, Changes and Modifications.

(a) Except as otherwise provided in this Agreement, subsequent to the initial issuance of the Bonds and prior to their payment in full (or provision for payment thereof having been made in accordance with the provisions of the General Bond Resolution), this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee.

(b) Without the consent of any Bondholders, the Local Unit and the Trustee at any time and from time to time may enter into any amendments or modifications to this Agreement for any of the following purposes:

(i) to add to covenants and agreements of the Local Unit hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Local Unit by this Agreement;

(ii) to modify the contents, presentation and format of the Local Unit Financial Statements and Local Unit Data from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Local Unit or to reflect changes in the identity, nature or status of the Local Unit or in the business, structure or operations of the Local Unit or any mergers, consolidations, acquisitions or dispositions made by or affecting the Local Unit provided that any such modification shall comply with the requirements of Rule 15c2-12 as then in effect at the time of such modification;

(iii) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional) which are applicable to the Bonds;

(iv) to add a Dissemination Agent or to evidence the succession of another person or entity to the Local Unit and the assumption by any such successor of the covenants and agreements of the Local Unit hereunder;

(v) 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 Agreement which, in each case, comply with Rule 15c2-12 as then in effect at the time of such modification; or

(vi) to assure continued compliance with Rule 15c2-12 pursuant to the provisions of subsection 4.10 hereof; provided, that prior to approving any such amendment or modification, the Trustee and the Local Unit determine that such amendment or modification does not adversely affect the interests of the Holders of the Bonds in any material respect.

(c) Upon entering into any amendment or modification required or permitted by this Agreement, the Local Unit shall deliver, or cause the Dissemination Agent to deliver, to the MSRB written notice of any such amendment or modification.

(d) In making the determinations pursuant to Section 4.9(b) hereof, the Local Unit and the Trustee shall be entitled to rely exclusively upon an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Local Unit and the Trustee to the

effect that such amendments or modifications comply with the conditions and provisions of this Section 4.9.

Section 4.10 Amendments Required by Rule 15c2-12. The Local Unit and the Trustee each recognize that the provisions of this Agreement 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 Agreement shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by the Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Local Unit 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 Local Unit and the Trustee shall, amend this Agreement to comply with and be bound by any such amendment to this Agreement 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 4.9(c) hereof.

Section 4.11 Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State.

Section 4.12 Termination of Local Unit's Continuing Disclosure Obligations. The continuing obligation of the Local Unit under Section 2.1 hereof to provide the Local Unit Financial Statements and the Local Unit Data and to comply with the other requirements of said Section shall terminate if and when either (a) the Bonds are no longer outstanding in accordance with the terms of the General Bond Resolution or (b) the Local Unit no longer remains an "obligated person" (as defined in Rule 15c2-1 2(f)(10)) with respect to the Bonds and in either event, only after the Local Unit delivers, or causes the Dissemination Agent to deliver, to the MSRB written notice to such effect.

Section 4.13 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Local Unit and the Trustee and their respective successor and assigns.

IN WITNESS WHEREOF, the BOROUGH OF SOMERVILLE and TD BANK, NATIONAL ASSOCIATION, have caused this Agreement to be executed in their respective names and their corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

[SEAL]

ATTEST:

BOROUGH OF SOMERVILLE

Clerk

By: _____
Mayor

[SEAL]

ATTEST:

TD BANK, NATIONAL
ASSOCIATION

By: _____

APPENDIX F

Proposed Form of Approving Legal Opinion

December __, 2010

The Somerset County Improvement Authority
20 Grove Street
PO Box 3000
Somerville NJ 08876
Dear Authority Members:

We have examined a record of proceedings relating to the issuance of \$5,540,000 County Guaranteed Governmental Loan Revenue Bonds, Series 2010 (Somerville Project) (Tax-Exempt Recovery Zone Facility Bonds) (the "Series 2010 Bonds") of The Somerset County Improvement Authority (the "Authority"), a body corporate and politic of the State of New Jersey created under and existing by virtue of The County Improvement Authorities Law, constituting Chapter 183 of the Laws of New Jersey of 1960, as amended and supplemented (the "Act").

The Series 2010 Bonds are being authorized and issued under and pursuant to the Act and a resolution of the Authority duly adopted November 23, 2010 entitled "County-Guaranteed Governmental Loan Revenue Bond Resolution (Somerville Project)" (the "Bond Resolution"). In accordance with the terms of the Bond Resolution, a delegation resolution of the Authority duly adopted on November 23, 2010 entitled "Resolution of The Somerset County Improvement Authority With Respect to the Delegation of the Power to Sell and to Award County-Guaranteed Governmental Loan Revenue Bonds, Series 2010 (Somerville Project) of the Authority and to Determine Other Matters Pertaining to Such Revenue Bonds" (the "Delegation Resolution"), and a certificate duly executed by the Chairperson of the Authority, on December __, 2010 (the "Award Certificate" and together with the General Bond Resolution and the Delegation Resolution, the "Resolution"), the Series 2010 Bonds have been awarded and sold to the purchaser thereof and certain determinations with respect to the Series 2010 Bonds have been made pursuant thereto. Capitalized terms used herein and not otherwise defined shall have the same meanings ascribed to such terms in the Bond Resolution.

The Series 2010 Bonds are dated and shall bear interest from the date of delivery of the Series 2010 Bonds, payable semiannually on June 15 and December 15 in each year, commencing June 15, 2011, at the respective rates per annum, and shall mature on the dates and in the respective principal amounts, shown below:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2012	\$240,000			2022	\$405,000		
2013	255,000			2023	420,000		
2014	270,000			2024	440,000		
2015	285,000			2025	375,000		
2016	335,000			2026	130,000		
2017	345,000			2027	135,000		
2018	355,000			2028	145,000		
2019	365,000			2029	150,000		
2020	380,000			2030	120,000		
2021	390,000						

The Series 2010 Bonds are subject to redemption prior to maturity.

The Series 2010 Bonds are issued in fully registered form, without coupons, in the form of one certificate for the aggregate principal amount of Series 2010 Bonds maturing in each year, initially registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearinghouse for securities transactions which will act as security depository for the Series 2010 Bonds.

The Series 2010 Bonds are being issued for the purpose of making a loan to the Borough of Somerville, in the County of Somerset, New Jersey (the "County") (the "Borrower"), to (i) provide a capital grant to Saker Shoprites, Inc. to finance a portion of the cost of the construction of a supermarket located in the West Main Street Redevelopment Area of the Borrower, (ii) paying capitalized interest on the Series 2010 Bonds and (iii) paying certain costs incurred in connection with the issuance and delivery of the Series 2010 Bonds.

We have reviewed a record of proceedings of the County in connection with the adoption of an ordinance by the Board of Chosen Freeholders of the County finally adopted on November 9, 2010 (the "County Guarantee"), and a record of proceedings in connection with the execution of an agreement, dated as of December 1, 2010, by and between the Authority and the County entitled "County Guarantee Agreement among the County of Somerset, TD Bank, National Association and the Somerset County Improvement Authority" (the "Guarantee Agreement"). Pursuant to the County Guarantee, the County and the Authority have entered into the Guarantee Agreement, which sets forth the terms and conditions pursuant to which the County has agreed to unconditionally and irrevocably

guarantee the punctual payment of the principal of, redemption premium, if any and interest on the Series 2010 Bonds.

We have also reviewed the Continuing Disclosure Agreements, dated as of December 1, 2010 (the "Disclosure Agreement") by and among the Authority, TD Bank, National Association, as dissemination agent and the Borrower.

As the basis for the opinions which are set forth below, we have examined such matters of law, including the Act, such documents, including the Resolution, the Guarantee Agreement, the Disclosure Agreements, and such other statutes, resolutions, certificates and records of the Authority as we have considered necessary in order to enable us to express the opinions hereinafter set forth. As to matters of fact, we have relied upon the representations of the Authority and the County and, where we have deemed appropriate, representations or certifications of public officials. Further, in expressing such opinions, we have relied upon the genuineness, truthfulness and completeness of the resolutions, documents, certificates and records referred to above.

Based upon our review of and subject to the foregoing, we are of the opinion that:

1. The Authority is duly created and validly existing under the provisions of the Act and has the right and lawful authority under the Act to make a loan to the Borrower in accordance with the terms and provisions of the Bond Resolution.

2. The Authority has the right and power under the Act to adopt the Bond Resolution and to authorize the issuance of the Series 2010 Bonds, and the Chairperson, had and has the right and power under the Act and in accordance with the terms of the Bond Resolution and the Delegation Resolution to execute the Award Certificate. The Bond Resolution and the Delegation Resolution have been duly and lawfully adopted by the Authority, and the Award Certificate has been duly and lawfully executed on behalf of the Authority; each is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Bond Resolution and the Delegation Resolution is required. The Bond Resolution creates the valid pledge which it purports to create of the Pledged Property (as defined in the Bond Resolution), subject to the application thereof to the purposes and on the conditions as provided in the Bond Resolution.

3. The Authority is duly authorized and entitled to issue the Series 2010 Bonds and the same have been duly and validly authorized and issued by the Authority in accordance with the Constitution and statutes of the State of New Jersey, including the Act and the Bond Resolution, and the Series 2010 Bonds constitute valid and legally binding, direct and special obligations of the Authority, enforceable in accordance with their terms and the terms of the Bond Resolution and of the Act and entitled to the benefits of the Bond Resolution and the Act.

The Series 2010 Bonds are not a debt or liability of the State or of the County (except to the extent of the County Guaranty) or of any political subdivision thereof other than the Authority.

4. The Authority has full power and authority to enter into the Guaranty Agreement and the Disclosure Agreement. The Guaranty Agreement and the Disclosure Agreement have each been duly authorized, executed and delivered by the Authority, and creates valid and binding obligations of the Authority, and such obligations are enforceable in accordance with their terms.

5. The County has the full legal right and power to adopt and execute the County Guarantee. Under the County Guarantee, the County is fully, unconditionally and irrevocably obligated to pay the principal of and interest on the Series 2010 Bonds, if necessary, from the levy of *ad valorem* taxes upon all the taxable property in the County, without limitation as to rate or amount.

6. Under existing law, interest on the Series 2010 Bonds is excluded from the gross income of the owners of the Series 2010 Bonds for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except for interest on any Series 2010 Bonds for any period during which it is held by a "substantial user" of the facilities financed with the proceeds of such Series 2010 Bonds or a "related person" of such "substantial user," as such quoted terms are defined under Section 147(a) of the Code, and interest on the Series 2010 Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. We express no opinion regarding any other Federal income tax consequences arising with respect to the Series 2010 Bonds.

7. Under existing law, interest on the Series 2010 Bonds and net gains on the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

With respect to our federal income tax opinion, we note that the Code imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Series 2010 Bonds in order for interest on the Series 2010 Bonds to be excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. The Authority and the Borrower have covenanted to comply with the provisions of the Code applicable to the Series 2010 Bonds and have covenanted not to take any action or fail to take any action which would cause the interest on the Series 2010 Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code or causes interest on the Series 2010 Bonds to be treated as an item

of tax preference under Section 57 of the Code. We have assumed continuing compliance by the Authority and the Borrower with the above covenants in rendering our opinion with respect to the exclusion of interest on the Series 2010 Bonds from gross income for Federal income tax purposes and with respect to interest on the Series 2010 Bonds not constituting an item of tax preference.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Authority other than the certified copies of the proceedings and proofs referred to hereinabove, 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 Series 2010 Bonds.

The opinions stated herein are based upon current authorities, and there can be no assurance that future legislative or administrative changes or court decisions will not affect said opinions. We undertake no obligation to inform you of any matter occurring after the date of this letter which affects in any way the opinion given herein.

Except as stated above, we express no opinion as to any Federal or state tax consequences with respect to the Series 2010 Bonds.

This opinion is qualified to the extent that the enforceability of the Bond Resolution, the Series 2010 Bonds, the County Guarantee, the Guarantee Agreement and the Disclosure Agreement may be limited by any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights generally and as to the availability of any particular remedy.

Very truly yours,

APPENDIX G

Notice of Sale

NOTICE OF SALE

\$5,540,000

SOMERSET COUNTY IMPROVEMENT AUTHORITY (County of Somerset, New Jersey)

County Guaranteed Governmental Loan Revenue Bonds, Series 2010 (Somerville Project) (Tax-Exempt Recovery Zone Facility Bonds)

ELECTRONIC BIDS, via BiDCOMP/PARITY Competitive Bidding System (BiDCOMP/Parity) (the "Proposals") only, will be received by the Chairperson of the Somerset County Improvement Authority, County of Somerset, New Jersey (the "Authority"), on December 16, 2010 until 11:00 a.m., New York City time, at which time they will be announced, for the purchase of all, but not less than all, of the Authority's County Guaranteed Governmental Loan Revenue Bonds, Series 2010 (Somerville Project) (Tax-Exempt Recovery Zone Facility Bonds) (the "Bonds"). Bidders are required to submit their Proposals for the purchase of the Bonds in accordance with the terms of the Notice of Sale.

The Issue

The Bonds will be issued as the County Guaranteed Governmental Loan Revenue Bonds, Series 2010 (Somerville Project). The proceeds of the Bonds will be used primarily to finance a loan to the Borough of Somerville in the County of Somerset, New Jersey (the "Borrower") for the making of a capital grant to Saker Shoprites, Inc. to finance a portion of the cost of the construction of a supermarket located in the West Main Street Redevelopment Area of the Borrower.

Authority

The Bonds will be issued pursuant to the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet laws of 1960, of the State of New Jersey, as amended and supplemented, and a County Guaranteed Governmental Loan Revenue Bond Resolution (Somerville Project) of the Authority duly adopted on November 23, 2010 (the "Bond Resolution"). Issuance of the Bonds is subject to the terms of approval of the New Jersey Local Finance Board.

Security for the Bonds

The Bonds will be direct and special obligations of the Authority and will be payable solely from the Pledged Property (as defined in the Bond Resolution) under the Bond Resolution including, but not limited to: (i) Revenues, including the Authority's right to receive Loan Repayments from the Borrower pursuant to its Borrower Bond (the "Borrower Bond"); (ii) Funds and Accounts (other than the Rebate Fund) established and held under the Bond Resolution; and (iii) all other moneys, securities or funds pledged to the payment of the principal of and interest on the Bonds. The Borrower Bond is a valid and enforceable full faith and credit obligation of the Borrower, unless paid from other sources, is payable from the levy of ad valorem taxes on all taxable property within the jurisdiction of such Borrower without limitation as to rate or amount.

The Bonds are further secured by a full, irrevocable and unconditional guarantee from the County of Somerset, New Jersey (the "County Guarantee") to pay, when due, the principal of and interest on the Bonds. The County has the power and the obligation to cause the levy of ad valorem taxes upon all taxable property within the County without limitation as to rate or amount for the payment of its obligations under the County Guarantee.

Interest Payment Dates

The Bonds will be dated the date of delivery (which is expected to be December 30, 2010) and will bear interest at the rate per annum specified by the successful bidder therefor in accordance herewith, payable on June 15, 2011 and semi-annually thereafter on the fifteenth day of December and June in each year until maturity.

Principal Amortization

Principal of the Bonds will be paid annually (at maturity, unless designated as mandatory sinking fund payments in the manner prescribed herein), subject to prior optional redemption, on June 15 in each of the following years and in the following aggregate amounts:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2012	\$240,000	2022	\$405,000
2013	255,000	2023	420,000
2014	270,000	2024	440,000
2015	285,000	2025	375,000
2016	335,000	2026	130,000
2017	345,000	2027	135,000
2018	355,000	2028	145,000
2019	365,000	2029	150,000
2020	380,000	2030	120,000
2021	390,000		

Term Bond Option

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

Optional Redemption Provisions

The Bonds maturing on or before June 15, 2020 shall not be subject to redemption prior to their respective maturity dates. The Bonds maturing on or after June 15, 2021 shall be subject to redemption prior to their respective maturity dates, on or after June 15, 2020 at the option of the Authority, upon notice as herein described, either in whole or in part by lot within a single maturity from maturities selected by the Authority, on any date, at a redemption price equal to 100% of the principal amount thereof (the "Redemption Price") and accrued interest thereon to the date of redemption.

When the Bonds have been selected for redemption pursuant to any provision of the Resolution, the Trustee shall give written notice of the redemption of such Bonds in the name of the Authority, which notice shall set forth: (i) the date fixed for redemption, (ii) the Redemption Price to be paid, (iii) that such Bonds will be redeemed at a designated office of the Paying Agent, (iv) if less than all of such Bonds shall be called for redemption, the distinctive numbers and letters, if any, of such Bonds to be redeemed, and (v) in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Such notice shall further state that on the redemption date there shall become due and payable the Redemption Price of all Bonds to be redeemed, together with interest accrued thereon to the redemption date, and that, from and after such date, interest thereon shall cease to accrue. If any Bond is to be redeemed in part only, the notice of redemption that relates to such Bond shall state also that on or after the redemption date, upon surrender of such Bond, the Holder thereof shall be entitled to a new Bond or Bonds, bearing interest at the same rate and in aggregate principal amount equal to the unredeemed portion of such Bond.

The notice required to be given by the Trustee shall be sent by registered mail to the registered Holders of the Bonds to be redeemed, at their addresses as they appear on the Bond registration books of the Authority, not less than thirty (30) nor more than forty-five (45) days prior to the redemption date. However, so long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, notices of redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds. The failure to give notice of the redemption of any Bond or portion thereof to the beneficial owners of such Bonds shall not affect the validity of the proceedings for the redemption of any Bonds for which notice of redemption has been given in accordance with the provisions of the Resolution.

Book-Entry-Only System

As long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co., as nominee of DTC, which will credit payments of principal of and interest on the Bonds to the DTC participants as listed in the records of DTC as of each next preceding June 1 and December 1 (the "Record Dates" for payment of interest on the Bonds), which participants will in turn credit such payments to the beneficial owners of the Bonds.

All bidders of the Bonds must be participants of The Depository Trust Company, New York, New York ("DTC") or affiliated with its participants. The Bonds will be issued in fully registered form, and when issued will be registered in the name of and held by Cede & Co., as

the registered owner thereof and nominee for DTC, an automated depository for securities and clearinghouse for securities transactions.

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

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

Electronic Bidding Procedures

Bids may be submitted electronically via PARITY in accordance with this Notice of Sale, until 11:00 a.m., New York City time, on December 16, 2010, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 849-5021. In the event that a bid for the Bonds is submitted via PARITY, the bidder further agrees that:

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

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

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

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

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

Bid Specifications

Each Proposal submitted must name the rate or rates of interest per annum to be borne by the Bonds bid for and the rate or rates named must be multiples of one-eighth or one-twentieth of one per centum. Not more than one rate may be named for Bonds of the same maturity. The rate specified for any Bonds of any maturity shall not be less than the rate specified for any Bonds of any prior maturity. There is no limitation on the rates that may be named. Each Proposal submitted must be for all of the Bonds and the purchase price specified in the proposal must be not less than one hundred percent (100%) or for more than one hundred and one percent (101%) of the aggregate par value of the Bonds.

Limitation on Difference Between Purchase Price Paid to the Authority and the Initial Reoffering Price

To comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") that limit the amount of costs of issuance that may be financed by the Bonds (including discount or other compensation to the successful bidder), the difference between the aggregate Initial Reoffering Price (as hereinafter defined) of the Bonds to the general public and the prices paid by the successful bidder to the Authority may not exceed 2.00% of the Initial Reoffering Price (as hereinafter defined) of the Bonds.

Award, Delivery And Payment

The Bonds will be awarded to the bidder on whose bid the total loan may be made at the lowest true interest cost. Such true interest cost shall be computed, as to each bid, by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and the price bid, excluding accrued interest to the delivery date. No Proposal shall be considered that offers to pay an amount less than the principal amount of Bonds offered for sale or under which the total loan is made at an interest cost higher than the lowest true interest cost to the Authority under any legally acceptable proposal. If two or more such bidders offer to pay the lowest true interest cost, then the Bonds will be sold to one of such bidders selected by lot from among all such bidders. The bidder to which the Bonds are awarded (in the manner specified above) is herein referred to as the "Successful Bidder."

It is expected that delivery of the Bonds to DTC and payment for the Bonds will take place on or about, December 30, 2010 at the offices of Gibbons P.C., bond counsel to the Authority ("Bond Counsel"), in Newark, New Jersey or at such other place as may be agreed upon with the Successful Bidder. The Bonds will be delivered to DTC in single denominations for each maturity of each type of bond. PAYMENT FOR THE BONDS AT THE TIME OF ORIGINAL ISSUANCE AND DELIVERY SHALL BE IN IMMEDIATELY AVAILABLE FUNDS.

Change of Bid Date and Closing Date

The Authority reserves the right to postpone, from time to time, the date established for the receipt of bids and will undertake to notify registered prospective bidders via notification published on Thomson Municipal Market Monitor ("TM3") (www.tm3.com). Prospective bidders may request notification by facsimile transmission of any such changes in the date or time for the receipt of bids by so advising, and furnishing their telecopier numbers to the Chief Financial Officer of the Authority at (908) 231-7047 by 12:00 Noon, New York City time, on the day prior to the announced date for receipt of bids. In addition, the Authority reserves the right to make changes to this Notice of Sale. Such changes will be announced on the TM3.

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

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

Right To Reject Bids; Waive Irregularities

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

Good Faith Deposit

A good faith deposit (the "Deposit"), in the form of either (i) a financial surety bond (the "Financial Surety Bond"), or (ii) an electronic transfer of immediately available federal funds in accordance with the wiring instructions contained in the immediately succeeding paragraph, in the amount of \$110,800 is required for each bid for the Bonds to be considered. The Financial Surety Bond must be from an insurance company licensed to issue such a bond in the State of New Jersey and approved by the Director of the Division of Local Government Services of New Jersey (the "Director"). At present, the Director has approved the use of Sure-Bid, a division of Financial Security Assurance Inc. Use of any other Financial Surety Bond must be approved by the Director prior to the bid and will not be accepted by the Authority unless evidence of such approval is provided prior to the bid. The Financial Surety Bond must be submitted to the Authority prior to 10:30 a.m. New York City time on the date for receipt of bids, and must be in

the form and substance acceptable to the Authority. A Financial Surety Bond must identify the bidder whose Deposit is guaranteed by such Financial Surety Bond. The Successful Bidder for the Bonds who utilized a Financial Surety Bond is required to submit its Deposit to the Authority in the form of a wire transfer not later than 1:00 p.m. New York City time on the next business day following the award. If such Deposits are not received by that time, the Financial Surety Bond may be drawn by the Authority to satisfy the Deposit requirement.

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

TD Bank, N.A.

Account Name: County of Somerset Improvement Authority Account

Account No.: 7855040965

ABA No.: 031201360

Contact: Brian Newman, Chief Financial Officer

Phone: (908) 231-7047

If an electronic transfer of funds is used, such funds must be received in the account identified immediately above no later than 10:30 a.m. New York City time on the date for receipt of bids, and must be accompanied by detailed wiring instructions for the return thereof in the event that such bidder is not the Successful Bidder. Please note that the contact information provided immediately above should be used by bidders for the purposes of confirming receipt of electronic transfer of funds and the transmittal of instructions for the return of such electronic transfers of funds in the event such bidder is not the Successful Bidder. Electronic transfers of funds of unsuccessful bidders for the Bonds will be returned upon award of the Bonds. It is the intent of the Authority that electronic transfers of funds will be returned via wire transfer to the unsuccessful bidders not later than 4:00 p.m. on the date for receipt of bids, provided that wiring instructions have been provided by such unsuccessful bidder at the time of transmission of the Deposit to the Authority. The Authority shall not bear any liability for any delay that may occur in the return of an electronic transfer of the Deposit to an unsuccessful bidder. Interest earned on the Deposit will be credited to the Authority and will not be available to the Successful Bidder for the Bonds.

The Deposit of the Successful Bidder will be collected and the proceeds thereof retained by the Authority to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the Successful Bidder shall fail to comply with the terms of its respective bid, the proceeds thereof will be retained as and for full liquidated damages. Award of the Bonds to the Successful Bidder or rejection of all bids is expected to be made within five hours after opening of the bids, but such Successful Bidder may not withdraw its Proposal for Bonds until after 5:00 p.m. of the day of such bid-opening and then only if such award has not been made prior to the withdrawal.

Bond Insurance

If the Bonds qualify for issuance of any policy of municipal bond insurance, any purchase of such policy shall be at the sole option and expense of the Successful Bidder. If the Bonds are to be insured, the Successful Bidder shall pay the premium therefor prior to the

delivery of the Bonds. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued shall not in any way relieve the Successful Bidder of its contractual obligations arising from the acceptance of its Proposal for Bonds for the purchase of the Bonds.

CUSIP Numbers

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

Undertakings of the Successful Bidder

THE SUCCESSFUL BIDDER SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THEIR RESPECTIVE INITIAL REOFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED BELOW.

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

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the Authority that the Bonds were initially offered to the public).
- B. The identity of the underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information that the Authority determines is necessary to complete the Official Statement in final form.

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

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE AUTHORITY A CERTIFICATE ACCEPTABLE TO BOND COUNSEL TO THE EFFECT THAT (I) THE SUCCESSFUL BIDDER HAVE MADE A BONA FIDE PUBLIC OFFERING OF BONDS AT THE INITIAL REOFFERING PRICES, (II) AS OF THE DATE OF THE SALE OF THE BONDS, THE SUCCESSFUL BIDDER REASONABLY EXPECTED TO SELL A SUBSTANTIAL

AMOUNT OF THE BONDS TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES, AND (III) SUBSTANTIAL AMOUNTS OF THE BONDS WERE SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES. Bond counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder; (ii) the sale to the public of 10% or more in par amount of the bonds of each maturity at the initial reoffering prices would be sufficient to certify as to the sale of a substantial amount of the bonds, and (iii) reliance on other facts as a basis for such certification would require evaluation by bond counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

Legal Opinions

The obligations hereunder to pay for and to accept delivery of the Bonds shall be conditioned on the availability and the delivery at the time of delivery of the Bonds of the approving opinion of the law firm of Gibbons P.C., Newark, New Jersey, bond counsel to the Authority, which will be furnished without cost to the Successful Bidder, substantially in the form set forth in the Official Statement distributed in preliminary form in connection with the sale of the Bonds. Such opinion shall state to the effect that the Bonds are valid and legally binding special obligations of the Authority; and will also state that under existing law, interest on the Bonds is excluded from gross income for purposes of Federal income taxation. The obligations hereunder to pay for and to accept delivery of the Bonds shall be further conditioned on the availability and delivery to the Successful Bidder(s), at the time of delivery of the Bonds, of (i) certificates from the Chairperson in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds, the receipt of payment therefor and the fact the Bonds will not be arbitrage obligations within the meaning of the Code; (ii) a certificate from the Authority General Counsel, in form and tenor satisfactory to Bond Counsel and dated as of the date of such delivery, to the effect that there is no litigation pending or (to the knowledge of the signer or signers thereof) threatened affecting the validity of the Bonds; and (iii) a certificate from the Chairperson, in form and tenor satisfactory to Bond Counsel and dated as of the date of such delivery, to the effect that to the best of his knowledge of such and belief, and after reasonable investigation: (1) neither the Official Statement relating to the Bonds nor any amendment, or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading; and (2) since the date of the Official Statement (or the date of the most recent amendment or supplement thereto) no event has occurred which would make the statements therein untrue or, in the light of the circumstances in which they were made, misleading.

Bank Qualification

The Bonds will not be designated as “qualified tax exempt obligations” for purposes of Section 265(b)(3) of the Code.

Preliminary Official Statement

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

The Preliminary Official Statement may be accessed via the Internet at www.i-dealprospectus.com. A printed version is also available upon request made to the Chief Financial Officer of the Authority at the County Administration Building, Somerville, New Jersey 08876 (telephone (908) 203-6019).

Official Statement

The Authority agrees to provide each successful bidder with up to one hundred (100) copies of the final Official Statement adopted by the Authority in relation to the sale by the Authority of the Bonds within the period of time allowed under Rule 15c2-12, at the sole cost and expense of the Authority, with any additional copies which the successful bidder shall reasonably request to be provided at the sole cost and expense of the successful bidder.

Continuing Disclosure

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

Richard E. Williams
Chairperson

Dated: December 9, 2010